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**Subject: Comments on PCAOB Rulemaking Docket Matter No. 042
Proposed Amendments Relating to the Supervision of Audits
Involving Other Auditors, and Proposed Auditing Standard –
Dividing Responsibility for the Audit with Another Accounting Firm**

The California Society of CPA's ("CalCPA") Accounting Principles and Assurance Services Committee ("the Committee") is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional CPA firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee is pleased to support the efforts of the PCAOB in clarifying the audit standards regarding shared audits and presents our responses to the PCAOB's questions.

II. Background and Reasons to Improve Auditing Standards

C. Reasons to Improve Auditing Standards

1. Does the description of existing audit practice accurately depict the state of practice? **Yes**

Does the discussion of the reasons to improve auditing standards sufficiently describe the nature of concerns arising from the use of other auditors that the Board should address? **Yes**

Are there additional concerns that the Board should seek to address? *Not with respect to the overall objective of the PCAOB, but the Committee will comment on specific sections of the new or amended standards below.*

III. Discussion of Proposed Amendments

B. Propose a New Auditing Standard for Dividing Responsibility

2. Are these proposed amendments to existing standards appropriate? *Yes, changes are needed to clarify the role of the lead auditor in supervising the work of other auditors.*

Are additional changes needed to increase the likelihood that the lead auditor is sufficiently involved in the other auditor's work? *No, the direction of the current proposal is sufficient to achieve a greater uniformity in practice among audit firms and their personnel who perform these types of engagements.*

Should the Board require specific procedures to address business, language, cultural, and other differences between lead auditors and other auditors, and if so, what types of procedures? *Not directly, other than to acknowledge the lead auditor ought to consider such conditions in developing the overall audit plan so that it can be effectively implemented. The most significant issue deals with determining the other audit firm's understanding of the PCAOB audit process to properly execute their portion of the audit. It is possible the proposed new standards may ultimately cause some non-network firms to be dropped from the mix of available firms who provide services to the lead PCAOB registered firms. We do not consider this an unacceptable result.*

3. Are there any other areas of improvement in existing standards relating to audits that involve other auditors that the Board should address? *Not at this time.*

Should the Board's standards be amended to address other responsibilities of the lead auditor? *No.*

Are there related areas of practice for which additional or more specific requirements are needed, such as determining tolerable misstatement for the individual locations or business units under AS 2105? *No, the Committee believes the existing guidance contained in AS 2105 can be readily adapted to the use of other auditors.*

IV. Discussion of Proposed Amendments

A. Baseline

4. Quality of Audits That Use Other Auditors

4. The Board requests comment generally on the baseline for evaluating the potential economic impacts of the proposal. Are there additional academic studies or data the Board should consider? The Board is particularly interested in

studies or data that could be used to assess potential benefits and costs. *The Committee is not prepared to provide input in this area.*

B. Need for the Proposal

5. The Board requests comment generally on the analysis of the need for the proposal. The Board is interested in any alternative economic approaches to analyzing the issues presented in this release, including references to relevant data, studies, or academic literature. *The Committee believes the three bullets on Page 34 accurately summarize the likely economic impact on audit firms who currently use other auditors, and is not prepared to provide additional input in this area.*

C. Economic Impacts

1. Benefits

6. The Board requests comment generally on the potential benefits to investors and the public. Are there additional benefits the Board should consider? *No.*

2. Costs

7. The Board requests comment generally on the potential costs to auditors and companies they audit. Are there additional costs the Board should consider? *Please see the Committee's response to Question 5 above.*

3. Unintended Consequences

8. The Board requests comment generally on the potential unintended consequences of the proposal. Are the responses to the potential unintended consequences discussed in the release adequate? *Yes.*

Are there additional potential unintended consequences that the Board should consider? If so, what responses should be considered? *The Committee does not believe there are additional unintended consequences that might arise from implementing this proposal.*

9. Could the proposed requirement for lead auditor supervision diminish (or be perceived as diminishing) the other auditor's accountability for the work the other auditor performs? If so, are any changes to the proposal needed to describe the other auditor's responsibilities? *The Committee believes the proposed standards should improve the overall quality of the other auditor's work by providing the lead auditor the means to achieve more effective supervision and a greater precision in documenting the review of the other auditor's work. The Committee believes these changes will lead to a likely increase in the other auditor having more accountability, rather than less.*

10. Could the proposed requirement for lead auditor supervision induce lead auditors in some audits to divide responsibility with another accounting firm rather than supervise the accounting firm? If so, how often might this division of responsibility occur? *The Committee considers this a slight possibility. However, it would be unlikely, as managing SEC filings with a divided registered CPA firm under a split responsibility is cumbersome for the issuer.*

D. Alternatives Considered

11. The Board requests comment generally on the alternative approaches that the Board considered but is not proposing, as described in this release. Are any of these approaches, or any other approaches, preferable to the approaches the Board is proposing? What reasons support those approaches over the approaches the Board is proposing? *The Committee believes the current proposal is the best means of achieving the desired result.*

12. Are there additional economic considerations associated with this proposal that the Board should consider? If so, what are those considerations? *The Committee has no input on this question.*

V. Considerations for Audits of Emerging Growth Companies

13. The Board requests comment generally on the analysis of the impacts of the proposal on EGCs. Are there reasons why the proposal should not apply to audits of EGCs? If so, what changes should be made so that the proposal would be appropriate for audits of EGCs? What impact would the proposal likely have on EGCs, and how would this affect efficiency, competition, and capital formation? *The Committee is not in favor of creating a tiered audit process between EGC's and seasoned issuers. It is this Committee's experience that EGC's are actually less likely to have material geographic diversity of operations, and for those that do, the lead auditor should have to follow the same standard to insure the overall adequacy of the collective audit.*

VI. Applicability of the Proposed Requirements to Audits of Brokers and Dealers

14. The Board requests comment generally on the analysis of the impacts of the proposal on audits of brokers and dealers. Are there reasons why the proposal should not apply to audits of brokers and dealers? Are there any factors specifically related to audits of brokers and dealers that should affect the application of the proposal to those audits? *The Committee is not prepared to comment on the impact of the proposal on the audit of brokers and dealers who operate in diverse geographic locations.*

VII. Effective Date

15. How much time following SEC approval would accounting firms need to implement the proposed requirements? *The Committee suggests at least twelve to eighteen months at a minimum.*

APPENDIX 4

Additional Discussion of Proposed Amendments and Proposed New Standard

II. Terminology – Proposed Definitions

16. Are the proposed definitions of: (a) "engagement team," (b) "lead auditor," (c) "other auditor," and (d) "referred-to auditor" appropriate? *Yes.*

Do the proposed definitions clearly describe individuals and entities that are included in these definitions? *Yes.*

Is it clear which individuals or entities are not included in these definitions? If not, what changes to the proposed definitions are necessary? *The distinctions are adequately described.*

17. Some global network firms use short-term (several months) personnel sharing arrangements, during which some available personnel are seconded to other firms and function as their employees. Some firms contract with consulting firms or temporary workforce agencies for personnel that work alongside and in the same capacity as personnel on the engagement team that are employed by the lead auditor. Should these personnel be treated as part of the lead auditor? *The Committee believes those individuals performing substantive audit procedures under the direct supervision of the lead auditor (on an engagement specific or time frame basis) should be treated as part of the lead auditor. However, the Committee has observed that certain temporary or offshore staffing arrangements are structured in such a way that the work performed consists of rudimentary tasks that are reviewed by local supervisory personnel prior to being submitted to the lead auditor. In such cases, these individuals perform tasks that some might argue are really clerical in nature, and do not lead to material conclusions. Therefore, the Committee believes the proposed standard should provide the means to exclude such individuals from consideration as part of the lead auditor or engagement team.*

18. Are there any situations in practice where applying the new definitions of "engagement team" and "other auditor," including related requirements, would present practical challenges? *The Committee believes that including temporary workers, including the typical offshore staffing arrangements discussed in the Committee's response to Question 17 in the definition of the engagement team could present unnecessary practical challenges.*

19. Should there be requirements for the lead auditor to: (1) specifically identify the engagement team members responsible for assisting the engagement partner of the lead auditor in fulfilling his or her supervisory responsibilities and (2) document such assignments? *Yes.*

Should the individuals who assist the engagement partner with supervision be limited to engagement team members from the office issuing the auditor's report? *No, as the current use of secure electronic networks make the physical presence of all engagement members in a single office unnecessary.*

20. To emphasize the importance of assigning the proposed planning and supervision requirements to personnel with the appropriate qualifications in audits involving other auditors, the proposed definition of "lead auditor" references existing standards that describe making appropriate assignments of engagement responsibilities. Does this reference appropriately address the responsibility to seek planning and supervision assistance from qualified engagement team members in these situations? *The proposed planning and supervision requirements are sufficiently clear in this regard.*

III. Proposed Amendments to AS 2101 (Audit Planning)

21. The proposed requirements for determining whether a firm's participation is sufficient for it to serve as the lead auditor depend on the risks of material misstatement associated with the portion of the financial statements audited by the firm. (These requirements would apply regardless of whether the other auditor is from the same audit network as the lead auditor.) Should the Board consider alternative or additional criteria for determining whether a firm's participation is sufficient? For example, should the Board impose a quantitative threshold or specify criteria covering the locations of the company's principal assets, principal operations, or corporate offices? How would such criteria help address specific issues in practice? *While the proposed amendments to AS 2101, including the superseding of AS 1205 are appropriate, the Committee has serious concerns regarding whether developing some form of quantitative guidance (or floor) for determining if a firm can be the lead auditor under the PCAOB's risk based audit process could be effectively implemented in practice. The Committee suggests the PCAOB look to the results of inspection findings to determine if having a quantitative standard would have altered the determination of the lead auditor in practice.*

22. What are the practical challenges with applying the proposed engagement partner's determination of the firm's sufficiency of participation in the audit? What changes, if any, should be made to address those challenges? *In the Committee's experience, these situations are relatively clear, and the proposed standards will serve to enhance existing practice, rather than creating difficult new challenges.*

23. Are there situations in practice in which the proposed sufficiency determination would cause changes in the firm serving as lead auditor? If so, what are these situations? What are the potential effects of those changes, including potential effects on costs and audit quality? What changes to the proposal, if any, would mitigate these issues? *The Committee believes that the proposed standards could likely remove those who have failed to audit a reasonable majority of the client's business operations from continuing to serve as a lead auditor. The Committee believes this is a likely positive output, and sees no reason to try and mitigate it.*

24. The proposed sufficiency determination would apply for audits in which the lead auditor supervises the work of other auditors and audits in which the lead auditor divides responsibility for the audit with another firm. Should there be different requirements for the divided-responsibility scenario, for example, should there be additional criteria that require increased lead auditor participation in a divided responsibility scenario? If so, what should those requirements be? *The Committee does not see the need to create different requirements for a divided-responsibility scenario.*

25. Are the proposed requirements for the lead auditor to hold discussions with and obtain information from other auditors and referred-to auditors to identify and assess the risks of material misstatement appropriate and clear? Are there any practical challenges with this requirement? If so, what are they, and how could the proposed requirements be revised to address the challenges? *The Committee believes the proposed guidance is sufficiently clear.*

26. Are the additional proposed requirements for the lead auditor when planning an audit that involves other auditors, which address independence and ethics; registration; and qualifications of and communications with other auditors, appropriate and clear? Are there requirements that should be added to or removed from Appendix B of AS 2101? If so, what are those requirements and why should they be included or excluded? *The Committee believes the proposed guidance is sufficiently clear.*

27. The proposed amendments require the lead auditor to gain an understanding of each other auditor's knowledge of the SEC and PCAOB independence and ethics requirements and their experience in applying the requirements. Are there any additional costs or practical challenges associated with this? If so, what are they, and how could the proposed requirements be revised to mitigate these issues? *The Committee supports the Board's increased attention to this matter. The Committee believes that firms who register with the PCAOB but do not actually audit issuer clients directly in a relevant industry might not be suitable for the role as the other auditor. Therefore, the Committee does not believe the additional costs should be mitigated.*

28. Should the requirement for the lead auditor to gain an understanding of the knowledge, skill, and ability of the other auditors be limited to engagement team members who assist the lead auditor with planning and supervision? *No, it is relevant to obtain such information regarding the relevant skills of the entire engagement team, including obtaining their firm biographical information. The Committee sees no need to create a lesser standard than the lead auditor would apply in assigning staff to the lead engagement team.*

29. Are the proposed requirements to determine that the lead auditor is able to communicate with the other auditors and gain access to their work papers appropriate and clear? If not, what changes to the proposed requirements are necessary? *The Committee believes the proposed requirements are clear.*

30. Are the proposed amendments to the requirements for determining the locations and business units at which audit procedures should be performed clear and appropriate? *The Committee believes the lead auditor's audit of the location at which the primary financial reporting decisions are made as well as a sufficient number of other locations to cover a greater portion of the attendant audit risks is a reasonable general standard.*

IV. Proposed Amendments to AS 1201 (Supervision of the Audit Engagement)

31. Are the proposed procedures to be performed by the lead auditor with respect to the supervision of the other auditor's work appropriate and clear? If not, how should the proposed requirements be revised? *The Committee believes the proposed procedures to be performed are sufficiently clear and scalable.*

32. Currently, AS 1205.12 describes certain procedures that the lead auditor should consider performing when using the work of the other auditor (e.g., visiting the other auditor), which are not included in the proposal. Should the lead auditor be required to perform these or any other procedures? If so, what additional procedures should be required? *The Committee believes that modifying the AS 1205.12 requirement to consider visiting the other auditor a reflection of the worldwide spread of electronic networks and paperless audits. However, the Committee is aware of the desirability of having the lead auditor's senior engagement members (typically the lead partner) visit the foreign-based operation to gather relevant information first hand and to meet and review the work of in-network affiliates. The Committee suggests that practical guidance be provided in this area; as such additional procedures should be at the professional discretion of the lead auditor.*

33. Are the requirements for the written report from the other auditor sufficiently clear? *Yes.*

Are these requirements appropriately scalable to the nature and significance of the work referred to the other auditor? *Yes.*

Would the proposed requirement for the lead auditor to obtain a written report from the other auditor result in a significant change in practice? *It might within the population of lead registered public accounting firm's that shift a disproportionate amount of work to foreign-based non-network other auditors.*

If so, what is the estimated economic impact (e.g., costs and benefits) of this change? *The Committee is not in a position to comment on this question.*

34. Is the scalability of the proposed supervision amendments clear and appropriate? If not, what changes are necessary? *The Committee believes the proposed supervision requirements are clear and appropriate.*

Are the proposed requirements for situations in which the lead auditor directs another auditor to perform supervisory procedures with respect to a second other auditor on behalf of the lead auditor clear? If not, how should the proposed requirements be revised? *The Committee believes the proposed requirements are doable in practice.*

35. In a multi-tiered audit where the lead auditor directs the first other auditor to perform certain procedures with respect to the second other auditor, is the proposed requirement that lead auditor inform directly all other auditors of certain other specific matters appropriate? If not, how should the proposed requirements be revised? *The Committee believes the proposed requirements are sufficiently clear.*

36. In a multi-tiered audit, is the proposed requirement for the lead auditor to evaluate the first other auditor's supervision of the second other auditor's work clear? If not, how should the proposed requirements be revised? *The Committee believes the proposed requirements are sufficiently clear.*

37. Do the proposed requirements sufficiently cover the types of multi-tiered structures used today? If not, what other multi-tiered structures are used and what changes are needed to appropriately cover those situations? *The Committee is not prepared to respond to this question.*

38. Do issues exist when the lead auditor directs another auditor to perform supervisory procedures with respect to a second other auditor on behalf of the lead auditor that should be addressed in AS 2101, for example, with respect to the qualifications of other auditors? What are the issues and what proposed requirements should be added to appendix B of AS 2101? *The Committee believes the requirements to evaluate the qualification of the other auditors be extended to a second other auditor as well. The Committee also believes these*

matters are best managed by the lead auditor, assisted, if necessary by the first other auditor.

39. Should certain of the proposed supervision procedures be required to be performed by individuals at the office issuing the auditor's report versus the firm issuing the auditor's report? If so, which procedures? Why should such required procedures be confined to individuals located at a particular office of the firm issuing the auditor's report? *As we stated in our response to Question 32 above, there is no need to require that certain procedures only be performed in the physical office issuing the audit report.*

40. Do the proposed requirements provide sufficient emphasis on the need for two-way communication between the lead auditor and the other auditor throughout the audit? If not, what changes to the requirements are necessary to further promote such communication? *The Committee believes the need for two-way communication is clearly emphasized in the proposal.*

V. Proposed Amendments to AS 1215 (Audit Documentation)

41. The proposed requirement in AS 1215.19A is designed to provide additional information about the review of working papers performed by the lead auditor. Is the proposed requirement appropriate and clear? Why or why not? What other information about the review of the working papers performed by the lead auditor would be appropriate? *The Committee believes the proposed requirement is appropriate and clear. The extent of the lead auditor's documentation should be scalable. If the other auditor is an in-network member, both firms may be using the same audit manuals and guidance materials. Using an affiliate from within an association that does not require a uniform audit approach or an out-of-network firm might require enhanced documentation.*

42. The proposal does not require that the lead auditor make a list of all documents in the other auditor's files, including those not reviewed by the lead auditor. Should the lead auditor be required to document work papers in the other auditor's files that the lead auditor has not reviewed? *No, a general description should suffice.*

Would such a requirement improve audit quality? *Not necessarily.*

What potential costs or unintended consequences, if any, would be associated with such a requirement? *Any additional costs should be nominal under either case and the Committee is unaware of any unintended consequences.*

What practical difficulties would there be in complying with such a requirement? *The ability to put the listing together prior to the completion of field work if there is a tight deadline.*

43. In addition to the information currently in AS 1215.19, should the office issuing the auditor's report be required to obtain, review, and retain other important information supporting the other auditor's work, e.g., (1) information about related parties or relationships or transactions with related parties previously undisclosed to the auditor or determined to be a significant risk; or (2) information about significant transactions that are outside the normal course of business for the company or that otherwise appear to be unusual due to their timing, size, or nature? *Yes, these are the types of transactions the lead auditor ought to be informed about, so that additional information can be obtained. Effective two-way communication is critical in dealing with this type of information.*

44. In addition to the information currently in AS 1215.19g about all significant deficiencies and material weaknesses in internal control over financial reporting, should the office issuing the auditor's report be required to obtain, review, and retain information about all control deficiencies identified by other offices of the firm and other auditors? *The Committee believes that the lead auditor should have sufficient flexibility in determining how internal control deficiencies ought to be communicated. If an integrated audit is being performed, the Committee believes that communicating all control deficiencies is necessary to a comprehensive understanding of the client's foreign-based operations.*

VI. Proposed Amendment to AS 1220 (Engagement Quality Review)

45. Should there be a requirement (as proposed) for the engagement quality reviewer to focus the reviewer's attention on the engagement partner's determination of the firm's sufficiency of participation in the audit? *Yes.*

46. Are there any additional engagement quality review procedures that should be required for audits that involve "other auditors" or "referred-to auditors" (as proposed to be defined)? *No*

VII. Proposed New Standard for Audits that Involve Referred-to Auditors

B. Performing Procedures with Respect to the Audit of the Referred-to Auditor

47. Are the objectives of the proposed new standard clear and appropriate? If not, what changes are necessary? *The objectives are clearly stated.*

48. Are the proposed requirements for performing procedures with respect to the audit of the referred-to auditor clear and appropriate? If not, what changes are necessary? *The proposed requirements are clear.*

49. Are the conditions included in paragraph. 06 of the proposed new standard clear and appropriate? Are there other conditions that should be met for the lead auditor to divide responsibility with a referred-to auditor? *The conditions stated are clear, however, we suggest the definition of the phrase "play a substantial*

role in the preparation or furnishing of an audit report” be expanded upon in the proposed new standard.

50. Paragraph .07 of the proposed new standard describes the lead auditor's course of action in situations in which the lead auditor cannot divide responsibility. Are the requirements in this paragraph clear and appropriate? Why or why not? Are additional requirements necessary for such situations? *The Committee believes that issuing a qualified opinion or disclaimer as suggested in paragraph .07 b. are theoretical, but unrealistic options in current practice as such reports are unacceptable to the SEC for issuers. It would appear such situations ought to be rare in practice, given the need for advance planning of the audits of entities that have diverse geographic locations, material business acquisitions, etc. It would appear that option a. or c. are the only practical alternatives.*

51. An unintended consequence of the Board's proposal, described earlier in this release, is the potential increase in the use of the divided responsibility model by auditors. Should the Board prohibit divided responsibility arrangements or impose further limitations on them, such as limiting them to equity method investees or situations in which the referred-to auditor covers only a small portion of the consolidated assets or operations? If so, what would be the costs and benefits of such a prohibition or limitation? *The Committee strongly opposes imposing any prohibitions on the use of the divided responsibility model. The exercise of professional judgment by the audit profession should be allowed to develop in this area.*

C. Making Reference in the Lead Auditor's Report to the Audit and Auditor's Report of the Referred-to Auditor

52. Are additional requirements, including supervisory requirements, necessary to describe responsibilities of the lead auditor in situations in which the lead auditor divides responsibility for the audit with another accounting firm? Are there any other situations that would present challenges with the application of the proposed requirements? *None that the Committee is aware of.*

VIII. Other Considerations

A. Proposal to Supersede AI 10 (currently AU sec. 9543, *Part of Audit Performed by Other Independent Auditors: Auditing Interpretations of Section 543*), *Part of the Audit Performed by Other Independent Auditors: Auditing Interpretations of AS 1205*

53. Is superseding AI 10 appropriate, or is the interpretation necessary to fully describe the auditor's responsibilities under PCAOB standards? *The Committee suggests the interpretation be carried forward through a proposed amendment to AS 2110.*

B. Proposed Amendments Relating to Inquiries About Professional Reputation and Standing

54. Are the other proposed amendments relating to inquiries about professional reputation and standing of other auditors appropriate and clear in the context of each requirement? If not, what further amendments should the Board consider making to this requirement to improve its clarity? *Yes, provided the requirements to evaluate the qualification of the other auditors is extended to a second other auditor as we suggested in our response to Question 38.*

IX. Additional Questions Regarding Certain Aspects of the Proposal

55. Are the proposed conforming amendments in Appendix 3 appropriate and clear? Why or why not? What changes to the amendments are necessary? *The Committee believes the proposed amendments are appropriate,*

56. In addition to the proposed conforming amendments in Appendix 3, are other conforming amendments necessary in connection with the proposed changes to AS 1201, AS 1215, AS 1220, and AS 2101? *None that the Committee is aware of.*

57. Paragraph .10d of AS 1301 (currently Auditing Standard No. 16), *Communications with Audit Committees*, describes requirements regarding the lead auditor's communication to the audit committee of certain information about the other auditors. Should the lead auditor's communication to the audit committee with respect to the lead auditor's or other auditors' responsibilities in an audit be more specific than is currently required? If so, what additional information should the lead auditor communicate? *The Committee believes the lead auditor's communication should specify by name the other auditors (and the second other auditor, if any), their role in the overall audit, and whether any issues arose as a direct result of their participation, and how the issues were resolved by the lead auditor. The need to utilize other auditors might be considered as a critical audit matter under the PCAOB's proposed auditor's reporting standard.*

58. Because the Board's proposal focuses on audit engagements, it does not include amendments for engagements other than audits. Should the proposal include changes for reviews of interim financial information under AS 4105, *Reviews of Interim Financial Information* (currently AU sec. 722, *Interim Financial Information*) that involve "other auditors" or "referred-to auditors" (as proposed to be defined)? If so, what additional changes are needed? *The Committee has a couple of thoughts on the subject of interim reviews:*

- 1. If the interim review cannot be completed without the assistance of other auditors, the lead auditor ought to be communicating that in their discussion of the annual services plan with the client.*

2. If a report is intended to be issued on the interim financial information, many of the issues discussed in the Board's current proposal may be relevant as well. However, as the inquiry and analytical procedures expected to be performed are substantially less in scope than a financial audit, a scalable solution should be sought.

3. The Committee believes the Board should evaluate the applicability of the proposed guidance to interim reviews so that any amendments to AS 4105 can be made at the same time the audit literature is amended.

59. Is it sufficiently clear when AS 1201 (as proposed to be amended) or proposed AS 1206 – as opposed to AS 2503 – would apply to an audit of a company's equity method investment or other investments in an entity whose financial statements are audited by another accounting firm? If not, what change or guidance is needed? *The Committee believes the point the Board is trying to make is not clear, and should be clarified.*

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

Sincerely,

A handwritten signature in black ink that reads "A.J. Major III". The signature is written in a cursive style with a large initial "A" and "J" and the name "Major" followed by "III" which is underlined.

A.J. Major III
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants