

April 27, 2010

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, Using the Work of an
Auditor's Specialist**

Dear Ms. Hazel:

The New York State Society of Certified Public Accountants, representing 28,000 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,
*USING THE WORK OF AN AUDITOR'S SPECIALIST***

April 27, 2010

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New York State Society of Certified Public Accountants
Auditing Standards Committee

Comments on
Proposed Statements on Auditing Standards, *Using the Work of an Auditor's Specialist*

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the AICPA Auditing Standards Board's (ASB) proposed statement, *Using the Work of an Auditor's Specialist*.

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).

Responses to Questions

1. Are the objectives of the auditor appropriate?

Yes, the auditor's objectives are appropriate.

2. Are the revisions made to converge the existing standards with ISA 620 appropriate?

Yes, the revisions made to converge the existing standards with ISA 620 are appropriate.

3. Are the differences between the proposed SAS and ISA 620 identified in the exhibit, and other language changes, appropriate?

Yes, the differences between the proposed SAS and ISA 620, and other language changes, are appropriate.

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

We believe that this topic does not have different implications for smaller, less complex entities. Accordingly, we believe no further guidance specific to smaller, less complex entities is required.

Other Comments

We believe that the objectives of the proposed standard are appropriate. However, we have the following comments which we believe would improve the clarity of the proposed standard:

Paragraph 6. Footnote 3 states: “*Partner and firm* should be read as referring to their governmental equivalents, when relevant.” It is not clear how “governmental equivalent” should be interpreted. We suggest consideration be given to clarifying or deleting this statement.

Paragraph 15. This paragraph (and paragraph A43) discusses situations in which an auditor might refer to a specialist when issuing a modified opinion. Providing examples of situations in which this might be appropriate and providing sample language to use when the auditor indicates “that such reference does not reduce the auditor’s responsibility for that opinion” would be helpful.

Paragraph A1. Consideration should be given to expanding the list of areas of expertise as follows: “Mineral reserves,” “technology and systems,” “statistical sampling,” “regulatory specialists” (*e.g.*, broker-dealer net capital rule). In addition, the list includes “the analysis of complex or unusual tax compliance issues.” We suggest deleting “complex or unusual.”

Paragraph A2. In connection with the examples of distinguishing between expertise in accounting or auditing and expertise in another field, the following, underlined additional wording is recommended:

For example, an individual with expertise in applying methods of accounting for deferred income tax can often be easily distinguished from a specialist in taxation law. The former is not a specialist for the purposes of this proposed SAS because this constitutes accounting expertise; the latter is a specialist for the purposes of this proposed SAS because this constitutes legal expertise or expertise in the interpretation or application of taxation law. Similar distinctions also may be able to be made in other areas (for example, between expertise in methods of accounting for financial instruments and expertise in complex modeling for the purpose of valuing financial instruments or the evaluation of pricing of similar instruments).

Paragraph A8. The second and third bullet points address situations in which the auditor might gain a sufficient understanding of a matter without formally engaging a specialist. Both items imply that sufficient knowledge might be obtained through informal discussions with individuals both internal and external to the auditor’s firm. Discussions with others, both internal and external, without the others being fully engaged in the process and sharing responsibility for the conclusion, can produce inaccurate results. For example, if the auditor does not have expertise in a particular area, he or she might inadvertently omit relevant data when discussing the issue with others that might impact the conclusion. We recommend that this paragraph be clarified to say that any such discussions be documented in sufficient detail to ensure that (a) those involved were

informed of all relevant facts and (b) the conclusion and its basis were agreed upon by all the parties involved.

Paragraph A10. In connection with determining the need for an auditor's specialist, it is recommended that the following bullet point be added to the listing of factors to be considered when management has employed or engaged a specialist:

- The auditor's ability to evaluate the work and findings of management's specialist without the assistance of an auditor's specialist.

Paragraph A13. We recommend that paragraph A13 (which refers to an auditor's external specialist) be moved either to precede existing paragraph A12 or to follow existing paragraph A14 (both of which relate to the auditor's internal firm specialist).

Paragraph A27. We believe that it is appropriate for an auditor to have a written agreement with an external specialist. We recommend that the wording in the first sentence of this paragraph be changed by substituting the word "usually" in place of the word "often."

Paragraph A28. With respect to evidence of the agreement with the auditor's specialist in the absence of a written agreement, we recommend that the following two items be added:

- Memoranda summarizing discussions between the auditor and the auditor's specialist
- Written communications between the auditor and the auditor's specialist, including electronic communications

Paragraph A37. We recommend that the first sentence be amended by inserting the following underlined wording:

When the auditor's specialist's work is to evaluate underlying assumptions and methods, including models, when applicable, used by management or used by management's specialist in developing an accounting estimate...