

November 2, 2005

Sharon Macey
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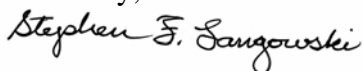
By e-mail: smacey@aicpa.org

Re: Auditing Standards Board's Exposure Draft of a proposed Statement of Auditing Standards entitled *Communication of Internal Control Related Matters Noted in an Audit*.

Dear Ms. Macey:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents approximately 30,000 CPAs that will implement the provisions proposed in the above captioned exposure draft. NYSSCPA thanks AICPA for the opportunity to comment on its exposure draft.

The NYSSCPA's Auditing Standards and Procedures Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Paul D. Warner, Chair of the Accounting and Auditing Oversight Committee at (516) 463-6994, Mark I. Mycio the Chair of the Auditing Standards and Procedures Committee at (212) 372-1421, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Stephen F. Langowski
President

Attachment

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

**COMMENTS TO THE AUDITING STANDARDS BOARD ON THE
PROPOSED STATEMENT ON AUDITING STANDARDS ENTITLED
*COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS NOTED IN
AN AUDIT* (SEPTEMBER 1, 2005)**

November 2, 2005

Principal Drafter

Stephan R. Mueller

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Ernest J. Markezin

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

**Comments to the Auditing Standards Board on the
Proposed Statement on Auditing Standards entitled *Communication of Internal
Control Related Matters Noted in an Audit* (September 1, 2005)**

November 2, 2005

General Comment

We support the Auditing Standards Board's goal in this proposed standard of strengthening the communication of internal control related matters for non-issuer entities. Furthermore, we support the ASB's decision, reflected in paragraph 3 of the Exposure Draft, to harmonize with the Public Company Accounting Oversight Board's definitions of *significant deficiency* and *material weakness*.

We do, however, have the following comments on the Exposure Draft.

Specific Comments on the Exposure Draft

1. Definition of Reasonable Person

Paragraph 4 defines when a misstatement is *inconsequential* and uses the term "reasonable person" in the definition. We believe that the term 'reasonable person' should be clarified. Unless more specificity is provided, the courts may be the final interpreters of what constitutes a reasonable person in this context.

2. No Provision for Oral Communication

The proposed SAS has no provision for oral communication as an alternative to written communication, except for "control deficiencies that are not significant, and recommendations for improving controls" (paragraph 19). While written communications are probably ideal, oral communications are a less formal and less costly process, an important consideration for smaller, less complex entities. Many small entity owner/managers may not see a value to, and may even be antagonized by, written communications. We believe that the standard should continue to provide the alternative of documented oral communication that was provided for by SAS 60 in such circumstances.

It may seem obvious to many, but it may be worth stating that one of the purposes of communicating with clients about their internal control over financial reporting is also to provide an educational opportunity to speak with the client and not just for critical

purposes or to preempt possible future legal challenges. This is especially important for less sophisticated clients. The standard need state only that it is highly recommended that such communications be conveyed in a formal written report and that it allow, as an alternative, that the substance of the communications specified by this standard may be conveyed orally and documented as to the content, person(s) involved, and other circumstances.

3. Appendix

The cover letter of the Exposure Draft asks if the document entitled “A Framework for Evaluating Control Deficiencies” should be included in the Appendix to the standard. We believe that the document is overly prescriptive and therefore does not belong as part of a standard.

We recommend that the Appendix not be included in the final standard, with the exception of the glossary of “Terminology”. We suggest that the rest of the material could more appropriately be issued in the form of an audit procedures guide.

4. Use of Examples

Readers generally understand that examples provided in authoritative literature do not establish quantitative parameters for the application of that literature. However, the 20% of materiality threshold for determining a misstatement to be inconsequential that is cited in the example in paragraph 4 may be confusing to some, and may even be read as 20% of the related financial statement metric. We suggest that the example be further clarified by citing a number for overall materiality, for example 5%, to which the 20% is applied.