

June 7, 2018

Mr. Samuel L. Burke
Chair, AICPA Professional Ethics Executive Committee
AICPA
220 Leigh Farm Road
Durham, NC 27707

Via email: Ethics-ExposureDraft@aicpa-cima.com

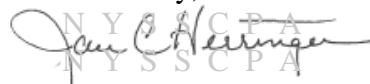
Re: AICPA Professional Ethics Division Exposure Draft, Proposed Revised Interpretation—*Information System Services (formerly Information Systems Design, Implementation, or Integration)*

Dear Mr. Burke:

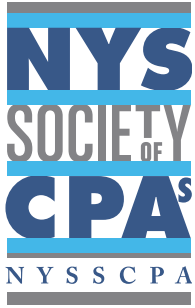
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Professional Ethics Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Elliot L. Hendler, Chair of the Professional Ethics Committee, at (212) 719-8300, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


NYSSCPA
Jan C. Herringer
President

Attachment



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

COMMENTS ON

**AICPA PROFESSIONAL ETHICS DIVISION EXPOSURE DRAFT, PROPOSED
REVISED INTERPRETATION—*INFORMATION SYSTEM SERVICES (FORMERLY
INFORMATION SYSTEMS DESIGN, IMPLEMENTATION, OR INTEGRATION)***

June 7, 2018

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Victoria L. Pitkin**

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Comments on

AICPA Professional Ethics Division Exposure Draft, Proposed Revised Interpretation—*Information System Services (formerly Information Systems Design, Implementation, or Integration)*

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to provide comments on the AICPA’s Professional Ethics Executive Committee (PEEC) exposure draft, Proposed Revised Interpretation—*Information System Services (formerly Information Systems Design, Implementation, or Integration)* (Proposal).

General Comments

The NYSSCPA supports the PEEC’s efforts to clarify when significant threats to auditor independence may exist as a result of performing certain information system services. We believe the proposed revised interpretation will be very helpful to and appreciated by our members.

Specific Comments

We have the following responses to the exposure draft’s Request for Specific Comments.

Question 1: Do you believe the terminology used in the proposal is consistent with industry practice and will be readily understood by members who do and do not practice in this arena?

Response: The terminology used in the proposed revised interpretation is sufficiently explained to allow non-technically minded members to understand the requirements of the interpretation.

Question 2: The definition of a financial information system proposes in part to include a system that generates information that is significant to the financial statements or financial processes taken as a whole.

- a. The proposal currently does not include specific guidance on what is “significant,” leaving the determination to the professional judgment of the member. Do you believe this is appropriate? If you believe specific guidance should be included, please explain how you believe “significant” should be defined.**
- b. By including the concept of “significant” in the definition of a financial information system, it could be perceived that PEEC has proposed a less restrictive standard than the current interpretation, which would allow the member to design or develop a component of the financial information system that is not significant to the financial statements or financial process as a whole. Do you believe this exception is appropriate? Why or why not?**

c. Do you think the phrase “financial process” makes it clear that members should be thinking broadly about processes that may affect a financial process such as information technology general controls?

Response: We believe that the term “significant” should not be defined by the interpretation. Throughout the professional literature, the determination of what is or is not “significant” is left to the judgment of the professional. We believe that this is appropriate in the context of this Proposal. Any guidance provided by PEEC as to what is “significant” would, in all probability, itself be subject to professional judgment in interpreting such guidance. We do not believe that the inclusion of the concept of “significant” in the definition of a financial information system means that PEEC has proposed a less restrictive standard. Rather, we believe that the PEEC has recognized that not all interactions with a client’s financial information system has either a direct or meaningful effect upon the client’s financial statements or financial processes.

Accordingly, we approve of the exception and consider it appropriate. We also believe that the member’s judgment as to the component(s) being not significant should be appropriately documented.

The definition of financial information system in paragraph .02 a. provides sufficient guidance to the member as to the fact that members should be thinking broadly about processes that may affect a financial process such as information technology general controls. However, we believe that the member *should* consider the factors listed when determining whether a non-attest service is related to a financial information system. As proposed, the definition indicates that these are factors the member *may* consider. We believe that the stronger language will emphasize processes that may affect a financial process by making their consideration presumptively mandatory. Accordingly, we request that the PEEC reconsider the wording in this section of the terminology.

Question 3: One of the factors proposed that may assist members in determining whether a non-attest service is related to a financial system is whether the system gathers data that assists management in making decisions that directly affect financial reporting. Do you believe this would include management-level dashboard reporting? Why or why not?

Response: Dashboard reporting allows management to review key performance indicators on a near real time basis. We believe that the answer to this question is dependent on the type of management-level dashboard reporting in question. There are many types of dashboards, including, but not limited to, human resources, sales, customer relationship management, operations, project management, etc. Some, but not all, of the types of dashboards available on the market may be considered to be part of the financial system. Accordingly, we believe that the interpretation should clearly indicate that those dashboard reports that assist management with making decisions that impact financial reporting should be included.

Question 4: If adopted as proposed, do you believe the extended period of time would be needed to implement the guidance? Why or why not?

Response: The proposed implementation date of one year after the publication of the revised interpretation in the *Journal of Accountancy* is sufficient time for practitioners to familiarize themselves with the revisions to ET 1.295.145; assess which, if any, engagements or services the revisions might affect; and determine how to efficiently and effectively adopt the revisions of the interpretation to those engagements or services.