

May 17, 2010

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

***RE: Proposed Statement on Auditing Standards, Reports on Application of Requirements of an Applicable Financial Reporting Framework***

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 (the “Board”) on the proposed standard.

The AP&AS Committee is the senior technical committee of the CALCPA. CALCPA has approximately 35,000 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.

Following is a summary of the Committee’s responses to the proposed SAS for your consideration.

We also encourage the ASB to continue to monitor changes in accounting and financial reporting standards being developed by the Financial Accounting Standards Board and the International Accounting Standards Board to insure auditing standards parallel these changes.

***Specific Questions***

1. Is the objective of the auditor appropriate?

The committee believes that the objectives of the auditor are appropriate.

2. Is Interpretation No. 1, “Requirement to Consult With the Continuing Accountant,” of AU section 625, *Reports on the Application of Accounting Principles* (AICPA, Professional Standards, vol. 1, AU sec. 9625, Par. .01-.09), appropriately incorporated in the proposed SAS?

Please see comments below.

3. Have considerations for audits of smaller, less complex entities and governmental entities been dealt with appropriately?

The committee believes that smaller less complex entities and governmental entities have been dealt with appropriately.

The committee offers the following general comments for your consideration:

Paragraph 1 – Consider striking “either in connection with a proposal to obtain a new client or otherwise” from the first sentence. The committee believes it is unnecessary and could promote opinion shopping.

Consider replacing the term “reporting” accountant with “advisory” or “consulting” accountant throughout the document. The continuing accountant is reporting as well which makes the term awkward.

It is unclear if independence is required for an engagement of this type. Consider addressing this issue in the definition.

Paragraph 2 a. – Consider replacing “reaching a decision” with “forming a professional judgment” as this term is used in paragraph 12 f.

Paragraph 3, first sentence – Consider replacing the term “policies” with “principles” for consistency with other standards.

Paragraph 5 – The committee noted that position or white papers by their nature are meant to cover a specific transaction or group of transactions. Consider modifying the end of the sentence to read: ...the application of these requirements to a specific transaction “or group of transactions of a specific entity”. Consider this modification throughout the document. This would avoid the need to define the term specific transaction.

Paragraph 13 – The committee believes that the reporting accountant should be required to consult with the continuing accountant regardless if the engagement is on a recurring basis. To allow for exceptions as noted in the proposed standard would allow for potential loopholes not to consult with reporting accountant.

Paragraph A 4, bullet point 4 – Consider replacing the term “conclusion” with “professional judgment”.

Paragraph A 7 – Paragraph 2 states that the SAS also applies to oral advice, therefore, it would appear that this paragraph is misleading or redundant, and should be removed.

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

Very truly yours,

A handwritten signature in cursive script, reading "JoAnn Guattery". The signature is written in black ink and is positioned above the typed name.

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