

December 29, 2009

Ms. Sherry Hazel
AICPA
1211 Avenue of the Americas
New York, N.Y. 10036-8775

By e-mail: shazel@aicpa.org

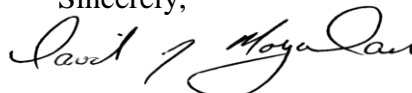
Re: Proposed Statements on Auditing Standards, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, and Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of Financial Statements*

Dear Ms. Hazel:

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,



David J. Moynihan
President

Attachment

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

COMMENTS ON

PROPOSED STATEMENTS ON AUDITING STANDARDS

**SPECIAL CONSIDERATIONS – AUDITS OF FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS,
AND**

**SPECIAL CONSIDERATIONS – AUDITS OF SINGLE FINANCIAL
STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS, OR ITEMS OF
FINANCIAL STATEMENTS**

December 29, 2009

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New York State Society of Certified Public Accountants

Comments on

Proposed Statement on Auditing Standards, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, and* *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of Financial Statements*

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the two AICPA Auditing Standards Board's (ASB) proposed Statements, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, and Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of Financial Statements*.

We support the ASB's efforts to improve the clarity and reduce the complexity of auditing standards as well as its ongoing goal to converge the proposed standards with International Standards on Auditing (ISAs).

We generally agree with the content of these proposed standards, however, we have identified certain matters which, in our opinion and as discussed in the responses below, require clarification. The matters for consideration are governance responsibility, general purpose framework definition, and placement of exceptions.

Responses to specific questions:

1. Are the objectives of the auditor appropriate?

Yes.

2. Are the revisions made to converge the existing standards with ISA 800 and ISA 805 appropriate?

Paragraph A14 "*Special Considerations – Audits of Financials Statements Prepared in Accordance with Special Purpose Frameworks*" states in part:

"Communication with those charged with governance in accordance with GAAS is based on the relationship between those charged with governance and the financial statements subject to audit, in particular, whether those charged with governance are responsible for overseeing the preparation of those financial statements. In the case of special purpose

financial statements, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management’s use. In such cases, the requirements of AU section 380 ... may not be relevant to the audit of the special purpose financial statements, except when the auditor is also responsible for the audit of the entity’s general purpose financial statements or, for example, has agreed to communicate with those charged with governance of the entity relevant matters identified during the audit of the special purpose financial statements.”

We believe that those charged with governance have a responsibility for overseeing the preparation of all financial statements regardless of the financial statement framework, including special purpose financial statements (including the example “financial information is prepared solely for management’s use”). The requirements of AU section 380, *The Auditor’s Communication with Those Charged with Governance*, should be relevant in these instances.

3. Are the differences between the proposed SASs and ISA 800 and ISA 805 identified in the exhibit, and other language changes, appropriate?

Yes.

4. Have considerations for audits of smaller, less complex entities and governmental entities been dealt with appropriately?

Yes.

5. Other Comments

The following comments relate to Proposed Statement “Special Considerations – *Audits of Financials Statements Prepared in Accordance with Special Purpose Frameworks:*”

- a. Paragraphs A2, A3, A8, A14 and Appendix B, Illustrations 1 & 3 refer to “general purpose framework.” The term “general purpose framework” is not defined in the proposed standard but is defined in the proposed SAS “*Forming an Opinion and Reporting on Financial Statements*”. We request a reference be made in this proposed standard to the definition of “general purpose framework.”
- b. Exhibit A of the proposed statement states that “special purpose financial statements may not include a statement of cash flows.” Consideration should be given to placing this point within the body of the proposed statement.
- c. In the “Basis of Accounting” section of the auditor’s report in Illustrations 1 thru 4, it states, “Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting.” Consideration should be given to removing the words “without modifying our opinion” for they appear to be superfluous and possibly misleading.

The following comments relate to Proposed Statement “Special Considerations – *Audits of Single Financial Statements and Specific Elements, Accounts, or Items of Financial Statement*”:

- a. With reference to Appendix B “Illustrations of Auditor’s Reports section” paragraph 1 of the illustrations states that the item being audited, i.e., financial statement, schedule, etc. was “prepared by management” if the item being audited was not prepared in accordance with accounting principles generally accepted in the United States, that is, a special purpose framework. We suggest that this point should be placed within the body of the proposed standard.
- b. Illustration 2, under the “Basis of Accounting” section of the auditor’s report it states, “Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting.” Consideration should be given to removing the words “without modifying our opinion;” they appear to be superfluous and possibly misleading. This comment is similar to comment c. above regarding Proposed Statement “Special Considerations – *Audits of Financials Statements Prepared in Accordance with Special Purpose Frameworks.*”