

*new york state society* | *of*

# NYSSCPA

*certified* | *public accountants*

530 fifth avenue, new york, ny 10036-5101  
www.nysscpa.org

August 29, 2002

Mr. Daniel Dustin  
Executive Secretary, State Board for Public Accountancy  
NYS Education Department  
Office of the Professions  
Second Floor East Mezzanine  
89 Washington Ave.  
Albany, NY 12234

In Re: File No. S7-22-02

By email: [Cpabd@mail.nysed.gov](mailto:Cpabd@mail.nysed.gov)

Dear Mr. Dustin:

The New York State Society of Certified Public Accountants, the nation's oldest state accounting association, represents approximately 30,000 CPAs, many of whom would be affected by an amendment to the Rules of the Regents of the State University of New York, **Work Paper Documentation and Retention Proposal**. The NYSSCPA is grateful for the opportunity to comment on the proposed rule.

The NYSSCPA Task Force for Public Accountability drafted the attached comments. Members of the task force would be pleased to meet with you for additional discussion about the comments. Please contact the task force chair Vincent J. Love at (212) 338-0600 or NYSSCPA Staff Dennis O'Leary at (212) 719-8418 if such a meeting would be helpful.

Sincerely,

Jo Ann Golden  
President

Attachment

Ec: Johann Duncan-Poitier

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**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**NYS Board of Regents Proposed Rule:**

**Work Paper Documentation and Retention**

**Principal Drafters**

**Brian Caswell  
Allen Fetterman  
Dan Goldwasser  
Vincent J. Love**

**August 29, 2002**

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**NYSSCPA Task Force on Public Accountability**

|                        |                     |                     |
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| Vincent J. Love, Chair | Rona Chernio        | Robert Israeloff    |
| Paul Brown             | Dan Goldwasser      | Nancy Newman-Limata |
| Douglas Carmichael     | Allen Fetterman     | Marilyn Pendergast  |
| Brian Caswell          | George T. Foundotos | Robert Shallish     |
|                        |                     | Robert Sohr         |

**NYSSCPA Staff**

Robert H. Colson  
Dennis O'Leary

**NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC  
ACCOUNTANTS**

**Task Force on Public Accountability Comments On**

**NYS Board of Regents Proposed Rule on  
Work Paper Documentation and Retention**

**General Comments**

Documenting audit evidence and retaining it for a reasonable period are essential components of CPAs' responsibility to the public interest, and it makes good business sense. Although the seven-year requirement is longer than the longest statute of limitation (6 years), and could be a burden on small practices, it is consistent with the Sarbanes-Oxley Act and justifiable in promoting public interest.

The proposed rule, however, should focus only on the statutory responsibility of CPAs for audits and on their other attestation engagements. The proposal rule's treatment of working paper documentation and retention for non-audit and non-attestation services is not only inappropriate but also detracts from the proposed rule's effectiveness. The standards of evidence for tax documentation and other services, which are properly set by the tax authorities and other regulatory and self-regulatory authorities, differ dramatically from the professional standards for audit evidence documentation.

The proposed rule should adopt by reference professional standards related to the definition and purpose of audit working papers. The adoption of CPA professional standards' definition for audit documentation would clarify whether the proposal covers client records (owned by the client), accountant working papers that support client records (owned by the accountant, but available to the client), and accountant work product (owned by the accountant). In addition, the incorporation of professional standards by reference would maintain the state rules at the most current standard without additional rule making.

**Specific Comments**

1. The proposed rule should reference the documentation requirements in Generally Accepted Auditing Standards (GAAS) as delineated in the Statements on Auditing Standards (SAS) and, where applicable, in Generally Accepted Government Auditing Standards (GAGAS). These standards encompass the definition of audit documentation (working papers) and the nature of evidence supporting audit conclusions.

2. Failure of the audit documentation to meet professional standards should raise a presumption that audit standards were not met. This presumption should be a rebuttable presumption affecting the burden of proof relative to those portions of the audit that are not documented as required. The standard of the burden of proof should be a preponderance of the evidence.
3. Audit documentation should be maintained for the longer of the following:
  - a) Seven years, which should be extended during any period of board investigation, disciplinary action, or legal action involving the licensee or the licensee's firm.
  - b) A period sufficient to satisfy professional standards and to comply with applicable laws and regulations.
4. There is no need to require a written documentation and retention policy because the proposed rule sets the standards that must be followed whether or not there is a written policy.
5. In addressing non-audit attestation engagements, the proposed rule should reference the documentation requirements in the General Standards, the Statements on Standards for Attestation Engagements, and the Statements on Standards for Accounting and Review Services, for the reasons stated above. Any evidential material required by those standards should be documented in the same manner and retained for the same period as audit documentation.
6. Substantive alteration should be defined as changes to audit documentation that alter
  - a) the nature, timing, extent, and results of the audit procedures performed,
  - b) the evidence obtained,
  - c) the conclusions reached or the reasons therefor, or
  - d) the identity of the persons who performed and reviewed the work.
7. The issues of secure retention of electronic files addressed in Section 29.10 (iv) (d) should also apply to files maintained in other media.