

August 25, 2009

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

By e-mail: shazel@aicpa.org

Re: Proposed Statement on Auditing Standards, *External Confirmations*

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 STATEMENT ON AUDITING STANDARDS
*EXTERNAL CONFIRMATIONS***

August 25, 2009

Principal Drafters

**Robert W. Berliner
Stephen P. Tuffy
Anna Zubets**

NYSSCPA 2009 – 2010 Board of Directors

David J. Moynihan, <i>President</i>	Scott M. Adair	Gail M. Kinsella
Margaret A. Wood, <i>President-elect</i>	Cynthia D. Barry	Nancy A. Kirby
Joseph M. Falbo Jr., <i>Secretary/Treasurer</i>	John Barone	J. Michael Kirkland
Elliot A. Lesser, <i>Vice President</i>	Susan M. Barossi	Mark G. Leeds
Mark L. Meinberg, <i>Vice President</i>	S. David Belsky	Heather Losi
C. Daniel Stubbs, Jr., <i>Vice President</i>	Ian J. Benjamin	Anthony J. Maltese
Liren Wei, <i>Vice President</i>	Anthony Cassella	Barbara A. Marino
Louis Grumet, <i>ex officio</i>	Sherry L. DelleBovi	Avery E. Neumark
	Sharon Sabba Fierstein	Joel C. Quall
	Robert L. Goecks	Ita M. Rahilly
	David R. Herman	Erin Scanlon
	John B. Huttlinger, Jr.	Thomas M. VanHatten
	Martha A. Jaeckle	George I. Victor
	Suzanne M. Jensen	Charles J. Weintraub
	Robert Kawa	Jesse J. Wheeler

NYSSCPA 2009 – 2010 Accounting & Auditing Oversight Committee

Mitchell J. Mertz, <i>Chair</i>	Edward P. Ichart	Bruce I. Sussman
Jay H. Goldberg	Mark Mycio	Robert N. Waxman
Anthony S. Chan	William M. Stocker III	

NYSSCPA 2009 – 2010 Auditing Standards Committee

Robert N. Waxman, <i>Chair</i>	John F. Georger, Jr.	Bernard H. Newman
Jan C. Herringer, <i>Vice Chair</i>	Fred R. Goldstein	John C. Parcell IV
Kamel W. Abouchacra	Menachem M. Halpert	William J. Prue
Gillad C. Avnit	Neal B. Hitzig	Andrew W. Reiss
Robert W. Berliner	Anil Kumar	Michael A. Sabatini
Roberto Bolanos	Elliot A. Lesser	John M. Sacco
Rosanne G. Bowen	Moshe S. Levitin	Mark Springer
Sharon M. Campbell	Ralph Lucarello	Stephen P. Tuffy
Robert J. Cordero	Michael R. McMurtry	Richard T. Van Osten
David DaSilva Jr.	Mark Mycio	Paul D. Warner
Vincent Gaudiuso	Lawrence E. Nalitt	Anna Zubets
	Wayne Nast	

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants
Auditing Standards Committee

Comments on
Proposed Statement on Auditing Standards, *External Confirmations*

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the AICPA Auditing Standards Board's (ASB) Proposed Statement on Auditing Standards (SAS), *External Confirmations*.

We support the ASB's efforts to improve the clarity of the standard on the confirmation process and to converge the proposed standard with International Standards on Auditing (ISAs). We agree with the provisions of the proposed standard. Answers to questions specifically posed by the ASB are presented below.

1. Are the objectives of the auditor appropriate?

Yes, the auditor's objective, as specified by the proposed SAS, is appropriate.

2. Are revisions made to converge the existing standard with ISA No. 505 appropriate?

The revisions made for convergence of the proposed SAS with ISA No. 505 (*External Communications*) of the standards are appropriate.

We agree with the task force decision not to include certain guidance from the existing standard where it has been addressed in other proposed standards or deemed not necessary to include.

We also support retaining from the existing standard, AU 330, *The Confirmation Process*, Para .23, section on prior experience, which states, "In determining the effectiveness and efficiency of employing confirmation procedures, the auditor may consider information from prior years' audits or audits of similar entities."

3. Are the differences between the proposed SAS and ISA No. 505 identified in the exhibit, and other language changes, appropriate?

The differences between the proposed SAS and ISA No. 505 are appropriate.

We support retaining the presumptive requirement to use external confirmation procedures for accounts receivable even though this requirement is not contained in ISA No. 505. We agree with the ASB's observation that "[a]udit evidence in the form of external confirmations received directly by the auditor from appropriate confirming parties may assist the auditor in obtaining audit evidence *with the high level of reliability* that the auditor requires to respond to significant

risks of material misstatement, whether due to fraud or error” (see Appendix of the proposed standard, emphasis added). Furthermore, as noted in paragraph A19 of the proposed SAS, “a nonresponse to a confirmation request may indicate a previously unidentified risk of material misstatement” (a risk that may not come to the auditor’s attention if confirmation procedures are not performed). With revenue being the most common area of restatement and an account inherently susceptible to fraud risk, external confirmations of accounts receivable should continue to be a presumptive requirement. We believe that abolishing this requirement could lead auditors to default to using alternative procedures in testing accounts receivable for the sake of efficiency, and, as a result, significantly reduce the effectiveness of the audits and increase the risk of a material misstatement.

We also support expanding the ISA definition of an external confirmation to include direct access by the auditor to third party information (par. 6(a)), and clarifying the original ISA text to encompass the various types of mediums that may be used in the confirmation process, such as e-mail (par. 7(c), A6 and A15). We particularly support the additional guidance in paragraph A15 as to what constitutes reliable audit evidence when confirmations are performed electronically. We believe these changes reflect the ever-increasing reliance on technology in the audit process and properly address commonly encountered situations in auditing.

Furthermore, we support expanding the original ISA text to provide additional guidance on dealing with restrictive language in confirmation responses (par. A16) and with oral confirmation responses (par. A19, A22 and A23).