

May 15, 2017

Ms. Lisa A. Snyder, CPA
Director of the Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036
lisa.snyder@aicpa-cima.com

Re: Exposure Draft – *Client and Attest Client – Proposed Revised Definitions of Client and Attest Client as well as Related Definitions, Interpretations, and Other Guidance*

Dear Ms. Snyder,

The Professional Ethics Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide its comments to the AICPA Professional Ethics Executive Committee (PEEC) on the recent revisions to the AICPA Code of Professional Conduct (the code). The PICPA is a professional 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 a cross-section of our membership, with practitioners from large, regional, and small public accounting firms, members serving in business and industry, and accounting educators.

The committee agrees with the PEEC's objective of clarifying the confidentiality and record request requirements for subject entities when the subject entity and the client are separate entities. However, the committee is concerned regarding unintended consequences from designating the subject entity as a client, and believes that the guidance can be clarified using the term "subject entity" rather than "client."

Specifically, the committee is concerned about the potential for additional liability and contractual issues that would result from designating the subject matter entity a client, such as having to obtain engagement letters for the subject entities. This could expand the CPA's contractual obligations and liability without any benefit to the CPA as there are no fees associated with the presumed added responsibility. Additionally, has the PEEC considered the ramifications of CPAs performing pro bono work for these clients? Furthermore, does designating certain subject entities as a client raise new conflicts of interest?

As just one example, in a divorce case a CPA could have a conflict of interest by retaining both spouses as clients. In the event one spouse contracts with a CPA to value the business of the other spouse, currently the CPA would not be conflicted as the subject entity (the spouse's business) is not the CPA's client. However, if the spouse is now designated as a client, the CPA could be conflicted, owing a duty to each client on opposing sides of a legal dispute. Similarly, in the event a CPA is performing litigation

services for a client and is requested to perform certain procedures on this subject client, will the CPA be in an adversarial position to this subject entity? Further in a business valuation situation there will be similar duties to the subject entity if they are considered a client that are not expected or contracted for.

The committee believes that the objectives of the PEEC can be achieved without fundamentally changing the relationship with the subject entities.

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

Sincerely,



Michael F. Johns
Chair, PICPA Professional Ethics Committee

cc: Allison Henry, CPA, PICPA Staff Liaison