ILLINOIS CPA SOCIETY

May 28, 2010

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 to Communications with Audit Committees and Related Amendments to Certain PCAOB Auditing Standards.

The Committee is a voluntary group of CPAs from public practice, industry, education, and government. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

Following are the Committee's responses to the questions included in the Appendix:

1. Are the objectives of the auditor in the proposed standards appropriate? If not, why? Should other matters be included in the objectives?

    We agree that the objectives for this standard are appropriate. They address the intent of the standard to strengthen the auditor communications with the audit committee. We recognize that the level and extent of two-way communication between the auditor and the audit committee will depend on the circumstances and parties to the audit. However, we agree that effective dialogue, communication and understanding between the auditor and audit committee is critically important.

2. Are the objectives adequately articulated? Should the articulation of the objectives focus on the outcome that should be achieved by performing the required procedures?

    We believe the objectives are reasonably articulated. The committee believes that further information on intent and outcomes with respect to two-way communication would be beneficial. In that respect, guidance that would help the auditor assess the level of understanding and/or comprehension of the communications between the parties would be of particular benefit.

3. Is it appropriate for the proposed standard to require that an engagement letter be prepared annually? If not, why?

   We feel it is appropriate for an engagement letter to be prepared annually since this will eliminate any chance of misunderstandings related to engagement terms. In addition, since audit committee members may change, an annual engagement letter is appropriate.

4. Are there other matters that would enhance investor protection that should be added to an engagement letter? If so, what other matters should be included in an engagement letter?

   We feel the engagement letter items to be adequate.

5. Is the proposed requirement to inquire of the audit committee appropriate? What other specific inquiries, if any, should the proposed standard include for the auditor to make of the audit committee?

   The proposed requirement to inquire of the audit committee is appropriate. Another suggestion would be to inquire as to the financial risks or concerns the audit committee has related to the Company.

6. Are the requirements to provide information on the auditor's audit strategy and timing of the audit appropriate? Does the auditor need more guidance related to the requirement to provide information on the auditor's audit strategy? If so, what type of guidance would be helpful?

   The audit strategy and timing would be a useful discussion. The auditor should be able to utilize judgment in how much information is communicated to the audit committee in order not to jeopardize or bias certain audit procedures.

7. Is it sufficiently clear which types of arrangements should be communicated to the audit committee related to the roles, responsibilities, and locations of firms participating in the audit?

   Paragraph 10 refers to additional communications that should be made with respect to those participating in the audit. The list provides assistance, but is not precise in assisting the auditor in determining what specialists or entities should be considered in the disclosure. The auditor frequently relies on specialists in performing the audit, including those internal and external to the audit firm. It is not clear if both of these expert areas are in scope. Additionally, it is not entirely clear whether disclosure of the use of other firms is intended to capture those of a non-affiliated nature or those that a part of a CPA firm national, global or competency structure. Additionally, would suggest that there is greater clarification around the requirement regarding the affirmation of the auditor they he/she can serve as the principal auditor. Such clarification would address whether that requirement is intended to cover competency, independence, etc. and is it designed to address the firm name that is signing the audit report or the individual audit partner in charge of the engagement.

8. Are the proposed requirements regarding the auditor's communication responsibilities with respect to accounting policies and practices sufficiently clear in the proposed standard (e.g., is the difference between a critical accounting policy and a significant accounting policy or practice adequately described)?

   We would like further clarification related to section 12(a)(ii). The section discusses the required communication related to “anticipated” application of new accounting or regulatory pronouncements. The impact of the changes should be calculated by the Company and it seems unreasonable to require the auditor to “anticipate” the impact.

9. Is it helpful to include in the proposed standard the audit committee communications required by the SEC relating to accounting matters?

   We feel this is helpful.

10. Is the definition of critical accounting estimates appropriate for determining which estimates should be communicated to the audit committee?

    It is appropriate.

11. Are the communication requirements regarding critical accounting estimates appropriate? If not, how should the proposed standard be modified to provide appropriate information to the audit committee?

    We would like additional clarification regarding the “information that supports or challenges such changes” to significant assumptions or processes discussed in 12(b)(iii).

12. Should this requirement be expanded to include consultations on accounting or auditing matters with non-accountants, such as consulting firms or law firms?

    We do not feel it would be beneficial to require consultations with outside parties. This information may be included when the auditor feels it appropriate but should not be required. In addition, we would prefer the Board to reconsider the requirement of any communications by the auditor of consultations with other accountants. During a time when the accounting rules become more complex and technical, we feel that it is a good practice for entities to reach out to other accountants as experts to help them navigate the accounting rules. We feel the requirement to inform the audit committee of knowledge of discussions with other accountants to be outdated and of limited utility. This should only be communicated if the auditor has suspicion that the Company is engaged in "opinion shopping."

13. Is the communication requirement on going concern clear? If not, how could the requirement be clarified?

    The communication requirement is clear.

14. Are the requirements appropriate regarding the communications for uncorrected misstatements?

    We do not feel it would be appropriate to provide the audit committee with the auditor's basis for determining the uncorrected misstatements were immaterial. The auditor has the requirement to make an assessment as to the materiality of the uncorrected misstatements and the audit committee should make that determination independently of the auditor's assessment. Since the financial statement are the Company's (inclusive of the audit committee's) the assessment is the responsibility of the Company independent of the auditor's assessment.

15. Should all corrected misstatements including those detected by management be communicated to the audit committee?

    We don't feel corrected misstatements identified by management should be communicated to the audit committee. In practice, management generally provides the auditor with a preliminary financial statement or trial balance subject to certain adjustments as the Company finishes their process which allows the auditor to begin the audit. It becomes difficult to then establish the proper time period to begin the communications process if management makes an adjustment to a preliminary trial balance.

16. Like the existing standard, the proposed standard would allow the auditor to communicate many matters orally or in writing. Should the standard require that all or certain matters be communicated to the audit committee in writing? If only certain matters should be communicated to the audit committee in writing, what are those matters?

    We believe that oral communications is appropriate in certain circumstances and should be allowed.

ILLINOIS CPA SOCIETY

17. Are the requirements in the proposed standard on the timing of the auditor's communications appropriate? Should only certain matters be communicated annually? If so, which ones?

    We believe that all items should be communicated annually and only items that change during the interim period be communicated at that point in time.

18. Does the requirement to evaluate the adequacy of the communication process promote effective two-way communications? Is more information on this requirement needed?

    We believe that more information on a formal evaluation of the communication process is appropriate. We see the benefits of effective two-way communication but do not believe that a documented evaluation of what exists provides incremental benefit.

19. Are these other communication requirements appropriate and sufficiently clear? What other communication requirements should the proposed standard include, if any?

    These other requirements are clear.

20. Are the matters included as significant difficulties in paragraph 21 of the proposed standard appropriate? What other matters should be included as significant difficulties?

    Another difficulty could be limited access to management during the audit process.

21. Are any of the requirements included in the proposed standard inappropriate for auditors to communicate to audit committees based on the size or industry of the company under audit?

    We noted items above that may not be appropriate for smaller or less complex entities.

22. Is the information included in Appendices A - C to the proposed standard sufficiently clear? Should the appendices include other matters, e.g., should other items be included in an audit engagement letter?

    These appendices are clear.

ILLINOIS CPA SOCIETY

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,

Kevin V. Wydra, CPA
Chair, Audit and Assurance Services Committee

James Gerace, CPA
Vice Chair, Audit and Assurance Services Committee

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APPENDIX A
AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2010 – 2011

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from 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:

Large: (national & regional)

James J. Gerace, CPA	BDO Seidman LLP
William P. Graf, CPA	Deloitte & Touche LLP
Howard L. Gold, CPA	LarsonAllen LLP
Michael R. Hartley, CPA	McGladrey & Pullen LLP
Jon R. Hoffmeister, CPA	Clifton Gunderson LLP
James R. Javorcic, CPA	Mayer Hoffman McCann
Michael J. Pierce, CPA	McGladrey & Pullen LLP
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Kevin V. Wydra, CPA	Crowe Horwath LLP

Medium: (more than 40 professionals)

Jennifer E. Deloy, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Andrea L. Krueger, CPA	Corbett, Duncan & Hubly, P.C.
Stephen R. Panfil, CPA	Bansley & Kiener LLP
Marites U. Sy, CPA	E.C. Ortiz & Co, LLP

Small: (less than 40 professionals)

Scott P. Bailey, CPA	Bronner Group LLC
Julian G. Coleman, Jr., CPA	Horwich Coleman Levin LLC
Sharon J. Gregor, CPA	Selden Fox, Ltd.
Loren B. Kramer, CPA	Kramer Consulting Services, Inc.
Ludella Lewis	Ludella Lewis & Company
Richard D. Spiegel, CPA	Steinberg Advisors, Ltd.

Industry:

Janis D. Potter, CPA	MTL Insurance Co.
Brian D. Wetters, CPA	BP

Education:

James C. Westland, CPA	University of Illinois Chicago

Staff Representative:

Paul E. Pierson, CPA	Illinois CPA Society