

**CALCPA Accounting Principles and
Auditing Standard (APAS) State Committee
Zoom Meeting
February 11, 2021**

Meeting called to order by Committee Chair, Nancy Rix at 9:00 a.m.

Introductions of new and old members

Appointment of morning and afternoon minutes secretaries: Jillian Phan and Doug DeBoer, respectively

Minutes presented for approval:

- Julie Cox identified changes to the last two bullet points from the previous minutes to state, "...ending on or after 12/15/2021."
- Motion to approve with the changes made by Julia Cox
- Motion seconded by Frank O'Brien
- Motion passes

ASB (SASs / SSAEs) – Gary Krausz

Noncompliance with Laws and Regulations

- Discuss anticipated exposure draft related to predecessor and successor auditors' communication regarding acceptance of a potential client. This must be done before acceptance of new client. If a predecessor auditor refuses, then successor auditor must inquire for reasons and consider the implications of refusal in deciding whether to accept new engagement. Generally, we are supportive of the idea but have various comments to include in this draft.

Direct Review Engagements

- Discuss anticipated revisions to attestation standards for direct review engagements. Proposed consideration to allow or continue to prohibit the practitioner from performing procedures other than inquiry and analytical procedures in a direct review engagement for prospective financial statements, internal control, or compliance with requirements of specified laws.
- Mark Dauberman suggests forming a task force to address this exposure draft.

Fraud and Going Concern

- Discuss IAASB Discussion Paper and ASB's Comment Letter to the IAASB related to fraud/going concern.
- Q&A was provided to the public discussing auditor's transparency about fraud, auditors having a suspicious mindset, additional procedures surrounding the identification of non-material fraud, etc.

ASB (SQCSs / SASs) – Nancy Rix & Howard Sibelman

- Proposed Statements on Quality Management Standards – Quality Management and Proposed Statements on Auditing Standards
 - A Firm’s System of Quality Management
 - Proposed principles and components of a system of QC should be implemented under the circumstances and is focused on achieving quality objectives that are outcome-based.
 - Engagement Quality Review focuses on eligibility of individual within the firm to be appointed as the quality reviewer including authority, competencies, and capabilities of reviewer.
 - Scalability may be more difficult for smaller CPA firms with limited audits.
 - SQMS 1 has effective date of implementation by 12/15/2023 while evaluation of the system would be required by 12/15/2024.
 - Ricardo Martinez and Mark Dauberman volunteered to help Nancy and Howard with this matter.

FASB – Aleks Zabreyko

- General update – None to report
- FASB Technical Agenda
- Proposed Accounting Standards Update – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers
 - This is intended to improve the accounting for acquired revenue contracts with customers in a business combination related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer.
 - The amendments in this proposed Update would require that an entity (acquirer) recognizes, and measures contract assets and contract liabilities acquired in a business combination in accordance with Topic 606.

Break for lunch at 12:00 p.m.

FASB – Aleks Zabreyko and Frank O’Brien

Conclusion of morning discussion re: Proposed Accounting Standards Update – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.

Aleks and Frank will finish draft of comment letter and circulate to committee.

PEEC – Lewis Sharpstone

PEEC had a meeting on February 10, 2021. Lewis provided a recap of meeting topics:

1. NOCLAR Task Force – Formed to provide guidance to profession on NOCLAR. PEEC voted to re-expose NOCLAR exposure draft simultaneously with ASB exposure draft on NOCLAR – same issue date, same response date. Plan to proceed in coordinated fashion.
 - a. Question was raised if there will be specific language for engagements other than audit, or audit-only? The NOCLAR guidance will apply to all CPA's regardless of type of work. The guidance contains sections to address particular service areas. Recommendation to inform/consult with other technical committees (i.e. tax).
2. Staff Augmentation Arrangements – Covering the question of whether an auditor can augment the client's staff and remain independent. Exposure draft, received comments. Some comments supportive, some strongly opposed. NASBA supported, but CA Board of Accountancy and NY Society of CPAs opposed. PEEC voted to approve and issue guidance for staff augmentation.
3. Records Request Task Force – Working on updating guidance.
4. SEC Convergence Task Force – To address SEC changing rules regarding loans. What loans are a violation of independence? (i.e. auditor has student loans and is auditing the lender)
5. Compliance Audit Task Force – Very narrow scope. To address conducting a compliance audit as part of a larger audit – What does the auditor need to be independent of?
6. IFAC Convergence – No materials, just report on IFAC and PEEC efforts to converge.
7. IESBA Update –
 - a. Nonassurance services
 - b. Fees – Addressing how much in fees an auditor can collect from a client and remain independent. Evaluated at the firm, office, practice unit, and partner level.
 - c. Engagement Team – Definition – What constitutes the engagement team?
8. Statements of Standards for Tax Services – Brief update, moving forward.

ARSC – Gail Anikouchine

Committee met on Jan 28. No materials, but discussed ASB and PEEC projects re: NOCLAR. After release of NOCLAR guidance, will determine changes needed to standards for accounting and review services.

ARSC is planning to go to the AICPA Engage Conference to solicit input from practitioners.

Education and Communications – Mark Dauberman and Mark Wille

Mark Wille provided an update that the committee is no longer responsible for Assurance and Accounting Conference, although members may still volunteer to assist.

Mark Wille led a brief discussion of the October issue of CalCPA Magazine. Will discuss more at the May meeting. Ideas proposed: delayed accounting standards, leases, SSARS 25, NOCLAR, CA rules on client documentation requests, updates to Quality Control, etc. Probably too early for CECL.

Dauberman – Informed the committee that a liaison relationship with Education Foundation will be starting.

Chapters – Doug DeBoer

Brief update on chapter chairs. Several in attendance at meeting today. Doug plans to schedule Zoom meeting for chapter chairs after new chairs are installed in May. Nancy Rix commented that some follow-up may be needed based on changes to CalCPA's committee rules (to be discussed in Other Committee Matters).

Other Committee Matters

Paul Peterson – Gave overview of new CalCPA Committee Rules and Operating Principles

- Nancy and Paul attended meeting with Jill Gorman
- CalCPA looking to add structure to committee operations. Not final yet, but proposals include:
 - o Limits to number of members on committees (Including limits on at-large, chapter, etc.)
 - o More officer roles in committees
 - o More specific participation and attendance rules
 - o At least one virtual and one CalCPA office meeting
 - o Term limits – 6 years with one year break (may be exceptions for APAS to retain institutional knowledge)
 - o Two-year term, so no need to apply every year
 - o Limit to 3 committee members from the same firm
 - o Formal annual reports to the board
- Perceived problems: Lack of sharing between committees (don't want organizations receiving comment letters with different opinions from different committees), little turnover on some committees, lack of structure on many committees.
- Efforts to get more chapter involvement
- More to come

Nancy – Discussed the May meeting

- Will be virtual, working on agenda.
- Committee voted in favor of having two half-days for May meeting.

Mark Dauberman – Led discussion on hiring process for CalCPA's new CEO.

Nancy Rix led discussion of AICPA for-profit activities. Decision was made to refer the matter to CalCPA Council to address.

Nancy Rix proposed inviting Andy Mintzer to May meeting for update on AICPA activities. Committee supported the invitation.

Meeting was adjourned at 2:55 PM.