

February 12, 2009

Ms. Sharon Macey
Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

By e-mail: smacey@aicpa.org

**Re: Proposed Statement on Auditing Standards, Audit Considerations Relating to
an Entity Using a Service Organization (Redrafted)**

Dear Ms. Macey:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Auditing Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Robert N. Waxman, Chair of the Auditing Standards Committee at (212) 755-3400, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Sharon Sabba Fierstein
President

Attachment



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

**COMMENTS ON PROPOSED STATEMENT ON AUDITING STANDARDS,
AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE
ORGANIZATION (REDRAFTED)**

February 12, 2009

Principal Drafters

**Robert W. Berliner
William J. Prue
Paul D. Warner**

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New York State Society of Certified Public Accountants

Auditing Standards Committee

Comments on

Proposed Statement on Auditing Standards, Audit Considerations Relating to an Entity Using a Service Organization (Redrafted)

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the above-referenced exposure draft and we have the following comments for your consideration.

Responses to questions posed in the Guide for Respondents:

Respondents are asked to comment in particular on the appropriateness of

- 1. the objectives stated in the proposed SAS to be achieved by the auditor.**
- 2. the revisions made to the existing standards to converge with the ISA 402 exposure draft.**
- 3. the differences between the proposed SAS and the ISA 402 exposure draft identified in exhibit B, and other language changes.**
- 4. the manner with which considerations for audits of smaller, less complex entities and governmental entities have been dealt.**

The following comments relate to the Auditing Standards Board's (ASB's) specific requests in the Guide for Respondents:

1. The proposed SAS clearly states the objectives to be achieved by auditors.
2. It appears that almost all of the changes made to SAS 70, *Service Organizations*, resulted in a significant convergence with ISA 402 in the proposed SAS.
3. The differences between the proposed SAS and ISA 402, *Audit Considerations Relating to an Entity Using a Third Party Service Organization*, are covered superficially in Exhibit B, **Substantive Differences Between the Proposed Statement on Auditing Standards, Audit Considerations Relating to an Entity Using a Service Organization, and the Exposure Draft of International Standard on Auditing 402 (Revised and Redrafted), Audit Considerations Relating to an Entity Using a Third Party Service Organization**. Exhibit B should be expanded significantly in order to provide a more thorough explanation of the changes that do not relate to convergence.
4. The consideration of "smaller, less complex entities" is unsatisfactory. The size of the organization is not relevant; the degree of complexity is. All references should be to the complexity of the organization. The comments regarding governmental entities are appropriate.

Specific Comments

In addition, we have the following specific comments:

1. ISA 402 used “shall” throughout the document. The proposed draft changed shall to should. The change is not appropriate. Shall is used to express a command or exhortation (Merriam-Webster). Should is used to express desirability. Clearly, the ISA’s use of shall is more appropriate and should be retained in the proposed SAS.
2. Paragraph A23 discusses the overlapping problem with type 2 reports. The proposed SAS eliminates the point in time problem by adopting the period approach from the current SAS 70 Audit Guide. Unfortunately, the proposed SSAE has retained the “six month testing period” requirement. The proposed SAS should specifically require that the service auditor’s testing cover a full year especially in circumstances in which the processing is performed in a computer-based environment.