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June 9, 2014

Via e-mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

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

Re: PCAOB Rulemaking Docket Matter No. 40  
Supplemental Request for Comment: Proposed Framework for Reorganization  
of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing  
Standards and Rules

The Accounting Principles and Assurance Services Committee (the "Committee") of the California Society of Certified Public Accountants ("CalCPA") respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 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 disappointed that the Board has chosen to devise a new organization framework that differs from that long used by the AICPA. While the Committee has no criticism, *per se*, of the Board's proposed organization framework, a new organization framework is unnecessary and its adoption would have potentially adverse consequences.

The profession has long used the auditing standards organization framework of the AICPA, and that framework has served well and is understood by practitioners and other users. The organization of the AICPA's auditing standards may not be beyond criticism, and relatively minor changes are in progress. But we believe a far better course of action for the Board would be to work with the AICPA to create an organization framework in a manner that would meet the needs of both bodies.

The Board points to their standardized organization framework as one that is more easily navigable by users which would facilitate compliance, and would help avoid confusion between its standards and those of the AICPA. In our letter of May 22, 2013, we pointed out that there would be significant ongoing costs to firms of maintaining separate PCAOB and non-PCAOB audit methodologies and that confusion will be caused by having both methodologies in use.

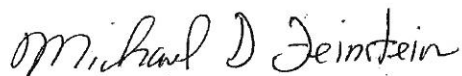
The Board dismisses the costs of implementation as a one-time cost to be borne by registered accounting firms. This significantly understates the cost, and we question the Board's basis for its statement. In the United States, there will be ongoing costs in

educating auditors to deal with two different sets of standards, one for public entities and one for nonpublic entities. Even in the largest firms auditors deal with public and nonpublic audit clients. Outside the United States, this becomes more complex as auditors for U.S. owned entities will face different framework organizations for local requirements, which is usually their primary educational focus, the IAASB framework and potentially the AICPA for audits of international entities not registered with the SEC and then another organization framework for entities registered with the SEC. This will impose additional ongoing costs, may create confusion and certainly will not promote compliance with the Board's standards.

The Board's proposed organization framework drives a wedge between the audit standards of the Board and those of the AICPA. Over time, with differing numbering systems, it is inevitable that the standards will diverge and impose a further burden on practitioners working in the public, private and international arenas. This does not serve the needs of the Board's constituents, and ultimately will poorly serve the needs of the Board. The Committee believes the Board should be supporting convergence of auditing standards, and the Board's proposed organization framework system will have just the opposite effect, and encourage divergence in auditing standards.

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 cursive script that reads "Michael D Feinstein".

Michael D. Feinstein  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants