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This letter is in response to Exposure Draft dated June 29, 2012 – Omnibus Proposal, AICPA Professional Ethics Executive Committee, Proposed Revised and New Interpretations and Proposed Deletions of Ethics Rulings, *Proposed Revised Interpretation No. 101-3 Under Rule 101*; and Exposure Draft dated June 29, 2012 - Proposed Statements on Standards for Accounting and Review Services, AICPA Accounting and Review Services Committee, *Association with Unaudited Financial Statements; Compilation of Financial Statements; and Compilation of Financial Statements-Special Considerations*, (collectively, "Exposure Drafts")

We suggest that the effective dates of the Exposure Draft be dovetailed due to the inter relationship between the Drafts, and to avoid confusion among practitioners and the public.

Comments on PEEC Draft

The preparation of financial statements, when performed as a part of a compilation, review or audit engagement, have, appropriately in our view, been viewed as a part of those engagements (provided the records given the member were substantially complete and current), and thus not subject to the requirements of Ethics Interpretation No. 101-3. We are puzzled as to why the Professional Ethics Executive Committee (PEEC) would change their position which will, in our view, impact millions of small businesses and the practice of every CPA Firm, with no apparent benefit to those parties or the public.

Preparation of financial statements has long been a part of reviews and audits of small entities, and that will continue. The cost of complying with Ethics Interpretation No. 101-3, or if required, hiring a second firm to prepare their financial statements so that their current accounting firm can continue to perform the review or audit, will be a costly burden on those small businesses.

Ethics Interpretation No. 101-3 currently contains the following provisions:

General Requirements for Performing Nonattest Services

1. *The member should not assume management responsibilities for the attest client.*
2. *Before performing nonattest service, the member should determine that the client has agreed to:*
 - a. *Assume all management responsibilities.*
 - b. *Oversee the service, by designating an individual, preferably within senior management who possesses suitable skill, knowledge, and/or experience. The member should assess and be satisfied that such individual understands the services to be performed sufficiently to oversee them. However, the individual is not required to possess the expertise to perform or reperform the services.*
 - c. *Evaluate the adequacy and results of the services performed.*
 - d. *Accept responsibility for the results of the services*

To avoid assuming management responsibilities when providing nonattest services to the client, the member should be satisfied that management will be able to meet all these criteria, make an informed judgment on the results of the member's nonattest services, and be responsible for making the significant judgments and decisions that are the proper responsibility of management. In cases in which the client is unable or unwilling to assume these responsibilities (for example, the client cannot oversee the nonattest services provided or is unwilling to carry out such responsibilities due to lack of time or desire), the member's provision of these services would impair independence.

PEEC has had great difficulty explaining the concept contained in the bold excerpt above. The proposed change will add to that difficulty and likely create confusion as to when independence has been impaired. Millions of small business will continue to engage members to prepare their financial statements in compilation, review and audit engagements. The resulting confusion relating to compliance with the provisions of Ethics Interpretation No. 101-3 will create inconsistencies in practice.

We do not support the change in PEEC's position as outlined in the Exposure Draft related to the preparation of financial statements.

Comments on ARSC Draft Association with Unaudited Financial Statements

We strongly feel that if the ARSC Draft becomes effective, compilation services will essentially cease to be requested by many entities, being replaced by unaudited financial statements. Accordingly, we feel there is a huge protection of the public issue related to the Association with Unaudited Financial Statements proposal.

The provisions of paragraph 7 should be strengthened for members who prepare or assist in preparing financial statements. Paragraph 7 reads in part "...the accountant should request that the entity clearly indicate that the financial statements were not compiled, reviewed or audited." We feel that the accountant should be required, in those instances where "the accountant prepares, in whole or in part, financial statements..." to append a report to the financial statements such as is shown in paragraph A4. Furthermore, we would support a requirement that each page of the financial statement prepared in whole, or in part, by the accountant should include "These statements have not been compiled, reviewed or audited. See accountant's report."

We also believe an engagement letter should be required when accountants are associated with unaudited financial statements whereby the client agrees that they will clearly indicate and inform users of the unaudited financial statements that the statements were not compiled, audited or reviewed.

We also feel that users of financial statements will not be able to distinguish or be aware of the technical difference of "nonattest" and "attest" services, particularly as they relate to independence. We feel that users of financial statements would be better served and protected if the report on the unaudited financial statement was also required to indicate if the accountant was not independent with respect to the entity.

We are also concerned that the preparation of unaudited financial statements by members will not be subject to peer review. Public interest concerns demand that these services be subject to peer review. We implore the Committee to coordinate these efforts with the AICPA Peer Review Board to ensure these engagements are included in Peer Review.

Comments on ARSC Draft Compilation of Financial Statements

The *Explanatory Memorandum* to the Exposure Draft states on page 6 "...preparation cannot be a nonattest and attest (compilation) service simultaneously..." We understand the Committee's dilemma; however, we do have issues with the proposed solution.

The reality is that compilations, review and audits (of many nonissuers) will continue to be nonattest and attest engagements (with the nonattest services performed pursuant to the requirements of Ethics Interpretation No. 101-3). The proposed compilation report appears to be a report on a theoretical situation, one where the client furnishes a financial statement to an accountant for a compilation engagement. We feel that the proposed compilation report describes an almost non-existent situation in actual practice.

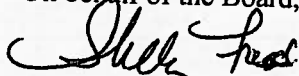
Another practical issue is that the word "compile" means, in our dictionary, "to gather and put together", and compilation means "the act of compiling". We fear the Committee's efforts to redefine "compilation" as "reading" will result in a great deal of confusion, and thus is a protection of the public issue.

We think a better solution is that the preparation of unaudited financial statements be called what it is, a "compilation". This new engagement, as set forth in the proposal, deserves an appropriate name that would be better understood by the public.

Perhaps the reality is now there would be three levels of service in relation to financial statements: compilation of unaudited financial statements (the "Association with Unaudited Financial Statements proposal), reviews and audits.

We appreciate the opportunity to comment on the Exposure Drafts.

On behalf of the Board,



Shelly B. Ford
Chair