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Accounting and Review Services Committee
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Re: SSARS 23 – Omnibus Statement on Standards for Accounting and Review Services – 2016

The Accounting and Auditing Procedures Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide comments on the recently issued SSARS 23 – Omnibus Statement on Standards for Accounting and Review Services – 2016. The PICPA is a professional CPA association of more than 22,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

The committee is perplexed that the amendments to AR-C section 60, General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services (AICPA, Professional Standards), at paragraph 25 c. ii., now permit the accountant (on a preparation engagement) to accept responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. It is unclear to the committee under what circumstances an external CPA would have the requisite knowledge and experience with the entity to undertake this level of responsibility, and it is equally unclear why a CPA would want to assume such a responsibility as it is certain to increase the practitioner’s professional liability.

Responsibility for internal control – In addition, does the CPA’s assumption of responsibility for the client’s internal control supercede management, owners, and a chief financial officer’s responsibility for internal controls?

Based on the following standard definition of internal control from the AICPA’s Statements on Audit Standards, those charged with governance, management, and others within the organization are an integral part of the company’s internal control.

Internal control “A process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives. (AU-C 315.04)
Is it legally possible, or even publicly desirable, to permit management/owners to subordinate their fiduciary responsibility for internal controls and safeguarding company assets? Rather, the committee believes that external CPAs should be precluded from preparing financial statements if management/owners or the CFO decline to or cannot assume responsibility for internal control.

**Impact on Financial Statement Users** – Since the assumption of responsibility for internal controls is not clearly communicated to the financial statement user, how is a third-party financial statement user to know when a CPA has, or has not, taken on this responsibility? Furthermore, once the assumption of responsibility for the client’s internal controls is an option within the standards, won’t lenders and regulatory agencies begin to require it, even when circumstances may not enable such transfer of responsibility? How will the AICPA educate both CPAs and financial statement users as to the appropriate circumstances for a CPA to assume responsibility over the client’s internal controls?

The committee believes that this SSARS 23 amendment could result in greater liability exposure for the CPA, significant potential for misapplication, and increased marketplace confusion as financial statement users may come to expect that the external CPA has assumed responsibility for the client’s internal controls. With the significant added concern over management’s fiduciary responsibility, we feel that the ARSC should reconsider this amendment.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

Robert E. Williams, CPA
Chair, PICPA Accounting and Auditing Procedures Committee