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LETTERS TO THE WOMAN CPA

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PROTEST LETTER IS THIS PROGRESS?

What has happened to the old methods used in confirming accounts? In these days of mechanization and data processing, with the inherent impersonal relationships resulting therefrom, are we destroying some of the images that independent auditors have strived to create during the past decade or so?

My mail last week contained two statements and references to examinations being made by "our auditors".

One verification came in an envelope bearing the name and return address of the auditors; and it contained the following notice:

"For the protection of all of our customers, NUMBER ONE COMPANY's records are reviewed and examined in many ways. One way is through checking directly with a number of our customers from time to time, to verify for our auditors, A & B, CPAs that our books and our customers' records show the same balances.

"Your account is in the group that has been selected to verify this month. Our records show the balance on November 30, 1967 to be \$XXX.XX.

"If the information shown agrees with your records, no reply is necessary. If it does not, please note the difference in the space provided and return to A & B, CPAs, First Building, City, U. S. A."

The second request for verification was enclosed in an envelope bearing the return address of NUMBER TWO COMPANY and contained the following printed notice over the signature of the secretary-treasurer of the company:

"In connection with the annual examination of our records by our auditors, Y & Z, Second Building, City, U. S. A., please confirm the accuracy of the amount as shown on the enclosed statement.

"If the amount is not in agreement with your records, or should there be any discrepancy, please explain the difference below and return this form with your payment."

Both A & B and Y & Z are members of the American Institute of Certified Public Accountants; and I am not aware of any change in the AICPA rules with respect to confirmations of accounts receivable. Specifically, I wonder:

What control is exercised by the auditor when the verification is mailed in an envelope bearing the return address of his client?

If there is a difference to be reported, what assurance is there that the auditor will receive the explanation if I mail it with my payment to his client?

Has the attempted "streamline" or "soft" approach, which is evidenced by the procedure used by Y & Z, overlooked some of the basic requirements of independent confirmation of accounts?

In neither instance was a reply envelope enclosed. In both instances, it appears that the request came from the client as contrasted with a polite request by the auditor with an assent by the client.

I will be interested in knowing the reaction of some of our readers to the two procedures. Or have I missed a recent pronouncement?

Name Withheld

P. S.

My mail has just brought another confirmation request, and my old-fashioned ideas are upheld by it:

Envelope bears return address of independent auditors; and postage-paid reply envelope addressed to the auditors is enclosed. The request has the signature of an officer of the company whose accounts are being confirmed.

The following is contained in the request: "To assure an independent confirmation of your account, please direct your reply and any questions you may have to _____ (name of auditors)."

SHORT COMMENT—EDP

I agree with Dr. Bernadine Meyer per her LETTER TO THE WOMAN CPA in December commenting on EDP articles designed to impress but not necessarily to instruct.

A series of articles that would help me, an industrial accountant in a small business, to move step by step into an understanding of data processing systems as they are applicable to my problems would certainly be a real service to many readers of THE WOMAN CPA.

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