

December 29, 2009

Ms. Sherry Hazel
AICPA
1211 Avenue of the Americas
New York, N.Y. 10036-8775

By e-mail: shazel@aicpa.org

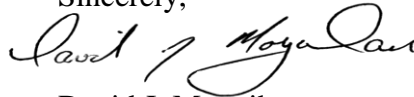
**Re: Proposed Statement on Auditing Standards, Reporting on Compliance With
Aspects of Contractual Agreements or Regulatory Requirements in Connection With
Audited Financial Statements (Redrafted)**

Dear Ms. Hazel:

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,



David J. Moynihan
President

Attachment

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

COMMENTS ON

PROPOSED STATEMENT ON AUDITING STANDARDS

**REPORTING ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL
AGREEMENTS OR REGULATORY REQUIREMENTS IN CONNECTION
WITH AUDITED FINANCIAL STATEMENTS (REDRAFTED)**

December 29, 2009

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Robert N. Waxman**

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New York State Society of Certified Public Accountants

Comments on

Proposed Statement on Auditing Standards, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* (Redrafted)

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the AICPA Auditing Standards Board's (ASB) proposed Statement, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* (Redrafted).

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).

Specific Questions:

1. Should the auditor provide negative assurance when the auditor has identified items of noncompliance?

When the auditor has identified matters of noncompliance the auditor's report should give negative assurance that is qualified. This qualification should disclose the specific noncompliance, whether or not a waiver of the noncompliance was received and if received, the date of the waiver. We suggest the following language as a second paragraph:

In connection with our audit, except that XYZ Company was not in compliance with sections UU and VV and a waiver dated February 5, 20X3 was received from ABC Bank, nothing came to our attention that caused us to believe that XYZ Company failed to comply with the terms, covenants, provisions, or conditions of sections PP and QQ to TT, inclusive, of the Indenture dated July 21, 20X0, with ABC Bank insofar as they relate to accounting matters, However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

2. When the items of noncompliance are pervasive, should the auditor be precluded from issuing negative assurance?

We believe that the auditor should be precluded from issuing negative assurance when the items of noncompliance are pervasive.

- 3. If the auditor was precluded from issuing negative assurance in the situation in question 2, what form of report should the auditor issue in relation to reporting on compliance with aspects of contractual agreements or regulatory requirements in connection with the audit of financial statements?**

We believe that if a non-negative assurance report was to be issued when noncompliance was pervasive, the requirements of paragraph 9(c) would take the following form:

In connection with our audit, it came to our attention that XYZ Company failed to comply with the terms of sections XX to XX, inclusive, of the Indenture dated July 21, 20X0, with ABC Bank insofar as they relate to accounting matters. We are unable to comment as to whether or not XYZ Company failed to comply with the terms of other sections of the Indenture; however, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

General Questions

- 1. Are the objectives of the auditor appropriate?**

Yes.

- 2. Are the revisions from the existing standard appropriate?**

Yes.

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

While this proposed standard does not consider small or less complex entities, we agree that the procedures and explanatory material in the proposal are appropriate for all entities.