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March 4, 2019

Professional Ethics Executive Committee
American Institute of Certified Public Accountants (AICPA)
220 Leigh Farm Road
Durham, NC 27707

By email to: ethics-exposedraft@aicpa.org

Re: Comments on Exposure Draft, Proposed Interpretation Staff Augmentation Arrangements, AICPA Professional Ethics Division December 7, 2018

Dear Committee Members:

CliftonLarsonAllen LLP ("CLA") appreciates the opportunity to comment on the American Institute of Certified Public Accountants ("AICPA") December 7, 2018 Professional Ethics Executive Committee's ("PEEC") Exposure Draft ("ED"), which proposes Ethics Interpretation ("ET") *Staff Augmentation Arrangements Interpretation (ET sec 1.295.157)*. We recognize that the proposed ED purpose is to present a new proposed interpretation for possible adoption by PEEC.

In our view, staff augmentation services are already covered under ET sec. 1.295 Nonattest Services and ET sec. 1.210 Conceptual Framework Approach. The only additional required safeguard introduced in this ED is the duration safeguard and the current ED language does not provide clarity on this additional requirement. (See response to specific comment #1 below.) Therefore, we believe the issuance of this proposed ethics interpretation would not provide additional clarity, but would add confusion in the application.

General Comments

As an alternative to the issuance of this new ET, CLA recommends PEEC consider adding the example threats and safeguards noted in the ED into the existing AICPA Frequently Asked Questions: Nonattest Services document to assist in evaluating staff augmentation services.

If PEEC proceeds with issuance of this ET, please consider including a definition of staff augmentation arrangements (including general characteristics) as described in the background section of the proposed ET and consistent with the IESBA definition.

Request for Specific Comments

Should PEEC proceed with the proposed interpretation, we offer the following responses to the request for specific comments – as requested in the ED:

Request for 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?

Response: CLA believes the term *short term period of time* is vague and would lead to diversity in practice. To avoid confusion and diversity in practice it would be useful for PEEC to expand on the terminology by providing examples which define “short term”.

Request for Comment 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.

Response: CLA is in agreement that staff augmentation fits the definition of a nonattest service and believe that the code as currently written addresses these services.

Request for Comment 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.

Response: We believe that the AICPA Code of Professional Conduct as currently written addresses nonattest services provided to clients and client affiliates. We do not have any concerns regarding the application of this proposed ET to client affiliates.

Request for Comment 4

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

Response: Other than diversity in practice that could be created by use of terms such as short period of time we do not foresee any additional hardships or regulatory issues created by the proposed interpretation.

Request for Comment 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.

Response: While we understand the connection between the staff augmentation arrangements and the appearance of prohibited employment, the factors, threats and safeguards in pars .03-.05 are not directly related to nonattest services. We suggest moving the information in pars .03-.05 to ET Sec. 1.275.005 *Simultaneous Employment or Association With an Attest Client*. There could be cross references between this new ET and the existing ET 1.275.005 to ensure consideration in both sections of the Code.

Request for Comment 6

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

Response: We do not have suggestions of any additional factors for evaluation related to the appearance of prohibited employment for PEEC to consider.

Request for Comment 7

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

Response: We do not have any additional safeguards for PEEC to consider to reduce threats to an acceptable level.

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CLA appreciates the opportunity to review and offer our comments on the proposed interpretation. We would be pleased to discuss any questions that you or your staff may have regarding our comments.

Respectfully submitted by



CliftonLarsonAllen LLP