
GRANT THORNTON LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
F +1 000 000 0000
S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthornton-us)
twitter.com/grantthorntonus

March 7, 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 Email to Ethics-ExposureDraft@aicpa-cima.com

Re: Comments on Exposure Draft, Proposed Interpretation of the AICPA Code of Professional Conduct, Staff Augmentation Arrangements Interpretation (ET sec. 1.295.157), AICPA Professional Ethics Division dated December 7, 2018

Dear Committee Members:

Grant Thornton 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 (“Exposure Draft”), which proposes interpretation of the AICPA Code of Professional Conduct “Staff Augmentation Arrangements” (ET sec. 1.295.157).

Grant Thornton supports PEEC’s proposal to acknowledge that audit firms offer staff augmentation as a nonattest service, which may create self-review or management participation threats to independence. We agree that the management participation threat and the threat of the appearance of simultaneous employment must be addressed with the application of safeguards to eliminate or reduce the threat to an acceptable level.

While Grant Thornton supports the proposed standard set forth in the Exposure Draft, we have provided the following comments for PEEC’s consideration.

General Comments

Grant Thornton suggests that PEEC consider developing non-authoritative guidance in the format of a frequently asked questions document that highlights various scenarios and examples of staff augmentation that would be permitted or prohibited under the new interpretation. For example, the scenarios can cover short-term

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duration, frequency of the staff augmentation engagement, cumulative independence evaluation of all nonaudit services, including the staff augmentation and the evaluation of audit fees vs. nonaudit fees, level and number of individual(s) assigned by the member to assist with the staff augmentation engagement, nature of the activities performed by the augmented staff (e.g., tax compliance, financial reporting related, etc.) and the application of safeguards to eliminate the threats or reduce them to an acceptable level.

Request for Specific Comments

Below are Grant Thornton's specific comments as requested in the Exposure Draft.

Question 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?

Grant Thornton agrees that duration of the arrangement should be addressed in paragraph .02 and with the use of the term "short period of time" as it supports convergence with the international standards. However, we also agree that the use of this terminology may be easily misunderstood when applied in practice. We suggest PEEC consider providing additional guidance, including example scenarios that would be considered a "short period of time" as well as scenarios that would not be considered a "short period of time", to aid in consistent application of the interpretation in practice.

We also suggest that such example scenarios (e.g., tax compliance services performed under staff augmentation arrangements that the client requests on an annual basis) include consideration of frequency, recurrence, continuity and exclusivity. Also, consider guidance on whether the nature of the activities and scope of the assignment should be taken into consideration when evaluating the permissibility of the staff augmentation, including impact that may have on whether the duration of the arrangement is considered a "short period of time" if the assignment can be completed within a "reasonable amount of time". For example, a member has staff augmentation arrangements with two separate clients and performs the same assignment under each arrangement. Depending on the size and complexity of the client, one assignment may take a few months to complete and the other assignment may take more than six months to complete. Even if both arrangements are considered a "reasonable amount of time" to complete the assignment, would one arrangement be considered a "short period of time" and not the other?

At this time, we have no other terms to recommend for PEEC's consideration.

Question 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.

Grant Thornton agrees that staff augmentation is a nonattest service and, therefore, agree that the proposed interpretation should be included in the AICPA Interpretation ET section 1.295, "Nonattest Services".

Question 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.

Grant Thornton does not have any concerns regarding the application of the proposed interpretation to client affiliates. We would expect that the AICPA's exception to the "Independence Rule" under paragraph .02(b) of AICPA Interpretation ET section 1.224.010 would still apply.

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

Grant Thornton does not foresee any hardships or regulatory issues that may be created by the proposal. However, we suggest that PEEC consider incorporating a statement that the member should refer to and consider their obligations under other applicable laws, regulations and rules, such as those applicable to tax services.

Question 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.

Grant Thornton agrees with PEEC's approach to address the appearance of prohibited employment set forth in paragraphs .03-.05.

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

Grant Thornton has no additional factors to suggest for evaluation.

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

Grant Thornton has no other safeguards to suggest for consideration.

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

Sincerely,

/s/ Grant Thornton LLP