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January 18, 2006

Ms. Lisa A. Snyder
Director
Professional Ethics Division
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

By email: lsnyder@aicpa.org

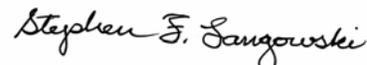
In re: Exposure Draft, Proposed Revision to "Other Considerations" in Interpretation 101-1, Interpretation of Rule 101, Under Rule 101, and Proposed Conceptual Framework for AICPA Independence Standards , dated September 15, 2005

Dear Ms. Snyder:

The New York State Society of Certified Public Accountants, the oldest state accounting association, representing approximately 30,000 CPAs, is pleased to submit the attached comments on the above-referenced exposure draft of the AICPA Professional Ethics Executive Committee.

The NYSSCPA Professional Ethics Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Francis T. Nusspickel, chair of the Professional Ethics Committee, at (201) 891-2754, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Stephen F. Langowski,
President

Attachment



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

COMMENTS ON AICPA EXPOSURE DRAFT

**PROPOSED REVISION TO “OTHER CONSIDERATIONS” IN INTERPRETATION.
101-1, INTERPRETATION OF RULE 101, UNDER RULE 101, AND PROPOSED
CONCEPTUAL FRAMEWORK FOR AICPA INDEPENDENCE STANDARDS
(September 15, 2005)**

January 18, 2006

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**The New York State Society of Certified Public Accountants
Professional Ethics Committee**

**Comments on AICPA Exposure Draft - Proposed Revision to "Other Considerations" in
Interpretation 101-1, *Interpretation of Rule 101*, Under Rule 101, and Proposed
Conceptual Framework for AICPA Independence Standards, dated September 15, 2005**

Comments

The Professional Ethics Committee (the "Committee") of the New York State Society of Certified Public Accountants has reviewed the above-referenced AICPA Exposure Draft and offers the following comments for consideration by the Professional Ethics Executive Committee of the American Institute of Certified Public Accountants (AICPA).

Proposed Revision to "Other Considerations" in Interpretation 101-1, *Interpretation of Rule 101*, Under Rule 101

The Committee has no comments on the proposed revision.

Proposed Conceptual Framework for AICPA Independence Standards

The Committee believes the guidance provided in the framework is useful and, accordingly, supports the establishment of the Conceptual Framework. It would be helpful, however, if the AICPA clarifies how the Conceptual Framework will fit into the hierarchy of the various independence rules, interpretations and rulings that members are subject to.

We also have the following additional suggested changes and comments:

- (1) The definition of *independence* in paragraph 4 includes the definitions of *independence of mind* and *independences in appearance*. If the definition of *independence* is meant to comprise both *independence of mind* and *independences in appearance*, then we believe the word "and" should be added to conjunctively join paragraphs 4a. and 4b.
- (2) A sentence should be added to the end of paragraph 9 stating that, "The examples are not intended to be all-inclusive." We also suggest that as many examples as possible be included for each of the definitions set forth in paragraphs 10 to 16.
- (3) The word "nonattest" should be struck from the definition of *self-review threat* in paragraph 10 because the same threat exists if members or their firm perform client work during the attest engagement.
- (4) The word "direct" should be added to the definition of *adverse interest threat* in paragraph 12 so that the definition would read: "Actions or interests that are in direct opposition to an attest client's interests or position."

In addition, the final framework should clarify that an adverse interest threat is not intended to, and does not, result from providing services to another client that may have interests that are adverse to the subject attest client (i.e., an adverse interest threat does not arise because a member provides services to two companies that operate in the same industry and are fierce competitors of each other).

- (5) The examples in paragraph 13 are appropriate and helpful in understanding what is meant by the term *familiarity threat*. However, the definition of *familiarity threat* in paragraph 13 is confusing and inappropriate for several reasons. First, having a close or longstanding relationship with a client has historically been viewed in general as being a good thing that can lead to better, more effective audits. Second, knowing individuals or entities that performed nonattest work for the client also has historically been viewed as a good thing and does not necessarily indicate that something is amiss. Additionally, the words "including by reputation" are confusing. Therefore, the definition of *familiarity threat* should be revised to state that familiarity is a subjective concept that should be evaluated on a case by case basis and that the below examples should serve as guides to situations which could cause a threat to independence.

We also suggest that another example of a *familiarity threat* be listed in paragraph 13, as follows:

"e. A member of the attest engagement team who takes personal vacations with key client personnel."

- (6) The two uses of the word "material" in the example described in paragraph 15d. should be deleted. We also suggest that another example of a *Financial self-interest threat* be listed in paragraph 15, as follows:

"e. Participating in joint marketing activities with the client."

- (7) A sentence should be added to the end of paragraph 20 stating that, "The absence of particular safeguards does not necessarily indicate that a problem exists or that there are not appropriate safeguards in place."
- (8) Examples a. and b. in paragraph 21 should be combined to eliminate any confusion surrounding the applicability of ethics rules to all professionals, both new and old alike.
- (9) The lead-in in paragraph 22 should be shortened to read: "Safeguards implemented by the attest client."

In addition, the words "and demonstrates" should be added to example b. so that it would read: "A tone at the top that emphasizes and demonstrates the attest client's commitment to fair financial reporting." This change would help clarify that senior management's words must be supported by its actions

We also suggest that two additional examples be listed in paragraph 22, as follows:

- "e. Policies that dictate the types and extent of services that may be provided by the audit firm
- f. Policies requiring audit committee approval of attest and nonattest services"

- (10) We suggest the term "ERISA" be added to footnote 4 to paragraph 26 so that it would read either "... (2) employee benefit and health and welfare plans subject to ERISA (Employee Retirement Income Security Act) audit requirements ..." or "... (2) employee benefit and health and welfare plans subject to Employee Retirement Income Security Act (ERISA) audit requirements"

In addition, the word "regulated" should be added as a modifier to financial institutions, so that the paragraph would read, "... (5) regulated financial institutions, credit unions, and insurance companies...." This change is necessary since certain financial institutions are not public interest entities (for example, private hedge funds and finance companies).