

new york state society of

NYSSCPA

certified public accountants

530 fifth avenue, new york, ny 10036-5101
www.nysscpa.org

April 20, 2004

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803

By e-mail: comments@pcaobus.org

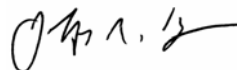
Re: Proposed Auditing Standard on Audit Documentation and Proposed Amendment to
Interim Auditing Standards

PCAOB Release No. 2004-0002
PCAOB Rulemaking Docket Matter No. 014

The New York State Society of Certified Public Accountants, the oldest state accounting association, representing approximately 30,000 CPAs, welcomes the opportunity to comment on the Proposed Auditing Standard referenced above.

The NYSSCPA Auditing Standards and Procedures Committee deliberated the Proposed Auditing Standard and prepared the attached comments. If you would like additional discussion with the committee, please contact Margaret Wood, chair of the Auditing Standards and Procedures Committee, at (212) 542-9528, or Robert Colson, NYSSCPA staff, at (212) 719-8350.

Sincerely,



Jeffrey R. Hoops
President

Attachment

new york state society of

NYSSCPA

certified public accountants

530 fifth avenue, new york, ny 10036-5101
www.nysscpa.org

**COMMENTS ON PCAOB PROPOSED AUDITING STANDARD ON
Audit Documentation and Proposed Amendment to Interim Auditing
Standards**

PCAOB Release No. 2004-0002

PCAOB Rulemaking Docket Matter No. 014

April 20, 2004

Principal Drafters

**Margaret A. Wood
Elliot A. Lesser
Paul D. Warner
Barry Wexler**

NYSSCPA 2003 - 2004 Board of Directors

Jeffrey R. Hoops, President	William Aiken	Neville Grusd
John J. Kearney, <i>President-elect</i>	Spencer L. Barback	David W. Henion
Thomas E. Riley, <i>Secretary</i>	Michael G. Baritot	Raymond P. Jones
Arthur Bloom, <i>Treasurer</i>	Rosemarie A. Barnickel	Nancy A. Kirby
Sandra A. Napoleon-Hudson, <i>Vice President</i>	Peter L. Berlant	David J. Moynihan
Steven Rubin, <i>Vice President</i>	Andrew Cohen	Kevin J. O'Connor
Vincent J. Love, <i>Vice President</i>	Ann B. Cohen	Robert S. Peare
Raymond M. Nowicki, <i>Vice President</i>	Michelle A. Cohen	Richard E. Piluso
Louis Grumet, <i>ex officio</i>	Walter Daszkowski	Mark A. Plostock
	Michael J. DePietro	Joseph J. Schlegel
	Katharine K. Doran	Robert E. Sohr
	Barbara S. Dwyer	Robert A. Sypolt
	Robert L. Ecker	Robert N. Waxman
	Mark Ellis	Howard D. Weiner
	David Evangelista	Philip G. Westcott
	Peter H. Frank	Philip Wolitzer
	Jo Ann Golden	

NYSSCPA 2003 - 2004 Accounting & Auditing Oversight Committee

Robert E. Sohr, Chair	Eugene D. Mahaney	George I. Victor
Gary E. Carpenter	Robert S. Manzella	Paul D. Warner
Robert A. Dyson	Eric J. Rogers	Robert N. Waxman
David J. Hasso	Steven Rubin	Paul J. Wendell
Michele M. Levine	Ira M. Talbi	Margaret A. Wood
Thomas O. Linder		

NYSSCPA 2003 - 2004 Auditing Standards and Procedures Committee

Margaret A. Wood, Chair	Michael Hollander	Raymond A. Norton
Mark Mycio	Dionne C. Johnson	R. Michael Peress
Robert W. Berliner	Mary-Jo Kranacher	Victoria L. Pitkin
Frank A. Bianculli	Elliot A. Lesser	Thomas Sorrentino
Christopher A. Brown	Joseph E. Manfre	George I. Victor
Romolo R. Calvi	Stephan R. Mueller	William H. Walters
Audrey A. Foster	Wayne Nast	Paul D. Warner
Fred R. Goldstein	Bruce H. Nearon	Robert N. Waxman
Neal B. Hitzig	Bernard H. Newman	Barry Wexler

NYSSCPA Staff

Robert H. Colson

New York State Society of Certified Public Accountants
Comments to the PCAOB
Release No. 2004-0002
Docket Matter No. 14

General Comments

We concur that the standard should include written communication to management and the audit committee of all significant deficiencies and material weaknesses.

Specific Comments

Question 1 - Are the references useful in assisting auditors when performing an integrated audit of financial statements and internal control over financial reporting?

The references are useful. A codification or reissuance of the affected standards with the revisions would further assist auditors.

Question 2 – Have any references been omitted from the proposed auditing standard that commenters believe would be beneficial? If so, explain.

It would be helpful to coordinate with the AICPA to update the appropriate AICPA audit guides and SOP's. In some cases, they represent the principal source of guidance for audits of companies in certain industries.

Question 3 – Do the proposed amendments clearly describe the new requirements that apply when the auditor is engaged to audit only the financial statements? If not, how can the board more clearly describe the new requirements?

PCAOB Auditing Standard No. 2, as referenced by the amendment, effectively describes the requirements under the standard.

Question 4 – Are there any additional requirements that are applicable in an integrated audit of financial statements and internal control over their financial reporting that also should be applicable when the auditor is engaged to audit only the financial statements?

All internal control deficiencies noted during the audit should be communicated in writing to management, the audit committee, and, if appropriate, the board of directors. They should be classified and grouped by severity (i.e., material weakness, significant deficiency, and other).

The standard also requires the auditor to report on the effectiveness of the audit committee's oversight over financial reporting. Without testing the effectiveness of the audit committee's oversight over financial reporting, the auditor has no basis for coming to a conclusion. In addition, because the audit committee engages the auditor the report should also go to the board of directors.

In addition, a SAS 61 letter addressed to the Board of Director's normally would include any disagreements with the Audit Committee as well as management. PCAOB should consider adding this requirement.

Question 5 – Are there any circumstances in which the proposed amendments in an audit of financial statements are not appropriate and should not be made? If so, what are those circumstances, and why do they indicate that the proposed amendment is inappropriate? Recognizing that requirements in the proposed amendments are required in an integrated audit, describe the circumstances that are different in an audit of financial statements from those in an integrated audit of financial statements and internal control over financial reporting.

No. The changes are appropriate. Consideration should be given to adding a footnote indicating the limited situations when an audit of financial statements only is appropriate.

Question 6 - Are there any circumstances in which issuers would want or need to file an AT sec. 501 report with the Commission? If so explain.

No, if a problem noted in the AT sec. 501 control review is other than inconsequential to the financial statements, then the auditor should follow the procedures in PCAOB Auditing Standard No. 2. If the problem noted is inconsequential to the financial statements, the problem should be communicated in writing to the audit committee and, if appropriate, to the board of directors.

Question 7 – Should AT sec. 501 be amended rather than superseded? If amended, what types of changes should be made to AT sec.501.

AT sec. 501 will still be applicable for internal control reports to government agencies or regulatory internal control reports by SEC registrants.

Question 8 – Is there a need for an auditor's report on internal control in addition to the auditor's report on the integrated audit of financial statements and internal control over financial reporting? If so, what information should the report include? In which circumstances would the report be issued? Who would use the report?

Yes, governmental and regulatory internal control reports other than yellow book and contractual internal control reports may still require the use of AT 501 internal control reports to report on compliance with internal controls specifically relating to

grants, programs, or statutory regulations when accompanied by a financial statement, an element of a financial statement, or schedule of expenditures.