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Professional Ethics Executive Committee
Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via e-mail: Ethics-ExposureDraft@aicpa-cima.com

Re: Comments on Exposure Draft, *Proposed Interpretation, Information System Services*, AICPA Professional Ethics Division dated March 15, 2018

Dear Committee Members:

Crowe LLP appreciates the opportunity to comment on the American Institute of Certified Public Accountants ("AICPA") Professional Ethics Executive Committee's ("PEEC") March 2018 Exposure Draft, *Proposed Interpretation, Information System Services* (Exposure Draft) which provides certain clarifications that will allow for a better understanding of where significant threats to independence exist.

We support the PEEC's efforts to update the "Information Systems Design, Implementation, or Integration" interpretation to conform to current information technology service offerings provided by members. We agree with PEEC's conclusion that when a member provides nonattest services related to an attest client's information systems, management participation and self-review threats exist.

We agree with the revisions to clarify current information technology service offerings, answers to the specific questions in the Exposure Draft are included in Attachment A to our response. We also have other observations below to assist PEEC with its efforts to modernize this interpretation.

Other Observations

- The definition of a commercial-off-the-shelf (COTS) system refers to a third-party vendor, but we believe it would be helpful to specifically state in the interpretation that a member cannot provide implementation, installation, configuration or customization services for a system the member designed or developed. We believe it is important to clarify this point because members could be designing systems that are COTS. A member could incorrectly apply paragraphs .05 – .18 by assuming they can install or implement a system they designed as long as it is a COTS system.
- Paragraph .03 permits a member to design, develop and implement a non-financial information system, but this section does not address configuration or customization. We suggest clarifying paragraph .03 to permit a member to configure and customize a COTS non-financial information system as threats to independence would appear to be at an acceptable level, provided all of the requirements of a non-attest service are met.
- In today's current environment, the member may design or develop financial information systems using various methods. For example, a member may design and develop custom solutions and

products; design or develop modules/components for COTS systems; or design or develop components for a commercially available platform or development framework solution such as SharePoint. We believe the interpretation should address that design or development may include various methods.

- We believe the term "template" used in paragraph .04 should be clarified. It is unclear if a template is a spreadsheet or web-based application. We believe the term "template" should refer to an Excel spreadsheet.
- Paragraph .07 addresses situations where software is loaded on a computer. We believe this section should also address systems installed in cloud environments.
- It is unclear to us whether paragraphs .11 and .12 apply to customization that is unrelated to financial reporting. For example, some customization may improve ease of use and may not impact how transactions or data are processed. We noted that paragraph .09 defines configuration as selecting the features, functions and settings that determine how the software will perform certain transactions and process data. We believe the definition of "customize" in paragraph .11 should include similar language as we do not believe independence would be impaired if the member customized features or functions that do not impact how transactions or data are processed.
- For paragraphs .15 and .18, we assume that an "API developed by a third party" means that the API must be unaltered and auditable in how it is used and how it processes data that is moved through that API protocol. We suggest clarifying that point through the interpretation or in non-authoritative guidance.
- Paragraph .19e indicates that independence would be impaired if the member accepts responsibility for performing ongoing network maintenance. However, paragraph .20c states that independence would not be impaired if the member applies certain updates and patches on a discrete basis. We believe more guidance is necessary to assist members in differentiating between ongoing and discrete activities. For example, if the member applies updates and patches only at the direction of the client and under their supervision, would that be considered a discrete activity since the member is executing each update as a separate occurrence and is not taking responsibility for performing ongoing maintenance?
- Paragraph .20 provides several examples of services that do not impair independence. Item (d) indicates that providing training or instruction on a new software solution does not impair independence. Is the reference to "new software" critical to the determination about whether this is an acceptable service? For example, would it be acceptable to provide training to new users of an existing software solution?

Crowe LLP appreciates the PEEC's efforts in updating this interpretation. We would be pleased to respond to any questions regarding our comments. Should you have any questions please contact Jennifer Kary at (574) 239-7886.

Cordially,

Crowe LLP

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Attachment A

Responses to Request for Specific Comment

1. **Do you believe the terminology used is consistent with industry practice and will be readily understood by members who do and do not practice in this arena?**

We believe the terminology is consistent with industry practice unless otherwise noted in our observations we have provided on the interpretation.

2. **The definition of a financial information system proposed in part to include a system that generates information that is significant to the financial statements or financial processes take as a whole.**

- a. **The proposal currently does not include specific guidance on what is “significant,” leaving the determination to the professional judgment of the member. Do you believe this is appropriate? If you believe specific guidance should be included, please explain how you believe “significant” should be defined.**

We believe the determination of “significant” should be left to professional judgement. The auditing standards provide guidance on determining significance to the financial statements; therefore, we do not believe this should be defined within the professional code.

- b. **By including the concept of “significant” in the definition of a financial information system, it could be perceived that PEEC has proposed a less restrictive standard than the current interpretation, which would allow the member to design or develop a component of the financial information system that is not significant to the financial statements or financial process as a whole. Do you believe this exception is appropriate? Why or why not?**

While providing an exception for non-significant components makes sense in theory, it would be difficult to apply in practice since the evaluation of significance would require on-going consideration. If the component becomes significant in the future, the member’s independence would become impaired at that time. We believe it is possible for a component to be unrelated to the financial statements even though the component is part of a financial information system and providing services related to that component should not impair independence. See our observations provided above related to this point.

- c. **Do you think the phrase “financial process” makes it clear that members should be thinking broadly about process that may affect a financial process such as information technology general controls?**

We do not believe the term “financial processes” utilized in paragraph .02a is a term widely understood in the industry. We suggest adding an explanation similar to how the term is defined on page 6 of the proposal. We believe it would be helpful to include this explanation in the interpretation or in non-authoritative guidance.

3. **One of the factors proposed that may assist members in determining whether a nonattest service is related to a financial system is whether the system gathers data that assists**

management in making decisions that directly affect financial reporting. Do you believe this would include management-level dashboard reporting? Why or why not?

Dashboard reporting can vary widely in its usage, which makes it difficult to broadly assess independence implications. We agree that if the dashboard reporting is used by management in setting or evaluating reserves or other financial related amounts or disclosures, then that system would be related to financial statements and would impair independence. However, if the dashboard reporting assists management with improving efficiency or effectiveness of operations, the system would be unrelated to the financial statements and would not impair independence.

- 4. If adopted as proposed, do you believe the extended period of time would be needed to implement the guidance? Why or why not?**

We believe an extended period of time would be necessary to allow discontinuation of services that would be deemed to impair independence under the clarified interpretation.