

September 13, 2019

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

By e-mail: mike.glynn@aicpa-cima.com

**Re: AICPA Proposed Statement on Standards for Accounting and Review Services –
*Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose
Frameworks***

Dear Mr. Glynn:

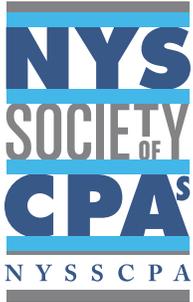
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 24,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

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 Lenore Sanchez, Chair of the Accounting and Review Services Committee, at (845) 356-6100, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Ita M. Rahilly
President

Attachment



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

COMMENTS ON

**AICPA PROPOSED STATEMENT ON STANDARDS FOR ACCOUNTING AND
REVIEW SERVICES – *MATERIALITY IN A REVIEW OF FINANCIAL STATEMENTS,
ADVERSE CONCLUSIONS, AND SPECIAL PURPOSE FRAMEWORKS***

September 13, 2019

Principal Drafters

**Lenore C. Sanchez
Ross A. Trapani
Nick Tsoukaris**

NYSSCPA 2019–2020 Board of Directors

Ita M. Rahilly, <i>President</i>	Darcy Aldous	Jennifer A. Kartychak
Edward L. Arcara, <i>President-elect</i>	Dennis N. Annarumma	Gerard J. LoVerde
Kevin Matz, <i>Secretary/Treasurer</i>	Carnet A. Brown	Patricia A. McGrath
Barbara E. Bel, <i>Vice President</i>	Rumbidzai Bwerinofa- Petrozzello	Mitchell J. Mertz
Joseph A. Maffia, <i>Vice President</i>	Kelly R. Capron	Candice R. Meth
Renee Rampulla, <i>Vice President</i>	Catherine Censullo	Michael E. Milisits
Denise M. Stefano, <i>Vice President</i>	Anthony S. Chan	Steven M. Morse
Joanne S. Barry, <i>ex officio</i>	William H. Dresnack	Maria L. Petrollese
	Mark L. Farber	Jennifer Pickett
	Lynne M. Fuentes	Thomas S. Pirro
	Timothy J. Hammond	Janeen F. Schrann
	Elliot L. Hendler	Maria E. Suppa
	Jan C. Herringer	Mark M. Ulrich
	Douglas L. Hoffman	Liren Wei
	Kimberly G. Johnson	Charles J. Weintraub
		David G. Young

NYSSCPA 2019–2020 Accounting and Auditing Oversight Committee

Renee Mikalopas-Cassidy, <i>Chair</i>	Stephanie Gigliotti	Robert M. Rollmann
Margaret A. Wood, <i>Vice Chair</i>	Diane L. Jules	Lenore Sanchez
Jennifer L. Biundo	Jeffrey A. Keene	William M. Stocker III
Jennifer R. George	Ilene L. Persoff	Christopher J. Zingalli
	Rita M. Piazza	Jonathan Zuckerman

NYSSCPA 2019–2020 Financial Accounting and Review Services Committee

Lenore C. Sanchez, <i>Chair</i>	Jeffrey S. Gittler	John M. Sacco
Robert E. Acuna	Michael P. Glynn	Michael B. Sackowitz
Michael J. Aroyo	Haren K. Gosar	Eric M. Sherb
Dawn M. Bergen	Kenneth J. Gralak	Eric Skoglund
Sharon Brenner	Stuart Kamelhar	Ira M. Talbi
Joseph A. Caplan	Kieron Ludde	Ross A. Trapani
Joshua Cohen	Michael Meilak	Nick Tsoukaris
Joseph Davi	Victoria Pitkin	Morvyth M. Williams
	Clifford J. Romain	

NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

AICPA Proposed Statement on Standards for Accounting and Review Services – *Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose Frameworks*

We welcome the opportunity to respond to the AICPA's invitation to comment on its Proposed Statement on Standards for Accounting and Review Services – *Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose Frameworks*.

Our responses to the Requests for Comment from respondents are presented below.

Request for Comment 1: Please provide your views on the proposed requirements for the accountant to inform management of its reasons for withdrawing when the accountant intends to withdraw from the preparation engagement. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?

Response: We agree with this proposed requirement as it is consistent with the accountant's responsibility under a compilation engagement, and provides transparency to management in regard to the ethical reasons for the withdrawal. The proposed application guidance is helpful and sufficient, and no further revision is considered necessary.

Request for Comment 2: Please provide your views on the proposed definition of limited assurance and whether you believe that defining the term will assist practitioners in planning and performing high-quality review engagements. If you believe that the proposed definition is not sufficient or is inappropriate, please provide your thoughts about how limited assurance should be defined.

Response: The proposed definition will aid in performing review engagements as it better contextualizes the level of assurance, and more closely aligns with the definition in International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*.

Request for Comment 3: Please provide your views on the proposed explicit requirement for the accountant to plan and perform the review with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?

Response: We agree with this explicit requirement, and believe that an accountant should be required to maintain a level of professional skepticism throughout the review engagement.

Current practice aids already include inquiries of management related to fraud. The proposed application guidance is helpful and sufficient, and no further revision is considered necessary.

Request for Comment 4: Please provide your views on the proposed explicit requirement for the accountant to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?

Additionally, please provide your views on the proposed requirement for the accountant to design and perform analytical procedures and inquiries to address all material items in the financial statements, including disclosures.

Response: We agree with the explicit requirement that an accountant determine materiality for the financial statements as a whole and apply that materiality when designing and evaluating the results of the procedures performed. We believe a required determination of materiality is necessary in order to obtain limited assurance as to whether the accountant is aware of any material modifications that should be made to the financial statements. The application of materiality is currently discussed in various paragraphs throughout AR-C section 90, Review of Financial Statements, and an explicit requirement will hopefully reduce the diversity in practice that currently exists.

The accountant's conclusion paragraph in the review report includes a reference to material modifications. However, we are concerned that the explicit requirement for the accountant to determine materiality may complicate communication to clients and documentation requirements may become excessive at a review level engagement. We would appreciate guidance on how this should be handled.

Request for Comment 5: Please provide your views on the proposed additional required inquiries of members of management who have responsibility for financial and accounting matters concerning the financial statements.

Response: We agree with the proposed additional required inquiries. While matters concerning the financial statements may be addressed as part of the accountant's inquiries due to their significance, requiring such inquiries will assist in determining whether any material modifications should be made to the financial statements.

Request for Comment 6: Please provide your views on the proposed additional required procedures with respect to the accountant's consideration of related parties in a review of financial statements.

Response: We agree with the proposed additional required procedures with respect to the accountant's consideration of related parties in a review of financial statements. Related party transactions are a significant consideration due to their implications to the financial statements and therefore the additional required procedures are appropriate.

Request for Comment 7: Please provide your views on the proposal to permit the accountant to express an adverse conclusion for an engagement performed in accordance with AR-C section 90 when he or she determines, or is otherwise aware, that the financial statements are materially

misstated and the effects of the matter or matters are both material and pervasive to the financial statements. Also, please provide your views regarding whether the reasons to permit an adverse conclusion in accordance with AR-C section 90 are consistent with the reasons to permit an adverse conclusion in accordance with AT-C section 210.

Response: We agree with the proposal to permit the accountant to express an adverse conclusion in a review of financial statements when it is determined that the financial statements are materially misstated and that the effects are both material and pervasiveness based on the proposed explicit materiality requirement. We agree that the AR-C section 90 proposal to permit the accountant to express an adverse conclusion is consistent with an adverse conclusion described in Statement on Standards for Attestation Engagements, AT-C section 210, Review Engagements.

Request for Comment 8: Please provide your views on the proposed additional required documentation in a review of financial statements.

Response: We agree that an accountant should be required to sufficiently document their understanding of significant findings or issues arising during the review, the related conclusions reached, and the significant professional judgments used by the accountant in reaching those conclusions.

Request for Comment 9: Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.

Response: We do not support the proposed June 15, 2021 effective date, but would support an effective date for periods ending after December 15, 2021, that month and date being a more typical effective date for standards. This would allow more time for accountants to learn, prepare, and implement any necessary changes, and be positioned with enough time around revenue recognition and lease standards updates. We support early implementation.

Request for Comment 10: Respondents are asked to comment on whether they believe that AR-C section 90 should be revised to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. If so, respondents are further asked to comment on the appropriateness of the requirements and associated application guidance suggested.

Response: The prior year balances should be restated and disclosed when comparative financial statements are presented and there is a correction of a material misstatement in previously issued financial statements. With respect to issuing single year financial statements, we find it appropriate to adjust the opening balance(s) and disclose accordingly. We believe an emphasis of matter paragraph should be included in either case.