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August 16, 2005

Ms. Lisa A. Snyder
Director
Professional Ethics Division
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

By email: lsnyder@aicpa.org

In re: **Exposure Draft, Omnibus Proposal of Professional Ethics Division Interpretations and Rulings, June 17, 2005**

Dear Ms. Snyder:

The New York State Society of Certified Public Accountants, the oldest state accounting association, representing approximately 30,000 CPAs, is pleased to submit the attached comments on the above-referenced Exposure Draft of the AICPA Professional Ethics Executive Committee.

The NYSSCPA Professional Ethics Committee drafted the attached comments, which have been reviewed and approved by the Society's Quality Enhancement Policy Committee. If you would like additional discussion with us, please contact the Quality Enhancement Policy Committee chair, Thomas E. Riley, at (315) 471-2777 x 122, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Stephen F. Langowski,
President

Attachment

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

**COMMENTS ON AICPA EXPOSURE DRAFT
Omnibus Proposal of Professional Ethics Division
Interpretations and Rulings, June 17, 2005**

August 16, 2005

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**The New York State Society of Certified Public Accountants
Professional Ethics Committee**
**Comments on AICPA Exposure Draft - *Omnibus Proposal of Professional Ethics
Division Interpretations and Rulings, June 17, 2005***

August 16, 2005

Comments

Proposed Ethics Ruling No. 113 under Rule 102

(1) The first paragraph of the Answer (page 7) reads:

“Objectivity would not be considered to be impaired provided the gift or entertainment is reasonable in the circumstances. In addition, the member should not offer or accept gifts or entertainment in violation of the member, client, customer, or vendor’s policies or applicable laws and regulation.”

We suggest the paragraph be modified by adding the word “knowingly” to the prohibition in order to avoid inadvertent violations of the ethics ruling. In addition, to avoid the prospect of a member claiming that he or she did not know about the policy, law or regulation, we would suggest that the concept of “reasonably should have known” be added to the ethics ruling.

(2) The second paragraph of the Answer (page 7) reads:

“The member should exercise judgment in determining whether gifts or entertainment would be considered reasonable in the circumstances. Relevant facts and circumstances would include, but are not limited to [list of examples cited]”

We suggest listing additional examples relating to the reaction that the audit committee, board of directors and/or senior management might have if they were to learn of gifts to client personnel or the client’s vendors.

Proposed Ethics Ruling No. 114 under Rule 101

(3) The second paragraph in the Explanation of this proposed ethics ruling (page 8) reads:

“The PEEC proposes that independence would be considered impaired if a covered member *accepts* a gift from an attest client unless the gift is “clearly insignificant.” The PEEC believes that the value threshold of “clearly insignificant” is appropriate and consistent with the current threshold of “token.” The PEEC noted that the “clearly insignificant” threshold is used by the International Federation of Accountants (IFAC) in its Code of Ethics for

Professional Accountants (the IFAC Code) and believes that the term *clearly insignificant* conveys a better understanding of what would be acceptable than the term *token*. The IFAC Code provides that ‘a matter should be considered clearly insignificant only if it is deemed to be both trivial and inconsequential.’”

- a. We are confused as to whether PEEC, in referencing the IFAC Code and the fact that it considers a matter clearly insignificant if it is both trivial and inconsequential, is proposing that the AICPA adopt the same criteria to define the term “clearly insignificant”.

(4) Our comments on the text of the proposed ethics ruling (paragraphs .228 and .229) (page 10) are as follows:

- a. We do not agree that the rule should be limited to only key employees of the attest client and suggest that the term “key position” be deleted from the ethics ruling. If the PEEC wishes to retain the concept of key position, then we would suggest that the term “key position” be defined. We also suggest that the term “clearly insignificant” be defined and believe additional guidance as to what “clearly insignificant” is would be useful (e.g. clearly insignificant to whom?).

Proposed Deletion of Ethics Ruling No. 1 under Rule 101

- (5) The Committee has no comments on the proposed deletion.

Proposed Revision to Interpretation 501-1 under Rule 501

- (6) The revisions that are contained in the proposed interpretation would be an improvement over current guidance and supports the proposed revisions to Interpretation 501-1 under Rule 501, *Acts Discreditable*.

Proposed Revision of Ethics Ruling No. 189 under Rule 501

- (7) The Committee has no comments on the proposed revision.