

June 29, 2021

AICPA Auditing Standards Board
CommentLetters@aicpa-cima.com

Re: PROPOSED STATEMENT ON AUDITING STANDARDS:
***INQUIRIES OF THE PREDECESSOR AUDITOR REGARDING FRAUD AND
NONCOMPLIANCE WITH LAWS AND REGULATIONS***

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 42,600 members. The Committee consists of 54 members, of whom 45 percent are from local or regional 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 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's Views on the Proposed Statement on Auditing Standards:

- 1. Does the respondent agree with the ASB's determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor's inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management's agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management's authorization)?**

Yes, the Committee believes it is appropriate to retain the requirement for the successor auditor, prior to accepting an initial audit, to request management to authorize the predecessor auditor to respond fully to an auditor's inquiries.

- 2. Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor's inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.**

We believe the requirements are appropriate and complete, including providing for an exception that permits the predecessor auditor to decline to respond to the successor auditor's inquiries due to potential litigation, disciplinary proceedings and/or other circumstances. We understand and support the need to have this exception.

- 3. Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.**

Yes, we believe the proposed requirements are appropriate and complete. The Board may consider providing additional guidance on defining the terms "suspected fraud" or "suspected noncompliance with laws and regulations."

4. Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.

Yes, we believe the effective date for audits of financial statements for periods ending on or after December 15, 2022 is appropriate.

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We thank you for the opportunity to comment on these matters. 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, appearing to read "Paul Peterson". The signature is fluid and cursive, with the first name "Paul" and last name "Peterson" clearly distinguishable.

Paul Peterson, Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants