



National Association of State Boards of Accountancy

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January 27, 2014

Professional Ethics Executive Committee
c/o Lisa A. Snyder, Director
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Via e-mail: lsnyder@aicpa.org

Re: Proposed Revisions for Ethics Interpretation 101-2, AICPA Professional Ethics Division,
Exposure Draft dated November 26, 2013

Dear Members and Staff of the AICPA Professional Ethics Executive Committee:

We appreciate the opportunity to offer comments on the Exposure Draft referred to above. The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories. In furtherance of that objective, we offer the following comments on the Exposure Draft.

Evaluation of Conflicts of Interest

NASBA strongly supports the view that any conflict of interest should be evaluated taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict exists. We also note that that the proposed interpretation on conflicts of interests for members in public practice and for members in business begins with a clear statement to this effect. However, AICPA members and state board licensees sometimes will focus on individual components of a standard when searching an electronic file, without reading the entire standard. As a result, we believe that the reasonable third party standard should be reemphasized in the paragraph on evaluation of conflicts of interest for both members in public practice and for members in business.

Documentation Requirement

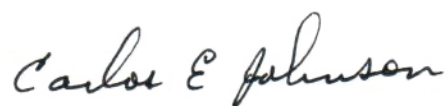
The documentation requirements of this standard are that a member "is encouraged" to document the nature of the circumstances giving rise to the conflict of interest, the safeguards applied to eliminate or reduce the threats to an acceptable level, and the consent obtained. We believe that a member "should" document this information in all instances. The conceptual framework for independence states that a "*member should document the identified *threats* and *safeguards* applied.*" In our opinion, the documentation requirements for conflicts of interest should be equivalent to the documentation requirements applying the conceptual framework for independence. In our opinion, such a

documentation requirement serves the public interest and supports the mission of State Boards of Accountancy.

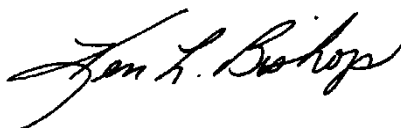
We would like to commend members and staff of the AICPA Professional Ethics Executive Committee for their work on this interpretation. We believe that the proposed interpretations on conflicts of interest represent an overall improvement in guidance for AICPA members and for state board licensees.

Again, we appreciate the opportunity to comment on the Exposure Draft.

Sincerely,

Handwritten signature of Carlos E. Johnson in cursive script.

Carlos Johnson, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in cursive script.

Ken L. Bishop
NASBA President and CEO