

February 12, 2009

Ms. Sharon Macey
Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

By e-mail: smacey@aicpa.org

Re: Proposed Statement on Standards for Attestation Engagements, *Reporting on Controls at a Service Organization*

Dear Ms. Macey:

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,



Sharon Sabba Fierstein
President

Attachment



Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

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

**COMMENTS ON PROPOSED STATEMENT ON STANDARDS FOR
ATTESTATION ENGAGEMENTS, *REPORTING ON CONTROLS AT A SERVICE
ORGANIZATION***

February 12, 2009

Principal Drafters

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William J. Prue
Paul D. Warner**

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New York State Society of Certified Public Accountants

Auditing Standards Committee

Comments on

Proposed Statement on Standards for Attestation Engagements, *Reporting on Controls at a Service Organization*

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the above-referenced exposure draft and we have the following comments for your consideration.

Responses to questions posed in the Guide for Respondents:

Respondents are asked to comment in particular on the appropriateness of

- 1. the objectives stated in the proposed SSAE to be achieved by the service auditor.**
- 2. the revisions made to the existing standard to converge it with the ISAE 3402 exposure draft.**
- 3. the differences between the proposed SSAE and the ISAE 3402 exposure draft identified in exhibit E, and other language changes.**
- 4. the manner in which considerations for audits of smaller, less complex entities and governmental entities have been dealt with.**

The following comments relate to the Auditing Standards Board's (ASB's) specific requests in the Guide for Respondents:

1. The proposed SSAE clearly states the objectives to be achieved by service center auditors.
2. The changes made to AICPA's audit guide titled, *Service Organizations*, result in a significant convergence with ISA 402, *Audit Considerations Relating to an Entity Using a Third Party Service Organization*.
3. The differences between the proposed SSAE and ISAE 3402, *Assurance Reports on Controls at a Third Party Service Organization* are covered in exhibit E superficially. Exhibit E should be significantly expanded in order to provide a more thorough explanation of changes that do not relate to convergence.
4. The considerations of "smaller, less complex entities" are not satisfactory. The size of the organization is not relevant; the degree of complexity is. Smaller entities might have control structures rivaling those of much larger companies. All references should be made to the complexity of the organization. The comment regarding governmental entities is appropriate.

Specific Comments

In addition to the responses above, we add the following specific comments:

1. ISAE 3402 used “shall” throughout the document. The proposed draft changed shall to “should.” The change is inappropriate. Shall is used to express a command or exhortation (Merriam-Webster). Should is used to express desirability. Clearly, the ISAE’s use of shall is more appropriate and should be retained in the proposed SSAE.
2. Paragraph 38.a. should be revised to provide an example of the “other procedures.” A suggested revision is “...perform other procedures (e.g., a walk-through) in combination with inquiry...”
3. Paragraph 57 *f.* (5) “Selecting the criteria” needs further explanation. It is unclear what the criteria are. If it refers to the items in (1) to (4), then that should be indicated.
4. Paragraph A19 on fraud is appropriate.
5. Paragraph A30 states, “To be useful to user auditors, a type 2 report ordinarily covers a minimum period of six months.” The proposed SSAE should specifically require that the service auditor’s testing cover a full year, especially in circumstances in which the processing is performed in a computer-based environment. This will increase the possibility that the reporting period of the users and the service organizations will overlap. The use of audit sampling techniques will result in the sample size being substantially the same for a one year period as for a six month period.