

November 3, 2008

Michael P. Glynn
Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

By e-mail: mglynn@aicpa.org

**Re: Proposed Statement on Auditing Standards: Interim Financial Information
(Amends AU Section 722, *Interim Financial Information*)**

Dear Mr. Glynn:

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

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

**COMMENTS ON PROPOSED STATEMENT ON AUDITING STANDARDS:
INTERIM FINANCIAL INFORMATION (AMENDS AU SECTION 722,
INTERIM FINANCIAL INFORMATION)**

November 3, 2008

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**Karin Blaney
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New York State Society of Certified Public Accountants

Auditing Standards Committee

Comments on

Proposed Statement on Auditing Standards: Interim Financial Information (Amends AU Section 722, *Interim Financial Information*)

The Auditing Standards Committee of the New York State Society of Certified Public Accountants welcomes the opportunity to comment on the above-referenced exposure draft (“ED”), which amends AU Section 722, *Interim Financial Information*. We generally agree with the revisions from the existing standard; however, we have the following comments for your consideration.

Additionally, where appropriate, we have provided suggested editorial changes such that additions to the text are noted as bold text and deletions as strike-through text.

Introduction Paragraph of the Proposed Statement

The introduction to this proposed statement describes its purpose as providing guidance to the independent accountant who has been engaged to review interim financial information that is intended to provide a periodic update to year-end reporting. Two conditions are presented in the ED, either of which must be met for the standard to apply to a particular engagement.

To clarify that the accountant must be engaged to audit the current year financial statements when the accountant had not audited the latest annual financial statements (which were audited by another auditor), we suggest modifying part (b) of paragraph .01 as follows:

*(b) is **engaged to audit** the current year financial statements...*

See also paragraph .05, which contains similar wording that we also recommend revising.

Additionally, to clarify that only one of the conditions presented in paragraph .01 needs to be met to review the interim financial information in accordance with this section, we suggest adding the phrase, *either one or the other of*, as set out below.

*If **either one or the other of** these conditions ~~are~~ is not met, reviews of interim financial information of nonissuers should be performed in accordance with *Statements on Standards for Accounting and Review Services*.*

Readily Available Financial Statements

Paragraph .05 requires the interim financial information to accompany the entity's latest audited financial statements, or if the interim financial information does not accompany the latest audited financial statements, the financial statements should be *readily available*. We are unsure about what would be considered "readily available" since the example provided only describes the circumstance that is not considered readily available. As such, we recommend providing some examples of what would be considered *readily available*.

Additionally, since the auditor is not responsible for ensuring that the annual audited financial statements accompany the interim financial information, we recommend (1) that paragraph .08 include, under management's responsibility, a point regarding management's responsibility for assuring that the previously audited annual financial statements are made readily available to users of the interim financial information, and (2) that paragraph .23 include an additional representation from management relating to management's assurance that the annual audited financial statements will be made readily available.

Management's Ability to Provide an Assertion about Controls

Before accepting an engagement to review interim financial information, the guidance set out in paragraph .07 directs the accountant to *assess management's ability to assert that controls are in place that are sufficient to provide a reasonable basis for the preparation of reliable interim financial information in accordance with GAAP*. While we believe that it is important for the accountant to understand the process by which management is able to prepare reliable interim financial information in accordance with GAAP, we do not believe that assessing management's "ability to assert" is sufficient. Accordingly, we recommend strengthening this assessment by rephrasing the requirement as follows:

*...assess management's ~~ability to assert~~ **basis for asserting** that controls...*

Definitions of Significant Deficiency and Material Weakness

We note that the definitions for significant deficiency and material weakness used in this proposed statement are taken from the recently issued Statement on Auditing Standards (SAS) No. 115, which has an effective date for periods ending on or after December 15, 2009, with earlier application permitted. However, since this proposed statement on reviews of interim financial information is effective for periods beginning after December 15, 2008, we believe that transitional guidance may be appropriate to alert practitioners who are reporting on entities with non-calendar year ends that early implementation of SAS 115 is contemplated when performing a review under this proposed statement.

Form of Report

Paragraph .03 of this proposed statement explains that an accountant is not required to issue a written report on a review of interim financial information. The proposed statement does not explain why a written report is optional or the purpose of such an option. However, we believe that in all instances a written report should be required to avoid any misunderstanding about the level of assurance provided, especially since a review under these standards differs in scope than a review under Statements on Standards for Accounting and Review Services (SSARS). We believe this is especially important since this proposed statement may be more broadly applied to other than private equity exchanges, as noted in the summary that accompanied this proposed statement.

Documentation

While we understand that the general standards discussed in AU section 150, *Generally Accepted Auditing Standards*, paragraph .02, are applicable to an interim review of financial information conducted in accordance with the provisions of this section, and that the general standards include independence matters, we believe that given the importance of independence to the performance of an interim review engagement, that compliance, in a manner similar to the requirement in AU Section 339, paragraph.13, is warranted, and similar language should be incorporated in the final issued guidance.

General Comment

Interim reviews have the potential of assuming increasing importance as users and markets push for more immediate and timely information from external financial reporting. Information that is timelier is generally more relevant to user's decision-making needs. However, such information still needs to possess the critical element of reliability that independent assurance services provide. To meet this demand for timeliness, assurance services need to evolve to a more dynamic "continuous assurance model." A robust interim review standard can serve as the lynch-pin in such a model.

Such reporting should not necessarily be bound by concepts of traditional reporting periods. Reviewed interim financial information could be issued at any point to address specific conditions and needs, such as to quell market rumors or address third-party concerns. As such, we believe that the proposed standard should more clearly present that it is applicable beyond the examples provided (private equity exchanges, exempt offerings, and indenture agreements).