



September 2, 2016

AICPA Auditing Standards Board
Sherry Hazel at shazel@aicpa.org

Re: Proposed Statement on Auditing Standards, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern

Dear Board Members:

The Illinois CPA Society ("ICPAS") is a statewide membership organization, with over 24,000 professionals, dedicated to enhancing the value of the CPA profession. Founded in 1903, ICPAS is one of the largest state CPA societies in the nation. ICPAS represents Illinois CPAs in public accounting and consulting, corporate accounting and finance, not-for-profit, government and education organizations, as well as affiliate member groups for students, educators, international professionals and related non-CPA finance professionals.

The Audit and Assurance Services Committee and the Governmental Executive Committee of the Illinois CPA Society (the "Committees") are pleased to comment on the AICPA Auditing Standards Board's Proposed Statement on Auditing Standards, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern. These comments and recommendations represent the position of the Illinois CPA Society's Committees rather than any individual members of the Committees or of the organizations with which such members are associated. The organization and operating procedures of the Committees are reflected in Appendix A and Appendix B attached to this letter.

The Committees reviewed the Proposed Statement on Auditing Standards and the related Explanatory Memorandum. Based on these, we are providing the following comments.

Question 1:

Should the standards be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement? If so, how would the auditor apply the requirements of AU-C section 570 (that is, would specific procedures need to be performed), including concluding whether substantial doubt exists about an entity's ability to continue as a going concern?

Response:

No, the standards should not be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement. These audits are not intended to present information about the entity as a whole.

A single financial statement does not provide the whole picture of an entity. It would require much additional effort by the auditor beyond what is currently required to audit that single financial statement to obtain the information necessary to evaluate whether there is substantial doubt about that entity's ability to continue as a going concern.

Audits of specific elements, accounts, or items of a financial statement often provide even less information about the entity as a whole than a single financial statement. In a complex reporting environment such as a



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governmental entity, those charged with governance typically have sufficient influence and ability to determine how resources are allocated. Meaning, if an element or component in a financial statement has indicators that there is substantial doubt that the component/element will be able to continue as a going concern, those charged with governance have the ability to divert other resources to the element/component, to ensure its continuing viability if they so choose. Analysis of going concern for anything less than the whole entity would be extremely difficult as those charged with governance re-allocate resources within the entity.

Question 2:

If commenters believe that AU-C section 570 is not applicable to audits of single financial statements and specific elements, accounts, or items of a financial statement, is the application guidance related to risks and uncertainties sufficient in considering whether appropriate disclosures have been made?

Response:

Yes, with certain clarifications for governmental entities, this would be sufficient. Pending further guidance from the GASB (if any), disclosures similar to those required by ASC 275 pertaining to risks and uncertainties would provide additional information essential for a fair understanding of single financial statements, specific elements, accounts or items of a financial statement being reported on.

However, because ASC 275 is written for entities other than governments and does not fully translate to governmental entities and would be confusing to practitioners, it should not be referenced in the pending AICPA guidance, as applicable to audits of governmental entities. Instead, reference to guidance in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 106-110 on Disclosure of Loss Contingencies, applied to single financial statements, specific elements, accounts or items of a financial statement being reported should be cited. Additionally, guidance contained in other GASB Statements pertaining to required disclosures similar to those in ASC 275 pertaining to risks and uncertainties should be applied as warranted. Below is a listing of those items for GASB Statements currently applicable (may not be complete):

GASB 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, par 27 and par 58, "Disclosure of Loss Contingencies"

GASB 38 *Certain Financial Statement Note Disclosures*, par 9 "Violations of Finance –related Legal or Contractual Provisions"

GASB 40 *Deposit and Investment Risk Disclosures*

GASB 42 *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, par 20 "Disclosure of Idle Impaired Capital Assets"

GASB 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, par 25 d. (4) "Disclosure that actuarial calculations reflect a long-term perspective"

GASB 48 *Sales and Pledges Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, par 21 "Disclosures Related to Future Revenues that are Pledged or Sold"

GASB 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, Par 26 relating to unrecognized pollution remediation liabilities.

GASB 53 *Accounting and Financial Reporting for Derivative Instruments*, various paragraphs relating to disclosures of risks

GASB 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Par 17 on guarantees and commitments



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GASB 68 *Accounting and Financial Reporting for Pension*, there are numerous required disclosures pertaining to actuarial assumptions, plan provisions, funding and benefits.

GASB 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Par 14 – 17 have various disclosures about these arrangements

GASB 72 *Fair Value Measurement and Application*, various disclosures pertaining to measurement of fair value, unfunded commitments, redemption features and similar disclosures

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,

James R. Javorcic, CPA

Chair, Audit and Assurance Services Committee

Scott Cosentine, CPA

Vice Chair, Audit and Assurance Services Committee

Christine Torres, CPA

Chair, Governmental Executive Committee



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APPENDIX A

AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2016 – 2017

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
Eileen M. Felson, CPA	PricewaterhouseCoopers LLP
James J. Gerace, CPA	BDO USA, LLP
Michael R. Hartley, CPA	Crowe Horwath LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
Timothy Jipping, CPA	Plante & Moran PLLC
John Offenbacher, CPA	Ernst & Young 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
Barbara F. Dennison, CPA	Selden Fox, Ltd.
Genevra D. Knight, CPA	Porte Brown LLC
Andrea L. Krueger, CPA	CDH, P.C.

Local:

Matthew D. Cekander, CPA	Doehring, Winders & Co. LLP
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	

Industry:

Matthew King, CPA	Baxter International Inc.
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Educators:

David H. Sinason, CPA

Northern Illinois University

Staff Representative:

Heather Lindquist, CPA

Illinois CPA Society



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APPENDIX B

ILLINOIS CPA SOCIETY
GOVERNMENTAL EXECUTIVE COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2016-2017

The Governmental Executive Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from government and public accounting. These members have Committee service ranging from newly appointed to more than 30 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 governmental accounting and auditing 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 accounting standards. The Subcommittee ordinarily 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/Professional Service Firms:

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| Linda Abernethy, CPA | RSM US LLP |
| Angela Allen, CPA | Washington, Pittman & McKeever, LLC |
| Julie Barrientos, CPA | KPMG LLP |
| John Blackburn, CPA | Swartztrauber & Co. |
| Jason Coyle, CPA | Baker Tilly Virchow Krause, LLP |
| John Epperson, CPA | Miller Cooper & Company Ltd. |
| Ed McCormick, CPA | Mulcahy, Pauritsch, Salvador & Co. Ltd. |
| Deborah Ringer, CPA | Kerber, Eck & Braeckel LLP |
| Michelle Ringold, CPA | Ringold Financial Management Services, Inc. |
| Leilani Rodrigo, CPA | E C Ortiz & Co. LLP |
| Moises Sanchez, CPA | Deloitte LLP |
| James Savio, CPA | Sikich LLP |
| Colin Thompson, CPA | Legacy Professionals LLP |
| Christine Torres, CPA (Chairman) | Crowe Horwath LLP |
| Sheila Weinberg, CPA | Institute for Truth in Accounting |

Government/Others:

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| Abiola Bankole-Hameed, CPA | National Black MBA Association, Inc. |
| Duffy Blackburn, CPA | The County of Will |
| Joan Li, CPA | Northern Trust Corp. |
| John Norton, CPA | Oak Park Township |
| Daniel Nugent, CPA | State of Illinois Office of the Auditor General |
| Kenneth Oliven, CPA | Village of Alsip |
| William Schmidt, CPA | Skokie Park District |
| Douglas Tinch, CPA | Illinois Department of Healthcare & Family Services |
| Rita Trainor, CPA | Wheaton Park District |
| Alise White, CPA | Illinois State Board of Investments |

Staff Representative:

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| Gayle Floresca, CPA | Illinois CPA Society |
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