

May 20, 2002

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California
Society
Certified
Public
Accountants

Anat Kendal
Director, Member Innovation – Financial Planning
AICPA
Harborside Financial Center
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Jersey City, NJ 07311-3881

Dear Anat,

The California Society of CPAs Litigation Sections Steering Committee (Sections) met on May 15, 2002 in Monterey, CA, and on the agenda was discussion of the Statement On Responsibilities For Litigation Services No. 1 (SOR) v.4/15/02. We thank Mike Ueltzen for providing us with an advance copy of the most recent version of the document and we thank Mike and the task force for all their hard work on this project and their willingness to receive comments from California.

The Sections did not have ample time to do a thorough review of the SOR v.4/15/02, but upon cursory review, the Sections believes that the document is fatally flawed in numerous areas, including, but not limited to the following:

- 1) The Sections believes that the status of the SOR as non-authoritative guidance should be clarified. Accordingly, the Sections recommends that the title be changed to "Statement on Litigation Services No. 1", eliminating the word "responsibilities", and further recommends that the final version of the SOR include a statement that "the SOR does not establish standards" and additionally believe that the SOR should not be published in the AICPA Professional Standards volumes.
- 2) Page 10 of the SOR should strongly stress that the attorney has the primary responsibility for knowledge of the rules of the respective court or other dispute resolution forum and the expert should look to the attorney for guidance in performing their work.
- 3) The comparative analysis of standards and responsibilities on page 12, and the pyramid on page 15 are confusing.
 - (a) The mere combination of standards and responsibilities implies a relation between the two, which does not exist.
 - (b) The pyramid appears to establish a hierarchy of factors that doesn't appear appropriate. Additionally, it is difficult to determine if levels 1 – 4 are a top to bottom or bottom to top sequence.
 - (c) The AICPA SOR for Litigation Services No. 1 is not a standards and to include it in item 13 makes it appear to be a standard; and
 - (d) "subject matter expertise" is an undefined term.

- 4) Rule 101 – Independence, on page 15 of the SOR is confusing. It appears to state that the expert does not need to be independent, but rather must appear to be independent for the benefit of the trier of fact. This section does not appear to be correct and should be rewritten.

The Sections believes that it is imperative that a moratorium be placed on the distribution of the SOR because it needs further review. Publishing this document, in it's present form would be detrimental to practitioners and to the profession. The Sections views are extremely strong and we voted 33 to 0 to convey this message to the AICPA. We will reconvene our own Sections SOR Task Force to provide another thorough review of the SOR v.4/15/02 to determine if additional comments are necessary, and if so, we will forward them.

We are seeking a statement and an outcome that would not hamper a CPA's ability to work in the litigation services area. We believe that the current version would create the potential for malpractice liability for practitioners.

Anat, the Sections is very appreciative of the opportunity we've been afforded to provide input on several occasions regarding the SOR. Should you have any comments or questions of us, please do not hesitate to contact me at 858/792-2920 or ann@aewilsoncpa.com. We look forward to your response to our comments.

Sincerely,

Ann Wilson

Ann E. Wilson, CPA
Chair, Litigation Sections
California Society of CPAs

Cc: Mike Ueltzen, CPA, Chair, SOR Task Force
Sandra Johnigan, Chair, AICPA LDRS Committee
Sections Steering Committee Members
David L. George, CPA, Chair, California Society of CPAs
Susan B. Waters, CAE, CEO, California Society of CPAs
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