



May 15, 2012

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Dear Board Members:

The Audit and Assurance Services Committee of the Illinois CPA Society (“Committee”) is pleased to comment on the Proposed Auditing Standard, *Related Parties, Proposed Amendment to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Proposed Amendments to PCAOB Auditing Standards* (Docket Matter No. 38). The organization and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the position of the Illinois CPA Society rather than any members of the Committee or of the organizations with which such members are associated.

The Committee reviewed and considered the questions contained in Appendix 4 – Additional Discussion Page A4-21. With the exception of the additional comment below, the Committee believes that the objective of the proposed standard is appropriate and does not have comments with respect to the questions raised.

In addition, the Committee respectfully submits the following additional comment related to the proposed standard:

1. Paragraph .04 of AU Section 334 – *Related Parties* states, “An audit performed in accordance with generally accepted auditing standards cannot be expected to provide assurance that all related party transactions will be discovered.”

This sentence was excluded from the PCAOB Proposed Standard – *Related Parties*. The Committee is concerned that without this sentence, the proposed standard creates an unrealistic and unacceptable expectation that the auditor is responsible to identify any and all related parties and related party transactions, whether or not the relationship or transaction is material and whether or not the relationship or transaction is fraudulently concealed. This implication is inconsistent with the auditors’ responsibility to design audit procedures in a manner that will identify risks of *material* misstatements. In particular, due to the nature of related parties and related party transactions, the auditor cannot be held responsible for discovering *all* such parties and transactions.

The Committee believes that the PCAOB should consider including the sentence quoted above in the proposed standard.

The Illinois CPA Society appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

James J. Gerace, CPA
Chair, Audit and Assurance Services Committee

Elizabeth J. Sloan, CPA
Vice Chair, Audit and Assurance Services Committee



ILLINOIS CPA SOCIETY

APPENDIX A

AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2012 – 2013

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members. The Committee seeks representation from members within industry, education and public practice. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of audit and attestation standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Katarina Babic, CPA	McGladrey & Pullen LLP
Robert D. Fulton, CPA	Baker Tilly Virchow Krause, LLP
James J. Gerace, CPA	BDO USA, LLP
Bradley E. Gnade, CPA	McGladrey & Pullen LLP
Howard L. Gold, CPA	CliftonLarsonAllen LLP
Jeremy L. Hadley, CPA	Pricewaterhouse Coopers
Jon R. Hoffmeister, CPA	CliftonLarsonAllen LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
Michael J. Pierce, CPA	McGladrey & Pullen LLP
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Kevin V. Wydra, CPA	Crowe Horwath LLP

Regional

Jennifer E. Deloy, CPA	Frost, Rittenberg & Rothblatt, P.C.
Sharon J. Gregor, CPA	Selden Fox, Ltd.
Timothy M. Hughes, CPA	Wolf & Company LLP
Andrea L. Krueger, CPA	Corbett, Duncan & Hubly, P.C.
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Stephen R. Panfil, CPA	Bansley & Kiener LLP

Local:

Scott P. Bailey, CPA	Bronner Group LLC
Loren B. Kramer, CPA	Kramer Consulting Services, Inc.
Carmen F. Mugnolo, CPA	Philip + Rae Associates, CPA's
Geoff P. Newman, CPA	Weiss & Company LLP
Steven C. Roiland, CPA	Kessler Orlean Silver & Co., P.C.,
Jodi Seelye, CPA	Jodi Seelye, CPA
Richard D. Spiegel, CPA	Steinberg Advisors, Ltd.
Timothy S. Watson, CPA	Benford Brown & Associates, LLC

Industry:

Todd W. Bailey, CPA	kCura Corporation
George B. Ptacin, CPA	The John D & Catherine T MacArthur Foundation

Educators:

David H. Sinason, CPA	Northern Illinois University
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Staff Representative:

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