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March 5, 2019

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, Staff Augmentation Arrangements (ET sec. 1.295.157)*, AICPA Professional Ethics Division dated December 7, 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") December 2018 Exposure Draft, *Proposed Interpretation, Staff Augmentation Arrangements* (Exposure Draft) which provides guidance for staff augmentation professional services.

We support PEEC's efforts to provide guidance related to professional services that involve providing human resource capital. The AICPA's non-authoritative frequently asked questions document includes a question related to temporary controllership services, which we believe provides a presumption that staff augmentation services are permitted. However, we appreciate that adding staff augmentation arrangements to the non-attest service interpretation would clarify the requirements.

Please see our responses below to PEEC's requests for specific comments.

Response to Request for Specific Comment

1. Do you agree that the duration of the arrangement should be addressed in paragraph .02, and do you agree with the term *short period of time*? Are there other terms that you recommend PEEC consider that would be more appropriate and better understood?

We agree the duration of the arrangement should be addressed in paragraph .02 as we believe the duration of the service is important to the independence considerations. We appreciate the challenge in identifying a term that appropriately and completely conveys the intent that the service not be permanent or long-term in nature. We believe "short period of time" does address that the service should not be permanent or long-term; however, we recommend PEEC consider issuing an FAQ providing examples and additional guidance on how to evaluate the duration of the arrangement specifically for discrete and recurring engagements.

2. Do you agree that staff augmentation is a nonattest service and that the proposed interpretation should be placed in ET section 1.295? If not, please explain where you believe it would be better placed.

We agree non-attest services can be provided as staff augmentation arrangements and including as an interpretation would address any possible inconsistencies in practice in the industry. The proposed guidance includes a safeguard that the augmented staff should only perform activities that are not otherwise prohibited by the “Nonattest Services” interpretation. We believe this safeguard is critical and recommend PEEC add to the interpretation a requirement to include the scope of activities in the documented understanding with the client about the scope of services. Adding the scope of activities to the service documentation will assist the member and client ensure the activities are not prohibited by the “Nonattest Services” interpretation.

3. Do you have any concerns regarding application of the proposed interpretation to client affiliates? If so, please specify the type of affiliate (that is, parent, subsidiary, or sister entity), and describe the concerns and related threats and potential safeguards.

We do not have any specific concerns about applying the proposed interpretation to client affiliates assuming the scope of activities is included in the documented understanding with the client. Including the scope of activities will assist members in evaluating whether the activities are not prohibited by the “Nonattest Services” interpretation. See our response to question #2 about including scope of activities to the documented understanding with the client.

4. Do you foresee any hardships or regulatory issues that are created by the proposal? If so, please explain.

We do not foresee any specific hardships or other concerns in applying this proposal assuming the scope of activities is included in the documented understanding with the client. If the scope of activities is not documented, we believe there may be challenges in ensuring the augmented staff does not perform activities that would be prohibited by the “Nonattest Services” interpretation.

5. Do you agree with PEEC’s approach to address the appearance of prohibited employment set forth in paragraphs .03–.05? If not, please explain what you believe would be a better approach.

The approach outlined appears appropriate.

6. Do you suggest any additional factors for evaluation of the appearance of prohibited employment that PEEC should consider?

We agree with the list of factors provided and believe the following additional factors should be considered:

- Paragraph .03 - We believe the size of the client organization should be a consideration. Threats would likely be greater at smaller client organizations since there would be more reliance on the augmented staff and greater chances of the appearance of dual employment. However, if this factor is added to the interpretation, consideration of potential safeguards may be warranted.
- Paragraph .03 - To address the appearance of dual employment, we believe augmented staff should be provided the same type of access and privileges provided to vendors. If augmented staff are provided the same level of access and privileges as employees, there could be the appearance of dual employment.
- Paragraph .04 – We believe augmented staff should be restricted from having direct contact with the client’s customers, clients, vendors, or service providers as access to those individuals would appear to be holding the staff out as employees and also may put them in a position for being responsible for making management decisions.

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7. Do you suggest any other safeguards that PEEC should consider to reduce threats to an acceptable level?

See our responses to question #2 and #3 about including the scope of activities in the documented understanding with the client.

Crowe LLP appreciates the PEEC's efforts in providing additional guidance. 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