new york state society of
NYSSCPA
certified public accountants

Home of the Trusted Professional
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July 18, 2007

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE, Washington, DC 20549-1090

By e-mail: rule-comments@sec.gov

Re: Definition of a Significant Deficiency
(Release Nos. 33-8811; 34-55930; File No. S7-24-06)

Dear Ms. Morris:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned release. NYSSCPA thanks the SEC for the opportunity to comment.

The NYSSCPA's SEC Practice Committee deliberated the release and drafted the attached comments. If you would like additional discussion with us, please contact Rita M. Piazza, the Chair of the SEC Practice Committee, at (914) 684-2700, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

David A. Lifson
President

Attachment

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COMMENTS ON SEC RELEASE NOS. 33-8811; 34-55930; File No. S7-24-06

DEFINITION OF A SIGNIFICANT DEFICIENCY

July 18, 2007

Principal Drafter

Anthony S. Chan

NYSSCPA 2007 – 2008 Board of Directors

NYSSCPA 2007 - 2008 Accounting & Auditing Oversight Committee

NYSSCPA 2007 - 2008 SEC Practice Committee

NYSSCPA Staff

New York State Society of Certified Public Accountants

Comments on the Definition of a Significant Deficiency

We welcome the opportunity to comment on the definition of a significant deficiency. While we believe it is appropriate to define significant deficiencies as matters that are important enough to merit attention, it is equally important to provide guidance on the proper classification of a significant deficiency. Based on our experience, such guidance should:

- Help promote efficiency and eliminate inconsistencies in the evaluation and classification of identified deficiencies, and
- Provide auditors and management with a basis to agree on the manner in which identified deficiencies should be classified.

In the absence of such guidance, the concept of "less severe than a material weakness" could be subject to debate and could result in unnecessary compliance costs as management's judgment is being questioned. Small public companies could definitely use the guidance given their limited resources and our intent to keep 404 compliance more cost-effective.

To help ensure the proper classification of each identified deficiency, management should be encouraged to apply qualitative and quantitative thresholds in evaluating each such deficiency and classify it according to its likelihood and potential dollar impact. For consistency purposes, any such clarification should be incorporated in Auditing Standard No. 5 to ensure proper alignment.