

*new york state society of*

**NYSSCPA**

*certified public accountants*

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

July 22, 2002

Lisa A. Snyder  
Director, Professional Ethics Division  
AICPA  
Harborside Financial Center  
201 Plaza Three  
Jersey City, NJ 07311-3881  
Email: [lsnyder@aicpa.org](mailto:lsnyder@aicpa.org)

In re: Exposure Draft: Omnibus Proposal of Professional Ethics Division Interpretations and Rulings

Dear Ms. Snyder:

The New York State Society of Certified Public Accountants, the oldest state accounting association, which represents some 30,000 CPAs, thanks the AICPA Professional Ethics Executive Committee for the opportunity to comment on the above-referenced Exposure Draft.

The Society's Professional Ethics Committee deliberated the provisions contained in the Exposure Draft and prepared the attached comments for PEEC's consideration. If PEEC would like to discuss these comments with the Committee, please contact Rona L. Chernoff, the Committee chair, at (212) 874-0348, or Dennis O'Leary, NYSSCPA staff, at (212) 719-8418.

Sincerely,

Jo Ann Golden  
President

*new york state society of*

**NYSSCPA**

*certified public accountants*

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

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

**COMMENTS ON AICPA PROFESSIONAL ETHICS EXECUTIVE  
COMMITTEE EXPOSURE DRAFT**

**Omnibus Proposal of Professional Ethics Division Interpretations  
and Rulings**

**Principal Drafter**

**Rona L. Chernio**

**July 17, 2002**

### **NYSSCPA 2002- 2003 Board of Directors**

Jo Ann Golden, <i>President</i>	William Aiken	Neville Grusd
Jeffrey R. Hoops, <i>President-elect</i>	Spencer L. Barback	David W. Henion
Thomas E. Riley, <i>Secretary</i>	Michael G. Baritot	Nancy A/ Kirby
Frank J. Aquilino, <i>Treasurer</i>	Rosemarie A. Barnickel	Sandra A. Napoleon-Hudson
Laurence Keiser, <i>Vice President</i>	Peter L. Berlant	Nancy Newman-Limata
	Arthur Bloom	Raymond M. Nowicki
	Andrew Cohen	Kevin J. O'Connor
	Walter Daszkowski	Robert S. Peare
	Michael J. DePietro	Mark A. Plostock
Stephen F. Langowski, <i>Vice President</i>	Katharine K. Doran	Joseph J. Schlegel
Carol C. Lapidus, <i>Vice President</i>	Barbara S. Dwyer	Robert E. Sohr
	Andrew M. Eassa	Robert A. Sypolt
	David Evangelista	Edward J. Torres
	Franklin H. Federmann	Beth Van Bladel
Ian M. Nelson, <i>Vice President</i>	Peter H. Frank	Howard D. Weiner
Louis Grumet, <i>ex officio</i>	Angelo J. Gallo	Philip Wolitzer

### **NYSSCPA 2002- 2003 Professional Ethics Committee**

Rona L. Chernob, Chair	Ronald B. Hegt	Bruce I. Panock
Kevin D. Bandoian	Richard D. Isserman	John F. Raspante
Ian J. Benjamin	Suzanne M. Jensen	Joseph Schachter
John A. Cherpock	Robert Kawa	Burton L. Shepard
Robert S. Cheskes	Stuart G. Lang	Paul D. Warner
Melvin F. Crystal	Peter F. Logrieco	Margaret A. Wood
Julie L. Floch	Sandra A. Napoleon-Hudson	

### **NYSSCPA Staff**

Dennis O'Leary  
Ann Spaulding

**The New York State Society of Certified Public Accountants  
Professional Ethics Committee  
Comment Letter**

**Exposure Draft: Omnibus Proposal of Professional Ethics Division Interpretations and Rulings**

**July 17, 2002**

**General Comments**

The committee appreciates the opportunity to play a part in the standard-setting process by responding to these important proposals regarding professional ethics. The committee concurs with the revisions of the interpretations and believes that they are necessary to strengthen definitions and to assure appropriate compliance because they address many of the current uncertainties about independence.

**Specific Comments**

**Proposed Revision of Interpretation No. 101-1A.2 Under Rule 101.**

The committee supports expanding the definition of the impairment of independence to cases where a covered member serves as a trustee, executor, or administrator of an estate or trust that has a financial interest in an attest client. The percentage tests as indicated in the exposure draft are appropriate.

**Proposed Revision of Interpretation No. 101-2 Under Rule 101.**

This revision addresses a cooling-off period during which independence would be impaired if an attest client employs an audit firm professional unless certain conditions are met. The exposure draft references studies showing that mandatory, complete restrictions on such employment would unnecessarily restrict employment opportunities and would not be the most effective means of regulating the issue. The committee concurs with the exposure drafts proposal for a combination of restrictions and safeguards (policies and procedures) as an appropriate and effective manner for dealing with potential threats to independence arising from such situations.

Regarding employment by a client, the committee concurs and wants to emphasize that " when the individual will have *significant interaction* with the attest engagement team, the firm should assess whether the existing attest engagement team members have the appropriate experience and status within the firm to effectively deal with the former firm professional and his or her work. Appropriate steps should be taken by the firm based on the results of the assessment."

Proposed Revision of Interpretation No. 101-10 Under Rule 101.

The committee concurs with the proposed changes because they conform the current interpretation to the government reporting models for financial control.

Proposed Revision of Ethics Ruling No. 41 Under Rule 101.

The committee concurs with the expansion of the current ethics ruling, which now applies only to insurance company clients, to cover all financial service company clients.

Proposed Revision of Ethics ruling No. 70 Under Rule 101.

The committee concurs with the proposal for a grace period and for a limited exception for uninsured deposits with a financial institution that is an attest client, in cases where the likelihood of the client experiencing financial difficulties is remote.

Proposed Deletion of Ethics Ruling No. 77 Under Rule 101.

The committee agrees with the deletion of this ruling, which would be prospectively covered under No. 101-2, discussed above.