

August 27, 2012

Mr. Michael Glynn
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, N.Y. 10036-8775

By e-mail: mglynn@aicpa.org

Re: Proposed Statements on Standards for Accounting and Review Services (SSARs)
Association With Unaudited Financial Statements,
Compilation of Financial Statements, and
Compilation of Financial Statements—Special Considerations

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

The NYSSCPA's Accounting and Review Services Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Kenneth Chan, Chair of the Accounting and Review Services Committee at (516) 256-3500, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Gail M. Kinsella
President

Attachment

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

COMMENTS ON

**AICPA PROPOSED STATEMENTS ON STANDARDS FOR ACCOUNTING AND
REVIEW SERVICES (SSARs)
*ASSOCIATION WITH UNAUDITED FINANCIAL STATEMENTS,
COMPILATION OF FINANCIAL STATEMENTS, AND
COMPILATION OF FINANCIAL STATEMENTS—SPECIAL CONSIDERATIONS***

AUGUST 27, 2012

Principal Drafters

**Sebastiano Banchitta
Kenneth K. Chan
Fred J. Sandoval**

NYSSCPA 2012 – 2013 Board of Directors

Gail M. Kinsella, <i>President</i>	Anthony T. Abboud William Aiken	Douglas L. Hoffman Scott Hotalen
J. Michael Kirkland, <i>President-elect</i>	Gregory J. Altman Barbara E. Bel	Eric M. Kramer Elliot A. Lesser
Scott M. Adair, <i>Secretary/Treasurer</i>	Shari E. Berk Robert W. Berliner	Pei-Cen Lin Steven M. Morse
Sherry L. DelleBovi, <i>Vice President</i>	Christopher G. Cahill Harold L. Deiters	Richard E. Piluso Robert R. Ritz
David Evangelista, <i>Vice President</i>	Domenick J. Esposito Adrian P. Fitzsimons	Michael F. Rosenblatt Arthur J. Roth
Suzanne M. Jensen, <i>Vice President</i>	Stephen E. Franciosa Jennifer R. George	Cynthia A. Scarinci John S. Shillingsford
Anthony J. Maltese, <i>Vice President</i>	Rosemarie A. Giovinazzo- Barnickel	Robert E. Sohr Yen D. Tran
Joanne S. Barry, <i>ex officio</i>	Mitchell L. Gusler Timothy Hedler	Richard T. Van Osten F. Michael Zovistoski

NYSSCPA 2012 – 2013 Accounting & Auditing Oversight Committee

William M. Stocker III, <i>Chair</i>	J. Roger Donohue	Renee Mikalopas-Cassidy
Michele B. Amato	Sharon S. Fierstein	Rita M. Piazza
Kenneth Chan	Julian E. Jacoby	Karina Pinch

NYSSCPA 2012 – 2013 Accounting and Review Services Committee

Kenneth K. Chan, <i>Chair</i>	Ronald F. DeSoiza	Ronald N. Press
Sebastiano Banchitta, <i>Vice Chair</i>	Lee Fleisig	Juan Rondon
Ejikeme Alozie-Nwagboso	Michael P. Glynn	Dominic Rovano
Michael J. Aroyo	Jay H. Goldberg	John M. Sacco
Joseph Caplan	Joseph A. Maffia	Fred Sandoval
Vincent Caruso	Matthew McCabe	Ira M. Talbi
Ronald Cruz	Stephan R. Mueller	Barry S. Wechsler
Mitchell Davis	Victoria Pitkin	Lawrence A. Wolff

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Comments on

AICPA Proposed Statements on Standards for Accounting and Review Services (SSARSs) *Association With Unaudited Financial Statements,* *Compilation of Financial Statements, and* *Compilation of Financial Statements—Special Considerations*

Association with Unaudited Financial Statements

We support the AICPA's efforts to make the compilation and review standards easier to read, understand and apply. However, we believe that the following changes should be implemented regarding the exposure draft.

First, we believe that the understanding between an accountant and a client should be documented and that additional requirements should be added to obtain an engagement letter designed for the "new" type of engagement. Simply adding the suggested report wording in paragraph A4 or relying on a client per paragraph A3 will not suffice. The engagement letter, if required, should include a client's acknowledgement that an accountant will not report on the financial statements and a disclaimer on the report to be issued.

Second, we believe additional guidance is needed to clarify the difference between paragraph 6b (*Association with Unaudited Financial Statements*) and paragraph 3a (*Compilation of Financial Statements*). The method by which we are to distinguish between "material inconsistencies" and "material misstatements" should be delineated. Although the origin of these concepts is understood, further elaboration may enable us to clearly distinguish one from the other.

Compilation of Financial Statements

Regarding the requirement to consider the effect of new and revised information as noted on page 7 of the exposure draft, the message conveyed is unclear when reading paragraph 13 of extant AR section 80 together with paragraph 16 of the proposed SSARS. Paragraph 13 of extant AR section 80 reads as follows, "*in circumstances when the accountant believes that the financial statements may be materially misstated, obtain additional or revised information.*" Paragraph 16 of the proposed SSARS reads, "*requires the accountant to consider the effect of such additional or revised information on the financial statements, including whether the financial statements are materially misstated.*" Assessing these two statements together gives the impression of a loop process. We do not feel paragraphs A18 and A19 are providing any proper guidance or explanations. Additional guidance is needed on the purpose to be conveyed or a re-writing that will convey more clearly the message of the standard-setter.

Paragraphs 11 and 12 indicate that an accountant should possess or obtain an understanding of the industry and knowledge of an entity, respectively. While the NYSSCPA acknowledges the diversity in practice, it is in favor of the standards indicating "must" as opposed to "should." It is unclear how a practitioner who is unfamiliar with an entity and its industry would be able to ascertain whether the financial statements conform to Generally Accepted Accounting Principles (GAAP or a special purpose framework), or are free of any material misstatements, or formulate inquiries about a client's financial statements if a practitioner is unfamiliar with the industry or a client. For example, if an accountant is unfamiliar with the Construction Industry, how would he or she know whether costs in excess of billings included in a set of compiled financial statements are materially stated if he or she lacks any knowledge of what costs in excess of billings are or how they come about?

An accountant's understanding about a company and its industry must be documented for several reasons: a) it increases the quality of the accountant's working papers; b) during peer review, the accountant can easily demonstrate that he or she has complied with professional standards; c) it creates a homogeneous standard by which all CPAs can be assessed and judged.

Many CPA firms are paperless and this trend is expected to become more pervasive. We believe that professional standards should allow practitioners to digitally sign their reports. Therefore, the following sentence should read "The accountant's compilation report should include the manual, printed or **digital** (*emphasis added to show suggested change*) signature of the accounting firm or the accountant, as appropriate."

Paragraph 37 for "emphasis-of-matter" or "other-matter" paragraph with regards to special purpose framework may not be necessary. We believe this paragraph is not needed except in the case of omitted disclosures, otherwise, disclosure is sufficient to discuss special purpose framework. Statements will be suitably titled; therefore, it has been communicated they are prepared in accordance with the financial reporting framework. Current practice contains notes to the financial statements disclosures indicating the differences between GAAP and Other Comprehensive Basis of Accounting (OCBOA). It remains unclear how "emphasis-of-matter" enhances the financial statements. In the event note disclosures are omitted, current practice is to add a paragraph after the conclusion stating such of the omitted disclosures, and the fact that the "financial statements are not designed for those who are not informed about such matters."