



May 15, 2017

Professional Ethics Executive Committee
Professional Ethics Division
American Institute of Certified Public Accountants
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Attention: Lisa A. Snyder, Director

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Via e-mail: lsnyder@aicpa.org

Re: Comments on Exposure Draft, *Client and Attest Client Proposal*, AICPA Professional Ethics Division dated December 15, 2016

Dear Ms. Snyder and Committee Members:

Grant Thornton LLP (“Grant Thornton” or “Firm”) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (“AICPA”) Professional Ethics Executive Committee’s (“PEEC”) December 2016 Exposure Draft, which proposes revised definitions of “client” and “attest client” to clarify how the definition is being applied in practice, as well as relocating the government provision currently in the “client” definition to the “Simultaneous Employment or Association with an Attest Client” interpretation [1.275.005]. The clarification also addresses questions relating to how the “Records Requests” [1.400.200] and “Confidential Client Information Rule” [1.700.001] interpretations should be applied in these situations. Our Firm supports the revisions set forth in the exposure draft, however, below we have provided the following comments for PEEC’s consideration.

Proposed Revised Definition of Client

We recommend in the definition “any person or entity” be made plural as there could be more than one. In addition, we recommend using the term engaging party as opposed to engaging entity throughout the related definition, interpretations and other guidance which more accurately reflects the relationship.

The revised “client” definition provides some clarification as proposed, however, Grant Thornton requests that PEEC consider developing guidance in the format of a practice aid, examples, or FAQs to assist members in better understanding what is or is not a client. For example:

- Would a general partner, that is a separate legal entity, who engages a member for tax services because it has the requisite legal authority to do so on behalf of a limited partnership (subject entity), be considered a separate engaging party? If engaged to

provide tax services by the general partner for the limited partner, under applicable tax law, the general partner is not considered to be a separate client.

- In engagements where more than one party signs an engagement letter, such as litigation services where the law firm, attorney and the underlying client all sign, would both the law firm and the underlying client be the “client” because of unique contractual rights and obligations?
- Would a parent company (or other investor) who engages a member to audit a subsidiary (or an investee) that is a separate legal entity be considered an engaging entity?

PEEC should consider adding the Integrity and Objectivity Conflict of Interest interpretation to the Client definition as similarly included in the attest client definition as follows:

“However, because threats to the members compliance with the “Integrity and Objectivity Rule” [1.100.001] and the “Conflict of Interest” interpretation [1.110.010] may still exist with respect to the engaging party, members should comply with this rule and interpretation.”

Proposed Revised Definition of Attest Client

We recommend in the definition “person or entity” be made plural as there could be more than one.

We believe using the phrase a member “need not be independent of the engaging entity” may contradict the main purpose of the attest client definition. We recommend the following changes (**in bold**) to the second paragraph:

If the persons or entities that engages a member or member’s firm to perform professional services (engaging **party**) is not also the attest client, the member and the member’s firm (member) ~~need not be independent of the engaging entity except as may be required by~~ **should consider** the “Client Affiliate” interpretation [1.224.010] **in order to determine if the member needs to be independent of the engaging party.** However, because threats to the members compliance with the “Integrity and Objectivity Rule” [1.100.001] and the “Conflict of Interest” interpretation [1.110.010] may still exist with respect to the engaging **party**, members should comply with this rule and interpretation.

Request for Specific Comments

PEEC has asked for feedback if the inclusion of the “Integrity and Objectivity Rule” requirement in the definition of attest client is the correct location. Grant Thornton believes the placement of the reminder in the attest definition is appropriate. We also believe adding to the definition of “client” as noted above is appropriate.

General Comments

We provide the following general comments for PEEC’s consideration:

- In the explanation of the proposed revised “Disclosing Information to Persons or Entities Associated with Clients” interpretation [1.700.030] it states “the presumption is that there would be an agreement between the engaging entity or the subject entity allowing the member to perform the professional services on the subject entity and to disclose the results of the services and other relevant information to the engaging entity.” However, the interpretation should be clear, it is not intended to imply the existence of a legal relationship between the parties suggesting one party can legally contract on behalf of another or that parties may share information without the proper consent as may be required under IRS or other laws or requirements. Suggest consideration be given to adding clarification on the presumption of agreements between parties.
- PEEC should consider a general statement indicating that relationships between members and clients, including but not limited to confidentiality, sharing tax return information with third parties, and conflicts of interest, are governed by existing AICPA guidance, IRS Circular 230, and applicable federal and state law. Compliance with such applicable guidance and tax standards where such standards exist and are directly applicable is required where such standards differ from the guidance in this Interpretation regardless of whether such guidance is more restrictive or not.
- Suggest the removal of the tax examples in proposed revised Records Requests interpretation [1.400.200] and proposed revised “Disclosing Information to Persons or Entities Associated With Clients” interpretation [1.700.030], as we believe they do not represent what is being applied, or in some cases required, in tax practice.
 - For example, in practice when engaged to prepare the joint tax return, both spouses sign the tax return and the engagement letter, rendering them both clients. If a company engages a member to perform personal tax services for the benefit of its executives, the member’s client for professional standards purposes is the employee not the employer. The member would not provide the executives personal tax return to the company without advance written taxpayer consent.
 - Further, the example of an employer engaging a return preparer is problematic as it could be read as suggesting that a member does not need an engagement letter between itself and the “actual” client (the employee).

Effective date

Grant Thornton agrees with PEEC that a delayed effective date is not necessary for transition purposes and it is appropriate to be effective the last day of the month in which it is published in the *Journal of Accountancy*.

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We would be pleased to discuss our letter with you. If you have any questions, please contact Anna P. Dourdourekas, National Partner in Charge, Ethical Standards, at anna.dourdourekas@us.gt.com or (630) 873 - 2633.

Very truly yours,

Grant Thornton LLP