

April 22, 2008

Ms. Lisa A. Snyder
Director
Professional Ethics Division
AICPA
1211 Avenue of the Americas
New York, N.Y. 10036

By email: lsnyder@aicpa.org

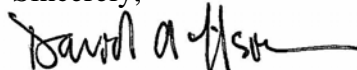
Re: AICPA Exposure Draft – Proposed Interpretation 101-17 – *Networks and Network Firms and Proposed New Definitions of Network and Network Firms and Proposed Revised Definition – Firm, Under Rule 101, dated August 13, 2007*

Dear Ms. Snyder :

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned exposure draft. NYSSCPA thanks the AICPA for the opportunity to comment.

The NYSSCPA's Quality Enhancement Policy Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Sharon Sabba Fierstein, the Chair of the Quality Enhancement Policy Committee, at 212-503-8814, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David A. Lifson
President

Attachment



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

COMMENTS ON AICPA EXPOSURE DRAFT

**PROPOSED INTERPRETATION 101-17 - NETWORKS AND NETWORK FIRMS
AND PROPOSED NEW DEFINITIONS OF NETWORK AND NETWORK FIRMS
AND PROPOSED REVISED DEFINITION – FIRM, UNDER RULE 101,
DATED AUGUST 13, 2007**

April 22, 2008

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New York State Society of Certified Public Accountants

Comments on AICPA Exposure Draft - Proposed Interpretation 101-17 - *Networks and Network Firms and Proposed New Definitions of Network and Network Firms and Proposed Revised Definition – Firm, Under Rule 101, dated August 13, 2007*

General Comments

The New York State Society of Certified Public Accountants (the “Society”) has reviewed the above-referenced AICPA Exposure Draft and offers the following comments for consideration by the Professional Ethics Executive Committee (PEEC) of the American Institute of Certified Public Accountants (AICPA).

The Society acknowledges and supports the PEEC’s efforts in attempting to provide clear guidance on networks and network firms.

The exposure draft includes six fundamental shared characteristics, any one of which would cause a firm to fall within the definition of a network firm, thereby requiring each firm to be independent of audit and review clients of any other firm in the network, where the reports are not restricted to specified users.

The Society agrees with the concept of defining networks and network firms based on shared characteristics. We agree that the following six characteristics: sharing common brand name, sharing common control, sharing profits or costs, sharing common business strategy, sharing significant professional resources and sharing common quality control policies and procedures among the firms are relevant and appropriate.

However, we would like the PEEC to consider the implementation of a higher standard.

It is our opinion that the public we serve is unable to distinguish between an association of firms and a network firm irrespective of any disclaimers by a firm that is a member of an association. As such, all references made to an association should be prohibited unless the firm making reference to its membership in the association meets the same criteria of independence as network firms.

Response to Request for Specific Comments

You have asked for specific comment on two issues. Those two issues are reprinted below in italics, with our response following each.

1. The PEEC is proposing a delayed effective date of the proposed interpretation and related definitions. Do you agree that the proposed delayed effective date will

provide firms with sufficient time to implement an exit strategy or to educate personnel on new rules and implement monitoring systems? If not, please advise what period of time would be sufficient and why you believe a different effective date would be more appropriate.

Response

We recommend that PEEC delay adoption of proposed interpretation 101-17 until it obtains a well-researched legal analysis of the impact of proposed interpretation 101-17 on vicarious liability of network firms in the federal and state courts. While PEEC is addressing the networks for purposes of Ethics Rule 101 “Independence”, it must be viewed concurrently in the larger practice context of potential civil liability claims against network firm members.

2. The PEEC believes network firms should be required to be independent of audit and review clients where the reports issued are not restricted to specified users. For all other attest clients (for example, compilations, SAS 70 reports, and examinations of prospective financial statements), the PEEC proposes that a network firm should consider any threats that the firm knows or has reason to believe may be created by other network firms’ interests in and relationships with the client and, if those threats are not at an acceptable level, apply safeguards to eliminate the threats or reduce them to an acceptable level. Do you believe this proposed scope is appropriate? If not, please advise what scope would be more appropriate and why.

Response

We do not believe there should be any more layers of differing independence rules introduced to the profession. We believe that sufficient guidance exists to mitigate and control the above-mentioned threats when applied on a case-by-case basis.