

February 25, 2019

Delivered by e-mail to: Barbara.Andrews@aicpa-cima.comBarbara Andrews
AICPA, Director of Forensic Services

Re: Exposure Draft for Statement on Standards for Forensic Services (SSFS)

The California Society of CPAs ("CalCPA") has approximately 45,000 members. CalCPA's Forensic Services Section ("FSS") Steering Committee is a senior technical committee of CalCPA that oversees the activities of our Business Valuation, Economic Damages, Family Law, and Fraud & Financial Investigations Sections. The FSS Steering Committee consists of 45 appointed members, including members representing solo practitioner firms, local or regional firms, large multi-office CPA firms, industry and academia.

We have reviewed the exposure draft for SSFS. As an initial matter, we thank the AICPA Staff and the AICPA Forensic and Valuation Services Executive Committee for their work developing SSFS. We realize that it is difficult to develop a useful standard. In this regard, we believe that incorporating the feedback of members is an important opportunity to make the standard as useful as possible. Accordingly, we write to communicate certain suggestions regarding the exposure draft:

- 1) The phrase "improving the consistency and quality of practice" is used in the "Why Issued" section in reference to the work currently performed by AICPA members. We believe the word "improving" should be revised to a word such as "maintaining" to reflect the existing quality of work by AICPA members.
- 2) In paragraph .01, the phrase wrongdoing should be one word. We also think it would be preferable to extend the word "stakeholder(s)" in the definition of Investigation.
- 3) We believe that forensic services are not entirely encompassed by the Litigation and Investigation categories currently presented in paragraph .01. We suggest that the introductory clause add a phrase such as "...members who are providing services *including the following types of engagements.*" The principal reason for this view is that SSFS will have the highest use to members if it applies to most, if not all, of the forensic services that members provide. We do understand that Statement on Standards for Consulting Services (SSCS) will remain intact following an effective date of SSFS. We also believe that this should be clarified in either the "Why Issued" section or SSFS paragraph .01.
- 4) We believe that the content of note seven to paragraph .02 regarding Agreed-Upon Procedures should either be elevated to the main text of the standard or additional citation should be provided in the note to clarify the existing source for this provision.
- 5) We are familiar with instances when our members have been asked to perform forensic services for an attest client. Generally, under current *independence* rules, members may

- perform *Investigation* but may not perform *Litigation* services for attest clients. We believe that the standard should be augmented to address *independence* considerations for the member in this situation. Furthermore, a member may be asked to modify the scope of an *Investigation* engagement, including so that the member may testify about the investigation (*i.e.*, *Litigation* services). Similarly, an attest client may request that a member's investigative report be produced for purposes of litigation. We believe it would be useful for the standard to provide guidance to members on these topics.¹
- 6) We believe that it would be helpful to provide a Frequently Asked Questions (FAQ) directory to address member questions that have or will arise. In this regard, our members have raised the following questions for consideration:
- a. With respect to SSFS paragraph .08, certain members have requested that the AICPA provide additional guidance regarding the meaning of "the ultimate conclusion of fraud or other legal determinations." We are aware of other publications that address this issue, including, for example, the recently issued practice aid entitled "Communications in Litigation and Dispute Services" and the May 2011 FVS Consulting Digest article entitled "Fraud Reporting." In addition regarding this same paragraph, we recommend providing additional information to clarify the phrase "other laws," including the identification of at least one other example of a legal issue (*e.g.*, an *alter ego* matter).
 - b. If a member is asked by a client to employ an assumption, what obligation, if any, does a member have to assess the reasonableness of the assumption? Is this a *sufficient relevant data* issue? Is this issue addressed when a member serves the client interest (*i.e.*, objectivity)?

If you would like to discuss any of the comments above, please do not hesitate to contact me at regang@hemming.com.

Respectfully,



Greg Regan
CalCPA, FSS Chair

cc:
Lewis Sharpstone, CalCPA Chair
Loretta Doon, CalCPA CEO
Anthony Pugliese, CalCPA Incoming CEO
Annette Stalker, AICPA FVS Executive Committee Chair

¹ In the alternative, these issues should be addressed in a FAQ as discussed in our final comment.