

Comment Letter 1

Sent: Wednesday, December 05, 2007 12:58 PM
To: Snyder, Lisa
Subject: Feedback on 501-8 Ethics Rule

Lisa,

I just read over 501-8 and would like to offer my comments.

After several classes on engagement management, I use liability limitation, hold harmless and indemnification provisions in my agreements. However, I do not provide audit or attest services any longer. In one of my long ago audit engagements, the client was in a hurry for the audit report, had discovered a fraud and was not willing to pay any more for the audit services, even though the audit risk had risen. I agreed to do the work only with the provision that I be indemnified and held harmless if other fraud or losses existed.

Laws get over turned and found unconstitutional because people disobey and challenge them. Your proposed ethics rule essentially tells members that if the law is on the books, they have no choice, ethically, but to obey it. I disagree with this and I feel you are overstepping your bounds.

My choice to obey a law or not is dictated by various interpretations of that law (why do you think we have so many court cases) and the circumstances at hand.

Secondly, the hiring of professional services is a contractual dealing with both parties negotiating the terms. Clients are always free to hire someone else if they do not like the terms of my engagement letter.

I am free to tell them to take a hike if they are not willing to agree to my terms. There may be economic, service or time concessions that affect why particular provisions are in an engagement letter that are not evident from the letter itself. Additionally, the interpretation speaks to the mere entering into an engagement that might possibly be contrary to laws/regulations rather than being found guilty of violating the law.

Third, in dealing with government agencies, I have been told incorrect information relative to professional fee compensation arrangements under their regulations many times, some times, I feel, on purpose. As such, if I do government work, I charge them more than I do other clients so that at the end of the day, I am in the same place economically.

Professional services is a two way street and the professionals need to be able to protect themselves as well. Your job is NOT to protect the public - that is the job of the State Boards of Accountancy. Violations of law need to be dealt with in the correct venue. If found guilty of violating a law, then the CPA may have violated an ethics rule. However, just because someone is found guilty does not mean that they are guilty. Thank you for your time.

Mike

Michael Hanrahan CPA,CFP,MCBA
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Comment Letter 2



National Association of State Boards of Accountancy

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January 15, 2008

Lisa A. Snyder, CPA
Director - Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Via e-mail to: lsnyder@aicpa.org

Re: Proposal of Professional Ethics Division, Proposed Interpretation 501-8 Under Rule 501:
Failure to follow requirements of governmental bodies, commissions, or other regulatory
agencies on indemnification and limitation of liability agreements with a client.

To the Members of the Professional Ethics Executive Committee (PEEC):

We appreciate the opportunity to offer comments to the Professional Ethics Executive Committee (PEEC) of the American Institute of Certified Public Accountants (AICPA) on the Proposed Interpretation 501-8 (Proposal). The National Association of State Boards of Accountancy's (NASBA) goal is to increase the effectiveness of State Boards of Accountancy. In furtherance of that objective, our Regulatory Response Committee (Committee) offers the following comments on the Proposal.

The Proposal would add Section 501-8, "Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Agreements With a Client to the Acts Discreditable Section of the Code of Professional Conduct (Code) of the AICPA." The Proposal affects members that agree to provide audit or other attest services to clients.

The Code presently does not permit a member to enter into an indemnification agreement, except as provided by Ethics Ruling 94 on Independence, Integrity and Objectivity: Indemnification Clause in Engagement Letters (ET §191.94). This section provides that an engagement letter can include an indemnification clause for knowing misrepresentations by management. ET § 191.94 would not apply where such an agreement would violate the requirements of a governmental body, commission or other regulatory agency (collectively, a "Governmental Entity"). The Code

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presently does not permit a member to enter into any limitation of liability agreement. An interpretation by PEEC of Section 101 would be required to cover such an agreement or to expand the scope of ET § 191.94. Any agreement providing for limitation of liability or indemnification, other than one permitted by ET § 191.94, would place a member in violation of the independence requirements of the Code as presently written and would subject the member to the disciplinary process of PEEC and boards of accountancy. A clear statement about what is presently prohibited by the Code should precede the proposal.

The Proposal provides that a member should not enter into an indemnification or limitation of liability agreement with a client if the agreement would place the client or the member in violation of the requirements of the governmental body, commission, or other regulatory agency (Governmental entity) to which they are subject. Failure to follow the provisions of Section 501-8 would cause the member to be considered to have committed an act discreditable to the profession. The Proposal also states that the member would be considered to have committed an act discreditable to the profession if such agreement would cause the member to be disqualified from providing audit or other attest services to the client.

The Proposal does not state that the entering into an indemnification or limitation of liability agreement that would violate the requirements of a Governmental Entity would also cause the member to not be independent of a client if an audit, or other attest service, was performed for the client. The Committee believes that the violation of independence should be specifically addressed when the final proposal is drafted.

The explanatory notes to the proposed section include commentary by PEEC on the results of a research project that it commissioned. PEEC has not published the research paper; consequently, the methodology used to perform the research, the conclusions reached and the adequacy and completeness of PEEC's interpretation of the results could not be properly evaluated by third parties, including the boards of accountancy of the states contacted. Of particular note to the Committee is PEEC's comment that the results of the research indicated that, "Of the state boards of accountancy *contacted*, [emphasis added] no state board rule or accountancy act provision permits or prohibits the use of indemnification and limitation of liability provisions." The proposal could stand without this reference as this "result" has no bearing on the proposed addition to Section 501.

The Committee is concerned that the "no state board" comment in the Proposal will unintentionally act as a green light to members and encourage them to include such provisions in current engagement letters. The Committee strongly urges PEEC to delete the above referenced result in the final proposal. Also, the Committee believes that no research "indications" should be used in the final proposal unless that research is published.

The Committee is not surprised by the commentary in the explanatory section of the Proposal that comment letters on the 2005 and 2006 exposure drafts contained "diverse views with no clear consensus amongst stakeholders" (see page 4 of the Proposal). However, the Committee would be surprised if stakeholders, other than CPAs, would not support the prohibition of indemnity and liability limitation agreements in engagement letters. The Committee suggests that the final proposal break out the general results of the comment letters by category of stakeholder.

Comment Letter 2

The Proposal states that PEEC will continue to monitor auditor liability reform efforts and events on this subject and will consider what, if any, additional guidance may be appropriate. The Committee believes that the issue of auditor liability reform may be the subject of future legislative action in the United States and that guidance by PEEC might be helpful for its members after enactment of such legislation.

The Committee feels that the Proposed Section 501-8 with the changes proposed in this letter would be useful additions to the Acts Discreditable Section of the Code.

We hope these comments will assist PEEC in the furtherance of its work.

Sincerely,

A handwritten signature in black ink that reads "Samuel K. Cotterell". The signature is written in a cursive style with a large, sweeping initial 'S'.

Samuel K. Cotterell, CPA
NASBA Chair

A handwritten signature in black ink that reads "David A. Costello". The signature is written in a cursive style with a large, sweeping initial 'D'.

David A. Costello, CPA
NASBA President & CEO



Comment Letter 3

KPMG LLP
757 Third Avenue
New York, N.Y. 10017
8th Floor

Telephone 212-909-5600
Fax 212-909-5699

January 18, 2008

Lisa A. Snyder, Director
Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

RE: Exposure Draft - Proposed Interpretation 501-8 Under Rule 501: "Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies on indemnification and limitation of liability agreements with a client"

Dear Ms. Snyder:

We appreciate the opportunity to comment on the Professional Ethics Division's Proposed Interpretation dated December 3, 2007. We support issuance of the Interpretation.

We note that the Explanation section of the Exposure Draft clearly indicates that the Interpretation would apply to situations where members are "providing audit or other attest services". In order to make the Interpretation more useful to members, we believe that the Interpretation itself should be revised to explicitly state, in both paragraphs, that the prohibitions on indemnification and limitation of liability agreements relate to the existence of such agreements only in connection with engagements to provide audit or attest services.

Please direct any questions on this letter to David Winetroub at (212) 909-5552.

Sincerely,

KPMG LLP

Comment Letter 4



Arkansas Society of Certified Public Accountants

11300 Executive Center Drive • Little Rock, Arkansas 72211-4352

January 24, 2008

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Darby V. Doan

Barbara S. Angel
Executive Director

AICPA
Division of Professional Ethics
Professional Ethics Executive Committee
Attn.: Lisa A. Snyder, Director
Via Email: lsnyder@aicpa.org

RE: Proposal of Professional Ethics Division Interpretation on Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Agreements With a Client

Dear Committee Members:

The Professional Ethics Committee of the Arkansas State Society of CPAs has reviewed the Exposure Draft containing the Proposed Interpretation 501-8 under Rule 501: "Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies on indemnification and limitation of liability agreements with a client." We concur with the Interpretation as presented. Please accept our letter of comment regarding the above referenced exposure draft within the requested response time.

Cordially;

A handwritten signature in cursive script that reads "Julienne P. Penter".

Julienne P. Penter, CPA
Professional Ethics Committee Chairman
Arkansas State Society of CPAs

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Comment Letter 5



105 Chauncy Street • Boston, Massachusetts 02111

February 1, 2008

Ms. Lisa Snyder
Director, Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Re: 501-8 under Rule 501: "Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies on indemnification and limitation of liability agreements with a client."

Dear Ms. Snyder,

One of the expressed goals of the Massachusetts Society of Certified Public Accountants (MSCPA) is to speak on behalf of its members when such action is in the best interest of Certified Public Accountants, as well as the public. The views expressed herein are written on behalf of the Professional Ethics Committee of the (PEC) of the MSCPA. The Committee has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to our members. We appreciate the opportunity to comment on this Exposure Draft (ED).

Our Committee believes that the ED is not necessary because it appears to be a duplication of existing standards. If this ED is issued we would have a redundant standard which starts a process which could result in many existing regulations being re-addressed in this fashion. The information in the ED might be more suited for an Ethics or Q & A guide.

In conclusion, the Ethics Committee believes that the proposed interpretation is unnecessary and could cause an unintended precedent.

Thank you for the opportunity to submit our comments.

Sincerely,

A handwritten signature in black ink that reads "John A. Armstrong, CPA". The signature is written in a cursive style.

John A. Armstrong, CPA
Chair, Professional Ethics Committee

Comment Letter 6



Accountants and Business Advisors

February 4, 2008

Professional Ethics Executive Committee
c/o Lisa A. Snyder, Director
Professional Ethics Division
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via e-mail: (lsnyder@aicpa.org)

Re: Proposed Interpretation 501-8, *Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies on indemnification and limitation of liability agreements with client*, under Rule 501, Acts Discreditable

Dear Ms. Snyder and Committee Members:

Grant Thornton LLP (“Grant Thornton” or the “Firm”) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (“AICPA”) Professional Ethics Executive Committee (“PEEC”) exposure draft, Proposed Interpretation 501-8 *Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies on indemnification and limitation of liability agreements with client*, under Rule 501, Acts Discreditable. We strongly support the AICPA’s commitment to strengthen the ethics and independence of all of its members in the accounting profession, both in and not in public practice.

Grant Thornton believes it is appropriate to issue guidance reminding members that certain regulators prohibit the use of various indemnification and limitation of liability provisions when providing audit or other attest services. Therefore, “knowingly” entering into such an agreement with a client who is subject to such requirements would be considered an “act discreditable” to the profession. However, we believe that the final interpretation should provide additional guidance and clarification on when the violation of the regulatory requirement is considered an “act discreditable” or ethics violation. Please take into consideration our comments below when finalizing the interpretation.

In reviewing the proposed interpretation, we believe that in order for an “acts discreditable” violation to occur, the AICPA member would need to “knowingly” enter into an agreement that included indemnification and limitation provisions that would place the client or the member in violation of its applicable regulatory requirement or that would cause the member to be disqualified from providing audit or other attest services to the client. However, the proposed interpretation does not discuss instances where the regulator may not have transparent rule making or due process. In such instances, a client and a member may inadvertently enter into an agreement that improperly includes indemnification and limitation of liability provisions due to the lack of communication and guidance from the regulator.

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Comment Letter 6



In addition, the proposed interpretation does not mention that the audit engagement or arrangement letter is a contract, subject to contract law. Therefore, an audit client has a certain degree of responsibility for entering into the contract and complying with its own regulatory requirements. If the client knows that certain provisions in the audit engagement or arrangement letter would place the client or the member in violation of such regulatory requirements or would disqualify the member from performing such services, the client has a responsibility not to sign the audit engagement or arrangement letter. Therefore, if the member was acting in good faith and was unaware of the regulatory requirement, we believe that it would be difficult for a reasonable person to conclude that the contract provisions created an “act discreditable” to the profession or an ethics violation.

Further, many members may use engagement letters for their audit services. These standard engagement letters may include indemnities; hold harmless, limitation of liability, or other similar clauses that may be prohibited by a specific regulator. Therefore, the proposed interpretation should allow for corrective action by the client and the member when either becomes aware of a regulatory prohibition on indemnification or limitation of liability clauses. We believe that if the member and its audit client mutually agree to change their contract terms to negate any such prohibited clauses would be an appropriate corrective action.

* * * * *

If the Division of Ethics staff or PEEC task force members have questions regarding our comment letter, please feel free to contact Karin A. French, Assistant National Managing Partner of Professional Standards at karin.french@gt.com or (703) 847-7533.

Very truly yours,

A handwritten signature in cursive script that reads "Grant Thornton LLP".

GRANT THORNTON LLP

Comment Letter 7

February 5, 2008

Lisa A. Snyder, Director, Professional Ethics Division
AICPA
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Dear Ms. Snyder:

Re: PROPOSED INTERPRETATION 501-8 UNDER RULE 501: “FAILURE TO FOLLOW REQUIREMENTS OF GOVERNMENTAL BODIES, COMMISSIONS, OR OTHER REGULATORY AGENCIES ON INDEMNIFICATION AND LIMITATION OF LIABILITY AGREEMENTS WITH A CLIENT” UNDER RULE 501, ACTS DISCREDITABLE

Thank you for the opportunity to comment on the above-referenced exposure draft. The members of the CSCPAs Professional Ethics Committee have reviewed the draft and are in agreement with the text of Proposed Interpretation 501-8.

Thank you for your attention to the above matter.

Very truly yours,

A handwritten signature in cursive script that reads "Peter Tracey". The signature is written in black ink and is positioned above the typed name and title.

Peter J. Tracey, CPA
Chair, CSCPAs Professional Ethics Division

Comment Letter 8



ILLINOIS CPA SOCIETY

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February 6, 2008

Ms. Lisa A. Snyder
Director, Professional Ethics Division
AICPA
1211 Avenue of the Americas, 19th Floor
New York, New York 10036

Dear Ms. Snyder:

The Ethics Committee of the Illinois CPA Society (Committee) is pleased to comment on the Proposed Interpretation 501-8, *Failure to Follow Requirements of Governmental Bodies, Commission, or Other Regulatory Agencies on Indemnification and Limitation of Liability Agreements With a Client*, under Rule 501. The organization and operating procedures of the Committee are reflected in Appendix A to this letter. These comments represent the position of the Illinois CPA Society rather than any members of the Committee or of the organizations with which the members are associated.

The Committee believes the proposed interpretation is appropriate, we concur with the concept and wording because:

1. By entering into an agreement with a client to limit liability or indemnify the member it may impair the appearance of independence when the limitation is disallowed by a regulator or regulation.

However, the Committee isn't sure that the proposed interpretation is necessary in light of specific industry guidelines and regulations. It may be that calling this an "act discreditable" may be "overkill" – it seems as though the AICPA is providing discipline for another regulatory body's rules.

The Illinois CPA Society appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

Keith E. Martin, Chair
Illinois CPA Society, Ethics Committee

KM/eg

Comment Letter 8

APPENDIX A
ILLINOIS CPA SOCIETY
ETHICS COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2007-2008

The Ethics Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding ethics. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of ethics standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee:

Public Accounting Firms:

Philip J. Bach, CPA	KPMG LLP
Richard M. Franklin, CPA	Warady & Davis LLP
Paul Goldberg, CPA	McGladrey & Pullen LLP
Sheldon P. Holzman, CPA	Virchow Krause & Company, LLP
Gary E. Kemnitz, CPA	Mueller & Co. LLP
John A. Koch, CPA	J. Andrew Koch Associates
Craig L. Levin, CPA	McGladrey & Pullen LLP
Keith E. Martin, CPA	Plante & Moran LLP
Christian McClure, CPA	McClure, Inserra & Co. Chtd.
Connie, Nelson, CPA	Nelson CPA & Associates
Walter R. Olson, CPA	RSM McGladrey
Roy D. Raemer, CPA	Steinberg Advisors, Ltd.
Bruce A. Robbins, CPA	Kutchins Robbins & Diamond Ltd.
John C. Weber, CPA	Crowe Chizek and Company LLC
Alexander J. Wodka, CPA	Crowe Chizek and Company LLC
Gerald L. Zaidman, CPA	McGladrey & Pullen LLP
Lawrence T. Zielonka, CPA	Ask Consulting
James Winikates, CPA	KPMG LLP (Retired)

Industry:

Kimberly S. Lilly, CPA	Kilkenny Capital Management
Barbara McKinzie, CPA	BMC Associates

Education:

Joseph D. Ament, CPA	Roosevelt University
Jeannie M. Folk, CPA	College of DuPage
George A. Heyman, CPA	Oakton Community College
Ellen L. Landgraf, CPA	Loyola University
Phillip G. Neal, CPA	Northeastern Illinois University
Donald E. Tidrick, CPA	Northern Illinois University

Other:

Carl F. Brauweiler, CPA	Howard A. Canter, CPA
Jo Ann Klak, CPA	Jay M. Levine, CPA

Staff Representative:

Elida Gonzalez	Illinois CPA Society
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Comment Letter 9

Federal Deposit Insurance Corporation
Board of Governors of the Federal Reserve System
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision

February 6, 2008

Ms. Lisa A. Snyder, Director
Professional Ethics Division, AICPA
1211 Avenue of the Americas, 19th Floor
New York, New York 10036

Re: Comments on the December 3, 2007, Proposed Interpretation 501-8 under Rule 501, Acts Discreditable: "Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Agreements with a Client"

Dear Ms. Snyder:

The staffs of the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (FRB), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) (collectively, the "Agencies") appreciate the opportunity to comment on the Professional Ethics Executive Committee's (PEEC) *Proposed Interpretation 501-8, "Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Agreements with a Client," Under Rule 501, Acts Discreditable* (Proposed Interpretation). The Agencies also appreciate the opportunity to participate with the PEEC during its deliberations on this important topic.

We support the PEEC's Proposed Interpretation and believe that it is a positive step that will strengthen the actual and perceived independence of auditors performing attest engagements for clients within its scope, particularly for financial institutions that the Agencies regulate. While the commission of a discreditable act by an auditor may not be the same as a violation of the independence rules, it could result in the same outcome, i.e., the accountant or accounting firm being subject to sanctions including suspension or expulsion of the accountant or accounting firm from the AICPA and revocation by state boards of public accountancy of an accountant's or accounting firm's license.

The Agencies also note the discussion in the preamble to the Proposed Interpretation regarding the PEEC's decision not to issue a revised proposal under Rule 101, *Independence*, at the present time. The discussion indicates that the PEEC's decision was based on the results of the feedback received on its earlier proposals on this subject and recent auditor liability reform initiatives in both the United States and abroad, including the establishment of the United States Treasury Department's Advisory Committee on the Auditing Profession.

Discussion

As indicated in our *Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters* (Interagency Advisory), issued on February 3, 2006, the Agencies are very concerned about conditions that might adversely affect the integrity, objectivity, and professional skepticism of auditors performing attest services for financial institutions. Our

Comment Letter 9

Ms. Lisa A. Snyder
Professional Ethics Division, AICPA

Interagency Advisory describes several limitation of liability provisions that, when included in external audit engagement letters, may result in auditors using less extensive or less thorough procedures than would otherwise be followed, thereby reducing the reliability of audits. Under the PEEC's Proposed Interpretation, if an accountant or an accounting firm enters into an agreement to perform attest services with a client regulated by one of the Agencies and the agreement includes any limitation of liability provision described as inappropriate in our Interagency Advisory, the accountant or accounting firm would be considered to have committed an act discreditable to the profession.

Although the Interagency Advisory addresses indemnification and limitation of liability provisions from a safety and soundness perspective, we continue to believe that the inclusion of such provisions in external audit engagement letters also presents a risk to an auditor's independence that cannot be sufficiently mitigated. We further believe that, notwithstanding the outcome of any liability reform initiatives, the PEEC will need to address the effect on auditor independence of private contractual provisions in engagement letters that limit an auditor's liability to amounts less than any statutory limits and will need to revise the related independence rules accordingly for audit and attest services regardless of the type of client.

Conclusion

We recommend that the PEEC adopt the Proposed Interpretation. We further recommend that the PEEC continue to monitor developments concerning auditor liability and consider issuing a revised proposal under Rule 101, *Independence*, that would be consistent with our *Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters* as well as the independence standards of the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board.

We would welcome the opportunity to discuss our comments with you further.

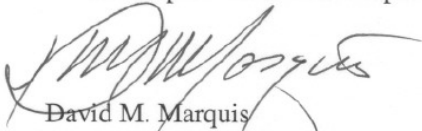
Sincerely,



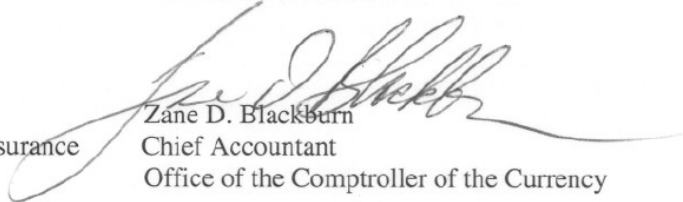
Robert F. Storch
Chief Accountant
Federal Deposit Insurance Corporation



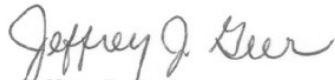
Charles H. Holm
Associate Director & Chief Accountant
Federal Reserve Board



David M. Marquis
Director, Office of Examination and Insurance
National Credit Union Administration



Zane D. Blackburn
Chief Accountant
Office of the Comptroller of the Currency



Jeffrey J. Geer
Chief Accountant
Office of Thrift Supervision

Comment Letter 10

From: Bruce Robbins [mailto:brobbins@krdcpas.com]
Sent: Friday, December 21, 2007 2:22 PM
To: Snyder, Lisa
Subject: Limitation of liability provision

Hi Lisa

I am the chairman of the Illinois CPA Society behavioral committee that is part of our state ethics committee.

There should be a prohibition of the use of the indemnification and limitation of liability provisions for any work a CPA does

Bruce A. Robbins
Certified Public Accountant

Kutchins, Robbins & Diamond, Ltd.
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Comment Letter 11
NEW HAMPSHIRE BOARD OF ACCOUNTANCY
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Owen Walton
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Wayne B. Geher, CPA

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Louise O. Romeo
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January 31, 2008

Lisa A Snyder, Director
AICPA Professional Ethics Division
AICPA
1211 Avenue of the Americas
19th Floor
New York, NY 10036

Re: Comments applicable to Exposure Draft entitled Proposal of Professional Ethics Division regarding Proposed Interpretation 501-8.

Dear Ms. Snyder:

On behalf of the New Hampshire Board of Accountancy, I am pleased to provide some comments regarding the above captioned exposure draft.

Although our Board of Accountancy neither permits or prohibits the use of indemnification and limitation of liability provisions in client engagement letters, it would be appropriate that if our rules and regulations did contain such a provision, all members would be required to comply with the requirements.

You may be pleased to know that we will place this topic on our agenda, and will discuss all aspects of this topic in the near future.

Again, thank for the opportunity to offer our comments.

Sincerely,

Richard O. Hanson, CPA
Secretary of the New Hampshire
Board of Accountancy

Kim Ware
Assistant to the Director

Mary Whittier
Assistant to the Board

Comment Letter 12

AICPA Business and Industry Executive Committee Feedback on Task Force Recommendation to PEEC

Re: Proposed Interpretation 501-8 Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Agreements

The AICPA Business and Industry Executive Committee (BIEC) held a conference call on March 28, 2008 to provide feedback to PEEC Task Force on the issue referenced about.

Comments from the call are as follows:

The Committee agrees in principle with the concept of holding members responsible for compliance with applicable laws and regulations.

However, as a practical matter, it is the “regulated entity” that would enter into the types of agreements contemplated by this proposal. The Committee’s concern is how members would be linked to such agreements and suggest that the language of the recommendation be modified to apply only to members who might be directly involved in such an agreement.

It was also recommended that the phrase “constitute a violation” might be preferable to “cause a violation” in paragraph two of the draft recommendation.