



August 30, 2017

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket No. 043

Dear Board Members:

The Audit and Assurance Services Committee of the Illinois CPA Society (“Committee”) is pleased to comment on the PCAOB’s proposed auditing standard for *Auditing Accounting Estimates, Including Fair Value Measurements* and amendments to other PCAOB auditing standards. (Docket Matter No. 43), dated June 1, 2017. 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.

GENERAL COMMENTS:

As a Committee, we agree with efforts made by the PCAOB and believe the proposed standard and replacement of AS 2501, superseding AS 2502 and amendments to AS 1015, AS 1105, AS 2110, AS 2301, AS 2401, and AS 2805 as well as rescinding AI 16 are needed to help drive audit quality. We believe the proposal scope, objective, and guidance is sufficiently clear, and reflects an appropriate general perspective of both current practice and industry trends. As such, we believe the proposed standard is appropriate and explains the use of risk based approach in audit estimates and fair value measurements. Our direct response is limited to the following questions.

PCAOB QUESTIONS:

Question 9: The board requests comment generally on the potential costs to auditors and companies they audit. Are there additional costs the board should consider?

Response: Yes, but noting that adequate procedures normally should have been done regardless of the new standard. However, the new standard will require CPA firms to enhance their procedures to be in line with the new procedures. We believe the new standard is creating a necessary procedure to better keep estimates free of bias. In addition, as noted in the proposal, cost to possibly rely on specialist, cost for documentation, and cost for risk assessment as required are welcomed procedures. The proposal notes much that we agree on, however, we would like to note that passing costs onto the client may not be as easily accomplished for large or small firms but in most cases more difficult for smaller firms. Therefore, there could be assistance in education of our clients as to the reason that these new procedures are required. Since management of the client is ultimately responsible for their estimates, it would be greatly appreciated if the standard offered suggestions for the education of the client and the needed procedures. If the client is prepared and understands what the requirements are, it is more likely that their cooperation can lead to a better transition and lessen first year costs for auditors.



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Question 12: 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? What impact would the proposal likely have on EGCs, and how would this affect efficiency, competition, and capital formation?

Response: No. We believe the proposed standard should apply to EGCs in order to ensure a consistent quality, and reliance on the financial statements of issuers by capital markets, rather than facilitate an even further inherent market discount for certain types of entities seeking capital. This is of particular relevance considering that the financial statements of EGCs contain significant estimates (proposal referenced the five SIC codes with the highest total assets for EGC filers as 1) REITS; 2) state commercial banks; 3) pharmaceutical preparations; 4) federally chartered savings institutions; and 5) crude petroleum and natural gas).

Question 18: Are there challenges in tailoring the scalability of the auditor's response to identified risks of material misstatement as described in the proposal? If so, what are they and how can they be addressed?

Response: Yes, as noted in the proposal, there are many attributes that will determine respective responses to the risks of material misstatement. Generally speaking, determining an asset retirement obligation would have more risk than an estimate for depreciation, at least in most cases. Therefore, the challenges in tailoring will be on an estimate to estimate basis, but there could also be instances where testing procedures might overlap and used for more than one estimate. For example, the auditor will start with the testing of the procedures used for an overall determination of the company's preparation of their estimates. From there, the auditor will test the procedures on an estimate to estimate basis. Within all this the auditor needs to keep in check the potential for bias in management's estimates. However, as noted above, as the auditor develops/performs procedures to test the estimates, the overlapping of management's controls may allow the auditor to better understand/scale procedures over each estimate both individually and in aggregate.

The Committee 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 R. Javorcic, CPA

Chair, Audit and Assurance Services Committee

Scott Cosentine, CPA

Vice Chair, Audit and Assurance Services Committee



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APPENDIX A

AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2017 – 2018

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 almost 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:

Timothy Bellazzini, CPA	Sikich LLP
Todd Briggs, CPA	RSM US LLP
Scott Cosentine, CPA	Ashland Partners & Company LLP
Heidi DeVette, CPA	Johnson Lambert LLP
James J. Gerace, CPA	BDO USA, LLP
Michael R. Hartley, CPA	Crowe Horwath LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
John Offenbacher, CPA	Ernst & Young LLP
Michael Rennick	Grant Thornton LLP
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Richard D. Spiegel, CPA	Wipfli LLP
Kevin V. Wydra, CPA	Crowe Horwath LLP

Regional:

Jennifer E. Deloy, CPA	Marcum LLP
Michael Ploskonka, CPA	Selden Fox, Ltd.
Genevra D. Knight, CPA	Porte Brown LLC
Andrea L. Krueger, CPA	CDH, P.C.

Local:

Arthur Gunn, CPA	Arthur S. Gunn, Ltd.
Lorena C. Johnson, CPA	CJBS LLC
Mary Laidman, CPA	DiGiovine, Hnilo, Jordan & Johnson, Ltd.
Carmen F. Mugnolo, CPA	Trimarco Radencich, LLC
Jodi Seelye, CPA	Mueller & Company LLP
Joseph Skibinski, CPA	



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Educators:

David H. Sinason, CPA

Northern Illinois University

Staff Representative:

Heather Lindquist, CPA

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