

May 14, 2010

Ms. Ann Marsh
Associate Accountant
Rate Setting Unit
NYS Education Department
Albany, New York,

By e-mail: amarsh@mail.nysed.gov

**Re: Request for Comments by the NYS Consolidated Fiscal Reporting System
Interagency Committee (NYS IAC) on the Proposed Changes
to Appendix AA of the Consolidated Fiscal Report**

Dear Ms. Marsh:

The New York State Society of Certified Public Accountants, representing 28,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Not-for-Profit Organizations Committee deliberated the proposed changes to Appendix AA and prepared the attached comments. If you would like additional discussion with us, please contact Derek A. Flanagan, chair of the Not-for-Profit Organizations Committee, at 201-933-3780, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David J. Moynihan
President

Attachment

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

**COMMENTS ON
THE NYS CONSOLIDATED FISCAL REPORTING SYSTEM INTERAGENCY
COMMITTEE'S (NYS IAC) PROPOSED CHANGES
TO APPENDIX AA OF THE CONSOLIDATED FISCAL REPORT**

May 14, 2010

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New York State Society of Certified Public Accountants

Response to Request for Comments by the NYS Consolidated Fiscal Reporting System Interagency Committee (NYS IAC) on Proposed Changes to Appendix AA of the Consolidated Fiscal Report (“CFR”)

General Comments

The New York State Society of Certified Public Accountants (the Society) welcomes the opportunity to comment on the impact of proposed changes to Appendix AA of the Consolidated Fiscal Report. In a number of cases, the proposed audit steps do not make reference to the steps being performed “on a test basis.” We suggest that wording be added to the “Framework” sections to clarify that all of the procedures listed are to be done on a test basis as determined by the judgment of the auditor. Also, we note consistent reference to “client prepared work papers” and suggest as an alternative “client prepared supporting documentation” to avoid any debate between hard copy and electronic form documents.

Specific Comments

You have requested that the Society provide comments on an edited copy of Appendix AA to the CFR manual which reflects the proposed next text in underline and the proposed deleted text crossed out. The changes for which we have comments are listed below.

1) Framework for Conducting the Audit/Examination and Expressing an Opinion on Selected Information in the Schedules Last paragraph

Response – We object to the phrase “having gained assurance that the procedures were followed...” The audit steps are performed in relation to the audit of the financial statements taken as a whole. In order to “gain assurance that the procedures were followed,” an audit of the internal control system relating the preparation of the CFR would be required. We believe that the level of work necessary to gain such assurance is beyond the scope of the work required to render an opinion on the CFR.

2) Framework for Conducting the Audit of Financial Statements and Expressing an Opinion on Selected Information in the Schedules 2nd paragraph

Response – The second assumption listed refers to “financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). We would like to point out that there may be circumstances in which the reporting entity may consist of a parent corporation that does not consolidate a subsidiary. In such cases, the financial statements would be presented in a “special purpose” format, which would not be presented in a manner consistent with U.S. GAAP.

Additionally, the first sentence of the second assumption should end with the word “Principles” and striking “as augmented by the presentation of financial statement topic of the FASB accounting standards codification.” The FASB codification *is* GAAP, not an augmentation of GAAP.

3) CFR 1 – Program/Site Data-Section A: General Information - Procedures

Response – We suggest that this section clarify that all steps are to be performed on a test basis. This may be accomplished by starting the section, “On a test basis...” Next, identify all of the following steps with bullet points. Furthermore, we suggest that the section referencing the OASAS Client Data System (CDS) be deleted – as we do not believe that the auditors have access to the CDS system.

4) CFR 1 – Program/Site Data-Section B: Expense - Procedures

Response – For steps 4 and 5, insert the phrase, “on a test basis,” For step 5, replace the word “determine” with “verify.”

5) CFR 2 – Agency Fiscal Summary - Procedures

Response – For step (2), replace the word “confirm” with “verify.”

6) CFR 3 – Agency Administration - Procedures

Response – For step (2), replace the word “confirm” with “verify” for steps (3) and (4), and replace the word “determine” with “verify.”

7) CFR 4 – Personal Services - Procedures

Response – For step (6), replace the word “errors” with “variances.” Also, replace the phrase “would result” with “may indicate.”

8) CFR 6 – Governing Board and Compensation Summary

Response – For step (1), replace the word “confirm” with “verify on a test basis.”

9) OMH 1 – Units of Service by Program/Site - Procedures

Response – suggest that this entire section be replaced with wording similar to the procedures for CFR-1 line 13.

10) OMH 4 –Units of Service by Payor - Procedures

Response – Steps (1) through (3) - The proposed guidelines do not appear to represent audit verification procedures. Rather, they address steps taken to evaluate internal control processes. Also, we suggest that the definitions of “insurance information” and

“links to services” for steps (1) and (2) be defined and clarified. In addition, we note that a step 5 is included with no text.

11) SED 4 –Related Service Capacity, Need and Productivity

Response – For step (3), we suggest that guidance be provided with regard to the definition of “reasonableness.”