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Via E-Mail (shazel@aicpa.org)

December 18, 2009

Ms. Sherry Hazel

AICPA Auditing Standards Board

1211 Avenue of the Americas

New York, NY 10036-8775

Re: Proposed SAS – Reporting on Compliance with Aspects of Contractual Agreements or Regulatory Requirements in Connection with Audited Financial Statements (Redrafted)

Dear Ms. Hazel:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) is pleased to provide our comments to the Auditing Standards Board on the Exposure Draft of the Proposed Statement on Auditing Standards – Reporting on Compliance with Aspects of Contractual Agreements or Regulatory Requirements in Connection with Audited Financial Statements (Redrafted) (the “Proposed Statement”).

The 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.

### **General Response**

The Committee supports the issuance of the Proposed Statement as it provides significant guidance for auditors. However, there was strong sentiment among several of the Committee members that the entire subject of the Proposed Statement should be presented under the AICPA’s Attestation Standards and the Proposed Statement not be issued.

### **Issues for Consideration**

#### **1. Should the auditor provide negative assurance when the auditor has identified items of noncompliance?**

The Committee agrees with the guidance provided in the Proposed Statement.

**2. When items of noncompliance are pervasive, should the auditor be precluded from issuing negative assurance?**

The Committee agrees with the guidance provided in the Proposed Statement.

**3. If the auditor was precluded from issuing negative assurance in the situation in question 2, what form of report should the auditor issue in relation to reporting on compliance with aspects of contractual agreements or regulatory requirements in connection with the audit of financial statements?**

The Committee suggests that practitioners be given the choice between the following alternatives rather than leaving it to the auditor's professional judgment:

- A. Presenting just the negative findings or,
- b. Presenting the negative findings with a statement to the effect the auditor was unable to establish a basis for providing negative assurance due to the pervasiveness of the negative findings.

**Issues Related to the Clarity Drafting Conventions**

The Committee had no specific comments.

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

Very truly yours,



Jo Ann Guatterry, Chair  
Accounting Principles and Auditing Standards Committee  
California Society of Certified Public Accountants