



November 13, 2020

Ms. Toni Lee-Andrews
Ethics Team
AICPA
220 Leigh Farm Road
Durham, NC 27707

Re: PEEC Proposed Revised Interpretation: Staff Augmentation Arrangements

Dear Ms. Lee-Andrews:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC appreciates the efforts of PEEC to propose revisions to the Interpretation related to staff augmentation arrangements in light of feedback received after the initial proposed revisions were issued back in December 2018. However, TIC still does not believe that adding an additional interpretation is necessary as the current Code already has adequate guidance and safeguards that could be applied in many of these situations.

Currently, AICPA members already are referencing sections 1.210 and 1.295 of the Code regarding nonattest services when providing bookkeeping and other related services. TIC would suggest that, if the ethics team is receiving significant questions related to staff augmentation arrangements that are not already covered in ET sections 1.210 and 1.295, perhaps the issuance of specific questions and answers might be a better way to address these issues. TIC believes that providing specific situations and fact patterns might be a more effective way to address potential independence issues when firms are providing staff augmentation services.

In addition, TIC views this proposal as providing a narrow scope exception to the current ethics guidance whereby staff augmentation arrangements are only permitted in very specific circumstances only. Therefore, perhaps issuing a Q&A that addresses these limited circumstances might prove to be a less confusing way to issue this guidance.

However, if PEEC decides to proceed with an Interpretation, TIC's responses to each of the questions posed in the ED are answered below.

Question 1: *Should staff augmentation arrangements with attest clients be permitted under any circumstances? Why or why not?*

Yes, TIC believes that staff augmentation arrangements should be permitted in the outlined situations in the ED as TIC believes the proposed safeguards are sufficient to maintain independence.

Question 2: *If you believe staff augmentation arrangements should be permitted, do you agree with the proposed interpretation, including the proposed safeguards, that would allow such arrangements in very limited situations? Why or why not?*

Yes, TIC believes that staff augmentation arrangements should be permitted. However, the term “significant hardship” seems to be up for interpretation and could result in diversity in practice. TIC would suggest issuing some questions and answers or other interpretive guidance that gives some of the more common situations and whether they would be permitted. TIC is happy to assist PEEC in coming up with specific examples.

Question 3: *Do you believe That 30 days is an appropriate time period for the attest client to make other arrangements (see par. .02c of the interpretation)? If not, why?*

Yes, TIC believes that approximately 30 days is an appropriate time period for the attest client to make other arrangements. However, TIC believes the 30-day time period should not be a bright line; rather, 30 days should serve as general guidance.

Question 4: *Should an exception for staff augmentation arrangements with certain affiliates of financial statement attest client, as described in paragraphs 14–19 of this explanation, be permitted? Why or why not?*

Yes, TIC believes than an exception for staff augmentation arrangements with certain affiliates of financial statement attest clients should be permitted.

If it should be permitted, should the proposed additions discussed in paragraphs 18–19 of this explanation be added as drafted or do you have suggested revisions?

TIC originally responded that we do not have specific identifiable concerns related to the application of the proposed interpretation to client affiliates.

Question 5: *Do you believe there should be an exemption for staff augmentation arrangements for all SSAE engagements when the services provided by the augmented staff do not relate to the specific subject matter of the SSAE engagement, or should the exemption be limited to only AUPs under the SSAEs? Why or why not?*

Yes, TIC believes there should be an exemption for staff augmentation arrangements for all SSAEs. If subject matter is not impacted, TIC does not see an issue with the services being performed.

Question 6: *Are there specific aspects of the proposal that you believe are too permissive or too restrictive? If so, please explain.*

TIC appreciates the efforts of PEEC to propose revisions to the Interpretation related to staff augmentation arrangements in light of feedback received after the initial proposed revisions were issued back in December 2018. Other than the suggestion in our response to question #3 to clarify that 30 days should be an approximation as opposed to a bright line definition, TIC does not believe there are additional aspects of the proposal that are too permissive or too restrictive.

Question 7: *Does a six-month delayed effective date allow firms enough time to implement the necessary policies and procedures and terminate any relationships that would no longer be permitted? Why or why not?*

Yes, TIC believes that a six-month delayed effective date would allow firms enough time to implement the necessary policies and procedures and terminate any relationships that would no longer be permitted under this ED.

TIC appreciates the opportunity to present these comments on behalf of PCPS Member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek", with a long, sweeping flourish extending to the right.

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee