



California  
Society

Certified  
Public  
Accountants

August 11, 2008

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

**RE: Exposure Draft of Proposed Statement on Auditing Standards  
Communicating Internal Control Matters Identified in an Audit  
(Amends AU 325)**

Dear Ms. Hazel:

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 Auditing Standards Board (ASB) on this Exposure Draft (ED).

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.

***Question 1 – Definition of Significant Deficiency.***

The Committee is in agreement with the change to the definitions.

***Question 2 – Compensating Controls.***

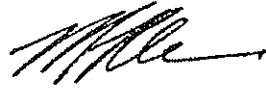
The Committee is in agreement that there should be no requirement to test a compensating control of a design deficiency merely for purposes of categorizing that deficiency in communicating with management and those charged with governance. However, the Committee believes that additional guidance and examples are needed to clarify, particularly for audits of smaller entities, whether and to what extent, if any, compensating controls can mitigate identified design weaknesses involving lack of segregation of duties or the preparation of financial statements. The Committee has substantial experience with audits of smaller entities and with the peer reviews of smaller-entity auditors and believes that in the absence of more robust guidance this standard may be misunderstood as to when and to what extent communications with management and those charged with governance of identified control design deficiencies should be made.

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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 'M. Wille', with a long horizontal stroke extending to the right.

Mark F. Wille, Chair  
Accounting Principles and Auditing Standards Committee  
California Society of Certified Public Accountants

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