

new york state society | *of*

NYSSCPA

certified | *public accountants*

530 fifth avenue, new york, ny 10036-5101

www.nysscpa.org

September 24, 2002

Sherry Boothe
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

sboothe@aicpa.org

Dear Ms. Boothe:

The New York State Society of Certified Public Accountants, the nation's oldest state accounting association, represents approximately 30,000 CPAs whose accounting and review service engagements are affected by the AICPA Accounting and Review Services Committee (ARSC). NYSSCPA thanks ARSC for the opportunity to comment on its Exposure Draft on the **Proposed Statement on Standards for Accounting and Review Services: Omnibus -- 2002.**

The NYSSCPA Accounting and Review Services Committee drafted the attached comments. If ARSC would like additional discussion with the committee, please contact the Accounting and Review Services Committee Chair Debbie A. Cutler, at (212) 338-0600 extension 3, or NYSSCPA Staff, Robert H. Colson, at (212) 719-8350.

Sincerely,

Jo Ann Golden
President

Attachment

new york state society of

NYSSCPA

certified public accountants

530 fifth avenue, new york, ny 10036-5101

www.nysscpa.org

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

COMMENTS ON

EXPOSURE DRAFT:

**PROPOSED STATEMENT ON STANDARDS FOR ACCOUNTING AND
REVIEW SERVICES: OMNIBUS -- 2002**

Amendment to SSARS No. 1 and SSARS No. 4

Principal Drafters

**Debbie A. Cutler
Joseph Maffia
Alan Director**

September 20, 2002

NYSSCPA 2002- 2003 Board of Directors

Jo Ann Golden, <i>President</i>	William Aiken	Neville Grusd
Jeffrey R. Hoops, <i>President-elect</i>	Spencer L. Barback	David W. Henion
Thomas E. Riley, <i>Secretary</i>	Michael G. Baritot	Nancy A. Kirby
Frank J. Aquilino, <i>Treasurer</i>	Rosemarie A. Barnickel	Vincent J. Love
Laurence Keiser, <i>Vice President</i>	Peter L. Berlant	Sandra A. Napoleon-Hudson
Stephen F. Langowski, <i>Vice President</i>	Arthur Bloom	Nancy Newman-Limata
Carol C. Lapidus, <i>Vice President</i>	Andrew Cohen	Raymond M. Nowicki
Ian M. Nelson, <i>Vice President</i>	Walter Daszkowski	Kevin J. O'Connor
Louis Grumet, <i>ex officio</i>	Michael J. DePietro	Robert S. Peare
	Katharine K. Doran	Mark A. Plostock
	Barbara S. Dwyer	Joseph J. Schlegel
	Andrew M. Eassa	Robert E. Sohr
	David Evangelista	Robert A. Sypolt
	Franklin H. Federmann	Edward J. Torres
	Peter H. Frank	Beth Van Bladel
	Angelo J. Gallo	Howard D. Weiner
		Philip Wolitzer

NYSSCPA 2002- 2003 Accounting and Review Services Committee

Debbie A. Cutler, Chair	Stacy M. Glasser	Howard M. Silverman
Michael J. Aroyo	Iris S. Goldstein	Kenneth Smith
Harvey G. Beringer	John P. Hecht	Ira M. Talbi
John J. Buchheit	William Klein	Samuel B. Traum
Thomas P. Burke	Joseph A. Maffia	George Weiss
Daniel J. Cannon	Melvyn M. Ockner	Barry Wexler
Alan Director	Walter Orenstein	Lawrence A. Wolff

NYSSCPA 2002- 2003 Accounting & Auditing Oversight Committee

Robert E. Sohr, Chair	Michele M. Levine	Paul D. Warner
Helen K. Bachman	Eugene D. Mahaney	Robert N. Waxman
Philip B. Chenok	Robert S/ Manzella	Paul J. Wendell
Debbie A. Cutler	Steven Rubin	Margaret A. Wood
Keith W. Gardner	Robert M. Sattler	

NYSSCPA Staff

Robert H. Colson

**NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
ACCOUNTING AND REVIEW SERVICES COMMITTEE'S COMMENTS
ON**

**PROPOSED STATEMENT ON STANDARDS FOR ACCOUNTING AND
REVIEW SERVICES: OMNIBUS -- 2002
September 20, 2002**

General Comments

The Committee appreciates the opportunity to comment on the proposed amendments to SSARS No. 1 and SSARS No. 4. Most of the proposed changes clarify or provide additional guidance to the existing standards, and some conform SSARS to existing auditing literature. Except as noted in the specific comment, the proposed changes constitute acceptable improvements in the guidance for such engagements.

Specific Comments

Comment 1. Paragraph 1 - Financial Statements not audited, reviewed or compiled:

The proposed changes to AR§100.03 incorporate some of the language from AU§504.05. The proposed change should continue to incorporate parallel language as stated in AU§504.05 as follows:

“The disclaimer may accompany the unaudited financial statements or it may be placed directly on them. In addition, each page of the financial statements should be clearly and conspicuously marked as unaudited.”

Without such language, the proposed changes will not specify adequately where the information should be placed and how to label the financial statements.

In addition, the example shown in AU§504.05 is signed and dated. The SSARS example should also include the signature and date as displayed in AU§504.05.

Comment 2. Paragraph 5 - Dating of the accountant's report:

The proposed changes do not provide adequate guidance for dating compilation reports. What is the measurement date for completion of a compilation? A discussion among committee members disclosed a divergence of practice when dating compilation reports. Some firms date the compilation report the date when the report is drafted, others when it is typed, and still others when the report is issued.

The required dating of the accountant's report for compilations, reviews, and audits differs according to the following:

Compilation report: **“The date of completion of the compilation...”**

Review report: **“The date of the completion of the accountant's review procedures...”**

Audit report: **“Generally, the date of completion of the field work...”(AU§530.01)**

All three accountant's reports deal with the concept of completion but the requirements for occurrence differ. The heading above AR§100.07 is captioned, “Compilation Performance Requirements.” Unlike for review engagements, however, an accountant does not perform procedures in a compilation engagement. Therefore, the criterion for dating review reports would not be appropriate for compilations. Because the accountant must be satisfied with only minimal requirements before submitting a compilation report, specific guidance for dating compilation reports, such as “the date the report letter is signed,” would be appropriate.

Comment 3. Paragraph 7 - Representation Letters

If paragraph 27 is added, which says that specific representations should be obtained, then Appendix F (Illustrative Representation Letter) must be revised to incorporate these changes. We understand that Appendix F is on your agenda for a committee meeting scheduled to be held on September 23 and that you may have already addressed our concern.

In addition, the current literature states that a representation letter is **required** (AR§100.29) and the proposed AR§100.27 would change the “required” to “should be obtained.” The proposed AR§100.27 should be changed to read as follows:

Written representations are required from management for all financial statements and periods covered by the accountant's report.

The proposed AR§100.27 is similar to AU §336.05 and AU§336.06. The guidance in the auditing standard is clear, as it identifies specific representations in four categories: (1) Financial Statements (2) Completeness of Information (3) Recognition, Measurement, and Disclosure (4) Subsequent Events. The proposed standard is a hybrid of AU§336.06 and is confusing as currently proposed, especially regarding points (c), Management's full and truthful response to all inquires, and (d), completeness of information. The “full and truthful” wording is understandable in light of the current issues in financial reporting, but it sounds too much like management is under oath. It would be preferable to change the words “full and truthful” to something else or to delete them entirely and conform the proposal to the auditing standards categories discussed above. Finally, there should be a required representation relating to fraud.

Comment 5. Paragraph 13 - Communications between Predecessor and Successor Accountant

The proposed statement deletes section AR§400.07, *Other Inquiries*, in its entirety, a deletion that encompasses more than is desirable. Only AR§400.07 (a) should be eliminated rather than the entire section. If you agree, then AR§400.06 will also need modification for consistency.

Then, this section would read as follows:

.07 The successor accountant may wish to make other inquiries of the predecessor to facilitate the conduct of his or her compilation or review engagement. Examples of such inquiries, which may be made either before or after acceptance of the engagement, might include questions about prior periods regarding (a) the necessity to perform other accounting services, and (b) areas that have required inordinate time.

In Appendix A - Illustrative Successor Accountant Acknowledgement Letter (last bullet on page 19), consider deleting the word “support” between the words “litigation” and “services”. The AICPA has changed the majority, if not all, of their literature to use the words “litigation services” and not “litigation support services”, including changing the name of the committee many years ago. The last bullet would then read:

- The successor accountant will not provide expert testimony or litigation ~~support~~ services or otherwise accept an engagement to comment on issues relating to the quality of the predecessor accountant’s engagement.

The use of the word support also would need to be omitted in the last paragraph and would read as follows:

(3) you will not provide expert testimony or litigation ~~support~~ services or otherwise accept an engagement to comment on issues relating to the quality of our engagement