

September 13, 2010

Daniel J. Dustin
New York State Board for Public Accountancy
NYS Education Department – 2nd Floor – East Wing
89 Washington Avenue
Albany, NY 12234

Subject: NYS Education Department Proposed Rule Making I.D. No. EDU-30-10-0003-P
Mandatory Quality Review Program for Public Accountancy

Dear Mr. Dustin:

On behalf of the New York State Society of Certified Public Accountants (NYSSCPA), representing more than 27,000 CPAs in public practice, industry, government and education, I respectfully and strongly recommend approval by the New York Board of Regents of the New York State Education Department's proposed new section 70.10 of the Regulations of the Commissioner of Education to establish a mandatory quality review program for the profession of public accountancy and to implement the requirement of section 7410 of the Education Law relating thereto. This quality review program is one of the key elements for public protection in the practice of public accountancy and will ensure the highest quality of practice by CPA firms that perform attest services in New York.

In November of 2005, NYSSCPA issued a White Paper entitled "Examination of Peer Review: Interim White Paper" and called upon the New York State Legislature to "...enact legislation which delegates to the Board of Regents, the New York State Board for Public Accountancy and the State Education Department the authority to set standards for quality review." Chapter 651 of the Law of 2008 and these proposed regulations incorporate many significant elements of the quality review program recommended almost five years ago by NYSSCPA.

We wish to thank you for soliciting the input of NYSSCPA during the development of these regulations which are necessary to implement Section 7410 of the Education Law "Mandatory Quality Review." We are cognizant the Legislature directed Implementing Regulations to be made and completed by the Commissioner of Education on or before January 1, 2011, and we commend the efforts of you and your staff to meet this deadline and provide firms, as well as prospective sponsoring organizations and reviewers, sufficient advance notice to meet the regulatory requirements for the implementation of mandatory quality review in New York.

We offer the following comments for your consideration:

1. Proposed Subdivision (c) (5): Relating to firms that begin providing attest service or otherwise become subject to Mandatory Quality Review

We recommend that regulation should remove any ambiguity regarding when a firm is deemed to begin providing attest services. A firm might be deemed to begin providing attest services upon signing of the engagement letter, or the when the firm begins actual scheduling and planning of its services, or at some other point in the engagement, for example, at the commencement of field work. Greater specificity on the beginning point of providing attest services will be important to firms because the required 30 day notification to the State Education Department runs from the time the firm "begins providing attest services." Similarly, notice to the Department with evidence of enrollment in an acceptable quality review program "within one year of the firm's initial performance of services requiring a quality review under this section" needs greater specificity of what is deemed to constitute the firms "initial performance" of attest services requiring a quality review.

With respect to the requirement that the firm shall have a quality review "conducted" within 18 months of the date such attest services were "first provided", we recommend that greater specificity be provided on what action by the firm constitutes the date the services were first provided. Also, we recommend that the verb "conducted" be changed to "completed" to avoid ambiguity and conform to the current AICPA peer review requirement for completion and submission of the peer review report within 18 months.

2. Proposed Subdivision (d) (2-vii) QROC's determination whether the firm is complying with applicable professional standards

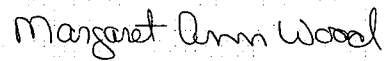
In sub-paragraph (a) of this subdivision, we recommend that the standard for QROC to recommend acceptance of a firm's quality review report should not be limited only to those reports "without deficiencies," and should authorize approval of reports that include a rating of "pass with deficiencies." This will be consistent with current AICPA peer review standards. We also recommend that the reference to the results of QROC's review should indicate that a firm is complying "in all material respects" with applicable professional standards, rather than simply complying with professional standards. This will conform to language in proposed subdivision (h) on the effect of substandard reviews which refers to a firm's conformity with applicable professional standards "in material respects"; however, we recommend that this language in proposed subdivision (h) be changed to "in all material respects" for consistency between subdivision (h) and subdivision (d) (2-vii).

In sub-paragraph (b) of subdivision (d) (2-vii), we recommend that an exception be included in the standard for QROC to refer a firm to the Office of Professional Discipline based upon QROC's review that a firm's quality review report approved by the department "includes deficiencies." The language for that exception would be for quality review reports indicating that the firm has "passed with deficiencies," to wit: If the results of the QROC's review reveal that a firms quality review report from a

reviewer approved by the department includes deficiencies, EXCEPT FOR A REPORT WITH A RATING OF PASS WITH DEFICIENCIES,...and if the QROC finds that the report warrants disciplinary action, the QROC may refer the firm to the Office of Professional Discipline pursuant to Education Law section 6510 (emphasis added). We also recommend that "in all material respects" be added in sub-paragraph (b) to "not in compliance with applicable professional standards" to wit: not in compliance in all material respects with applicable professional standards.

Thank you for the opportunity to comment on these proposed regulations. We look forward to working with you on this important program for the profession and the public.

Yours truly,

A handwritten signature in cursive script that reads "Margaret Ann Wood".

Margaret A. Wood, CPA
NYSSCPA President