
EXPOSURE DRAFT

CLIENT AND ATTEST CLIENT

PROPOSED REVISED DEFINITIONS OF CLIENT AND ATTEST CLIENT AS WELL AS RELATED DEFINITIONS, INTERPRETATIONS, AND OTHER GUIDANCE

AICPA PROFESSIONAL ETHICS DIVISION

December 15, 2016

Comments are requested by May 15, 2017

**Prepared by the AICPA Professional Ethics Executive Committee for comments
from those interested in independence, behavioral, and technical standards
matters.**

**Comments should be addressed to Lisa A. Snyder, Director of the Professional
Ethics Division, at lsnyder@aicpa.org**

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December 15, 2016

This exposure draft contains an important proposal for review and comment by the AICPA's membership and other interested parties regarding a pronouncement for possible adoption by the Professional Ethics Executive Committee (PEEC). The text and an explanation of the proposed pronouncement are included in this exposure draft.

After the exposure period is concluded and the PEEC has evaluated the comments, the PEEC may decide to publish the proposed pronouncement. Once published, the pronouncement will become effective on the last day of the month in which it is published in the *Journal of Accountancy*, unless otherwise stated in the pronouncement.

Your comments are an important part of the standard-setting process; please take this opportunity to comment. Responses must be received at the AICPA by May 15, 2017. All written replies to this exposure draft will become part of the public record of the AICPA and will be available at <http://aicpa.org/InterestAreas/ProfessionalEthics/Community/ExposureDrafts/Pages/CommentLettersForThe2016DecemberClientAttestClientExposureDraft.aspx>. Comments received will be considered by the PEEC at its meeting in July 2017.

Please email comments to Lisa A. Snyder, Director of the Professional Ethics Division (lsnyder@aicpa.org).

Sincerely,

Samuel L. Burke, *Chair*
AICPA Professional Ethics Executive
Committee

Lisa A. Snyder, *Director*
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Explanation of the Proposed Revised Definitions of Client and Attest Client

The Professional Ethics Executive Committee (committee) is exposing for comment revisions to the definitions of “Client” (ET sec. 0.400.07)¹ and “Attest Client” (ET sec. 0.400.03), including the relocation of the government provision from the definition of “Client” to the “Simultaneous Employment or Association With an Attest Client” interpretation (ET sec. 1.275.005) under the *Independence Rule* (ET sec. 1.200.001).

Proposed Revision to Definition of Client

Though the committee believes the basic definition of “Client” should not be changed, it is recommending two revisions to clarify how the definition is being applied in practice. The first revision clarifies that when the engaging entity is not also the subject of the professional services (subject entity), members will have two separate clients within one engagement and must treat them as separate clients. This clarification helps to address questions raised related to how the “Records Requests” interpretation (ET sec. 1.400.200) and “Confidential Client Information Rule” (ET sec. 1.700.001) should be applied in these situations. The proposed related revisions to the “Records Requests” interpretation and “Confidential Client Information Rule” are discussed on pages 14–18 of this exposure draft.

The second clarification is to relocate the government provision that is currently in the “Client” definition to the “Simultaneous Employment or Association with an Attest Client” interpretation because it is an exception to the guidance of that interpretation and, accordingly, more appropriately located within that interpretation.

Proposed Revision to Definition of Attest Client

The extant definition of “Attest Client” requires the member to be independent of both the subject entity and the engaging entity, when the two are not the same entity. After further consideration, the committee believes that members should be required to be independent only of the subject entity when the engaging entity and the subject entity are different entities. The rationale is that the threats to independence should not be applicable to entities that are not the subject of the attest engagement. This change is consistent with the AICPA auditing standards.² Additionally, this is the treatment in the AICPA Code of Professional Conduct (code) for engagements with different engaging and subject entities (responsible parties) when members perform engagements under the Statements on Standards for Attestation Engagements (SSAEs).

Nonetheless, the committee believes that members do need to analyze their relationship with such engaging entities since these relationships could give rise to threats to a member’s compliance with the “Integrity and Objectivity Rule” (ET sec. 1.100.001). For example, if a member were to also provide the engaging entity with a nonattest service, the member should evaluate whether or not that nonattest service would give rise to threats to the member’s objectivity that would not be at an acceptable level and if so, determine if safeguards could be applied to eliminate or reduce those threats to an acceptable level.

¹ All ET sections can be found in AICPA, *Professional Standards*.

² [Paragraph .15 of AU-C Section 200](#) states in part that “The auditor must be independent of *the entity* (emphasis added) when performing an engagement in accordance with GAAS unless...”

Proposed Relocation of the Government Provision

The government provision that currently appears in the “Client” definition clarifies that although government auditors are employed by the government entity that they provide services for, they would be considered independent of that government entity when specified criteria are met. The committee believes that this provision is an exception to the conclusions contained in the “Simultaneous Employment or Association With an Attest Entity” interpretation (ET sec. 1.275.005) and as such, recommends it be moved to this interpretation.

In addition, conforming changes have been made to the Introduction to part 1 of the AICPA code to reflect the specified criteria.

Request for Specific Comments

Although the committee welcomes comments on all aspects of these proposals, it specifically requests feedback on the following.

The proposed revised definition of “Attest Client” explains that when the engaging entity is not also the attest client, that the member does not need to be independent of the engaging entity but still must comply with the “Integrity and Objectivity Rule” and its interpretations, consistent with how the current AICPA code treats SSAE engagements with different engaging and subject entities (responsible parties). The committee believes including the reminder in the definition will minimize a member overlooking the requirement to comply with the “Integrity and Objectivity Rule” and its interpretations because it will appear each time the definition is viewed. Do you believe the inclusion of this requirement in the definition is the correct location? If not, please explain where you believe this requirement should be located and why you believe this location would be better than the proposed location.

Effective Date

The committee does not believe that a delayed effective date for transition purposes is necessary. Accordingly, the committee proposes that the revised definitions and relocation of the government provision be effective the last day of the month in which they are published in the *Journal of Accountancy*.

Text of Proposed Revised Definition of Client

(Additions appear in boldface italic and deletions are stricken)

Client. Any person or entity, other than the member's employer⁷, that engages a member or member's firm to perform professional services (***engaging entity***) and ***also***, if ~~different, the~~ person or entity with respect to which ***a member or member's firm performs*** professional services (***subject entity***) are performed. ***When the engaging entity and the subject entity are different, they are separate clients.*** For purposes of this definition, the term employer does not include the following:

- ~~a. Person or entity engaged in *public practice*.~~
- ~~b. Federal, state, and local government or component unit thereof, provided that the *member performing professional services* with respect to the entity is
 - ~~i. directly elected by voters of the government or component unit thereof with respect to which *professional services* are performed;~~
 - ~~ii. an individual who is (1) appointed by a legislative body and (2) subject to removal by a legislative body; or~~
 - ~~iii. appointed by someone other than the legislative body, so long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body.~~~~

[Prior reference: paragraph .03 of ET section 92]

See paragraph .03 of the "Simultaneous Employment or Association With an Attest Client" interpretation [1.275.005] for independence guidance related to a member in a government audit organization that performs an attest engagement with respect to the government entity.

Text of Proposed Revised Definition of Attest Client

(Additions appear in boldface italic and deletions are stricken)

Attest client. ~~A client that engages a member to perform an attest engagement or~~ **A person or entity** with respect to which an attest engagement is performed.

If the person or entity that engages a member or member's firm to perform professional services (engaging entity) is not also the attest client, the member and the member's firm (member) need not be independent of the engaging entity except as may be required by the "Client Affiliate" interpretation [1.224.010]. However, because threats to the member's compliance with the "Integrity and Objectivity Rule" [1.100.001] and the "[Conflicts of Interest](#)" interpretation [1.110.010] may still exist with respect to the engaging entity, members should comply with this rule and interpretation.

See the "Client Affiliate" interpretation [1.224.010] for acquisitions and business combinations that involve a financial statement attest client.

See paragraph .03 of the "Simultaneous Employment or Association With an Attest Client" interpretation [1.275.005] for independence guidance related to a member in a government audit organization that performs an attest engagement with respect to the government entity.

Text of Proposed Revised Simultaneous Employment or Association With an Attest Client Interpretation

(Additions appear in boldface italic and deletions are stricken)

1.275.005 Simultaneous Employment or Association With an Attest Client

- .01 In this interpretation, “simultaneous employment or association with an attest client” is serving as a director, an officer, an employee, a promoter, an underwriter, a voting trustee, a trustee for any pension or profit-sharing trust of the *attest client*, or in any capacity equivalent to that of a member of management of an *client* during the period covered by the financial statements or the period of the professional engagement.
- .02 If a partner or professional employee of the member’s firm is simultaneously employed or associated with an attest client, familiarity, management participation, advocacy, or self-review threats to the member’s compliance with the “Independence Rule” [1.200.001] would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards. Accordingly, independence would be impaired. [Prior reference: paragraph .02C of ET section 101]
- .03 However, *threats* will be at an *acceptable level* and *independence* will not be *impaired* **when either of the following situations exists:**
- a. ~~if a~~ **A** partner or professional employee of a firm serves as an adjunct faculty member of an educational institution that is an attest client of the firm, ~~provided that~~ **and** the partner or professional employee meets all of the following safeguards:
 - i. Does not hold a key position at the educational institution.
 - ii. Does not participate on the attest engagement team.
 - iii. Is not an individual in a position to influence the attest engagement.
 - iv. Is employed by the educational institution on a part-time and non-tenure basis.
 - v. Does not participate in any employee benefit plans sponsored by the educational institution, unless participation is required.
 - vi. Does not assume any management responsibilities or set policies for the educational institution. Upon termination of employment, the partner or professional employee should comply with the requirements of the “Former Employment or Association With an Attest Client” interpretation [1.277.010] of the “Independence Rule” [1.200.001]. [Prior reference: paragraph .21 of ET section 101].
 - b. **A member in a government audit organization performs an attest engagement with respect to the government entity and the head of the government audit organization meets at least one of the following:**
 - i. **Is directly elected by voters of the government entity with respect to which attest engagements are performed.**
 - ii. **Is appointed by a legislative body and is subject to removal by a legislative body.**

- iii. ***Is appointed by someone other than the legislative body, as long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body.***

.04 *Members* that are simultaneously employed or associated with an *attest client* should consider their obligations as a *member in business* under part 2 of the code. [No prior reference: new content]

Effective Date

.05 Paragraph .04 of this interpretation is effective December 15, 2014.

[See [Revision History Table](#).]

Text of Proposed Revised Introduction

(Additions appear in boldface italic and deletions are stricken)

1.000 Introduction

- .01 Part 1 of the Code of Professional Conduct (the code) applies to members in public practice. Accordingly, when the term member is used in part 1 of the code, the requirements apply only to members in public practice. When a member in public practice is also a member in business (for example, serves as a member of an entity's board of directors), the member should also consult [part 2](#) of the code, which applies to a member in business.
- .02 Government auditors within a government audit organization who audit federal, state, or local governments or component units thereof, that are structurally located within the government audit organization, are considered in public practice with respect to those entities provided the head of the **government** audit organization **meets at least one of the following:** ~~meets one of the organizational structures described in [paragraph .07b\(i-iii\)](#) of the "Client" definition (0.400.07).~~
- a. Is directly elected by voters of the government entity with respect to which attest engagements are performed***
 - b. Is appointed by a legislative body and is subject to removal by a legislative body***
 - c. Is appointed by someone other than the legislative body, so long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body***

Effective Date

- .03 Effective December 15, 2014.

[See [Revision History Table](#).]

Text of Proposed Revised Entities Included in State and Local Government Financial Statements Interpretation

(Additions appear in boldface italic and deletions are stricken)

1.224.020 Entities Included in State and Local Government Financial Statements (in part)

(Paragraphs .01–.07 are unchanged.)

.08 However, if a covered member or a covered member's immediate family holds a key position within the primary government during the period of the professional engagement or during the period covered by the financial statements, threats to compliance with the "Independence Rule" (1.200.001) would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards. Accordingly, the covered member's independence would be impaired. For purposes of this interpretation, a covered member and the covered member's immediate family would not be considered employed by the primary government ***if the criteria in the Introduction of part 1 [1.000.02]*** ~~exceptions provided for in paragraph .07b of the "Client" definition (0.400.07) were met.~~ [Prior reference: paragraph .12 of ET section 101]

Explanation of the Proposed Revised Records Requests Interpretation

The committee is exposing for comment a revision to the “Records Requests” interpretation (ET sec 1.400.200) to clarify how this interpretation should be applied when the engaging entity is not also the subject entity.

The committee believes that with regard to client-provided records, the member should be required to return those records only to whoever provided the member with these records. That is, if the engaging entity provided the member with these records, then the member should return them to the engaging entity; but if the subject entity provided the records to the member, then the member should return the records to the subject entity.

The committee believes absent an agreement to the contrary, the member’s work product should be provided to the entity that is benefiting from the member’s professional services. For example, if the subject entity is the beneficiary of the professional services (for example, the member is engaged by a company to prepare personal income tax returns for its executives) then the subject entity (company executives) should receive the member’s work product. Alternatively, if the engaging entity is the beneficiary of the professional services (for example, the member is engaged by a company to perform a valuation of assets on a subject entity for the possible acquisition by the engaging entity) then the member’s work product should be provided to the engaging entity, not the subject entity.

Effective Date

The committee does not believe that a delayed effective date for transition purposes is necessary since the revisions clarify how the guidance is being applied in practice. Accordingly, the committee proposes that the interpretation be effective the last day of the month in which the interpretation is published in the *Journal of Accountancy*.

Text of Proposed Revised Records Requests Interpretation

(Additions appear in boldface italic and deletions are stricken)

1.400.200 Records Requests (in part)

Terminology

.01 The following terms are defined here solely for use with this interpretation:

- a. A client includes current and former *clients*.
- b. A member means the *member* or the *member's firm*.
- c. Client-provided records are accounting or other records, including hardcopy and electronic reproductions of such records, belonging to the client that were provided to the member by, or on behalf of, the client.
- d. Member-prepared records are accounting or other records that the member was not specifically engaged to prepare and that are not in the client's books and records or are otherwise not available to the client, thus rendering the client's financial information incomplete. Examples include adjusting, closing, combining, or consolidating journal entries (including computations supporting such entries) and supporting schedules and documents that the member proposed or prepared as part of an engagement (for example, an audit).
- e. Member's work products are deliverables set forth in the terms of the engagement, such as tax returns.
- f. Working papers are all other items prepared solely for purposes of the engagement and include items prepared by the
 - i. member, such as audit programs, analytical review schedules, and statistical sampling results and analyses.
 - ii. client at the request of the member and reflecting testing or other work done by the member.

Applicability

.02 *When a person or entity engages a member to perform professional services (engaging entity) with respect to, or for the benefit of, another person or entity, the member will be considered in compliance with the requirements of this interpretation related to client-provided records if the member returns these records to the person or entity that gave the records to the member.*

.03 *When an engaging entity engages a member to perform professional services for the benefit of another person or entity (beneficiary), the member will be considered in compliance with the requirements of this interpretation related to a member's work products if the member provides such work products to the beneficiary. For example, if a company engages a member to perform personal tax services for the benefit of its executives, the member would be in compliance with the interpretation if the member provides the tax returns to the executives (See the "Confidential Client Information Rule" [1.700.001]).*

.04 *When an engaging entity engages a member to perform professional services with respect to another entity that is not the beneficiary of the professional services, absent an agreement stating otherwise, the member would be in compliance with the requirements of this interpretation related to a member's work products, if the member provides such work products to the engaging entity. For example, if a company engages a member to value the assets of another company for a possible acquisition,*

absent an agreement stating otherwise, the member would be in compliance with this interpretation if the member provides the valuation report only to the engaging entity.

Interpretation

(Paragraphs .02–.11 are renumbered to paragraphs .05–.14. The content is unchanged.)

Explanation of the Proposed Revised Disclosing Information to Persons or Entities Associated with Clients Interpretation

The committee is exposing for comment a revision to the “Disclosing Information to Persons or Entities Associated With Clients” interpretation (ET sec. 1.700.030) to clarify how this interpretation should be applied when the engaging entity is not also the subject entity.

The committee believes that when there are separate engaging and subject entities, disclosure of confidential client information should be made only to the entity client) that is benefiting from the member’s professional services. For example, if the subject entity is the beneficiary of the professional services (for example, the member is engaged by a company to prepare personal income tax returns for its executives) then confidentiality is owed to the subject entity (company executives). Alternatively, if the engaging entity is the beneficiary of the professional services (for example, the member is engaged by a company to perform a valuation of assets on a subject entity for the possible acquisition by the engaging entity), the committee believes there is a presumption that the member may disclose the subject entity’s confidential client information to the engaging entity without the subject entity’s consent. The presumption is that there would be an agreement between the engaging entity and the subject entity allowing the member to perform the professional services on the subject entity and to disclose the results of the services and other relevant information to the engaging entity.

The committee also clarified that when a member is engaged to prepare a joint tax return, the service is to benefit the couple and so the member should treat the couple as one client.

Effective Date

The committee does not believe that a delayed effective date for transition purposes is necessary as the revisions clarify how the guidance is being applied in practice. Accordingly, the committee proposes that the interpretation be effective the last day of the month in which the interpretation is published in the *Journal of Accountancy*.

Text of Proposed Revised Disclosing Information to Persons or Entities Associated With Clients Interpretation

(Additions appear in boldface italic and deletions are stricken)

1.700.030 Disclosing Information to ~~Persons or Entities Associated With~~ Clients

- .01 When a *member* is engaged **by either spouse** to prepare a married couple's joint tax return, **the two** both spouses are considered to be **one** the member's client, even if the member **deals exclusively with** was engaged by **one** spouse and deals exclusively with that spouse.
- ~~.02~~ Accordingly, **the member would not need consent from either spouse in order to provide information related to the couple's joint tax return to the other spouse. For example,** if the married couple is undergoing a divorce and one spouse directs the member to withhold joint tax information from the other spouse, the member may provide the information to both spouses in compliance with the "[Confidential Client Information Rule](#)" [1.700.001], because both are the member's client. The member should consider reviewing
- a. the legal implications of such disclosure with an attorney and
 - b. responsibilities under any tax performance standards, such as Section 10.29 of IRS Circular 230. [Prior reference: paragraphs .031–.032 of ET section 391].
- ~~.02–.03~~ **When a person or entity engages a member to perform professional services (engaging entity) for the benefit of another person or entity (beneficiary), the engaging entity and the beneficiary are considered two separate clients. Accordingly, the member should not disclose confidential client information of either client to the other without consent of the client whose confidential information is to be disclosed. For example, if a company engages a member to perform personal tax services for the benefit of its** If a member provides professional services to a company's executives request of the company, the member's disclosure of the executives' confidential client information to the company without the consent of the applicable executive would be a violation of the "[Confidential Client Information Rule](#)" [1.700.001] even if the company is not otherwise a client. [Prior reference: paragraphs .041–.042 of ET section 391]

Explanation of the Proposed Revised Definitions and Interpretations

The committee is exposing for comment the following clarifying revisions and updated cross-references as a result of the proposed changes to the definitions of “Client” and “Attest Client.”

Text of Proposed Revised Definitions in ET Section 0.400 and Interpretations

(Additions appear in boldface italic and deletions are stricken)

Joint closely held investment. An investment in an entity or a property by the member and ***the attest*** client (or the ***attest*** client's officers or directors or any owner who has the ability to exercise significant influence over the ***attest*** client) that enables them to control the entity or property. [Prior reference: paragraph .17 of ET section 92]

Key position. A position in which an individual has

- a. primary responsibility for significant accounting functions that support material components of the financial statements;
- b. primary responsibility for the preparation of the financial statements; or
- c. the ability to exercise influence over the contents of the financial statements, including when the individual is a member of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position.

For purposes of attest engagements not involving a client's financial statements, a key position is one in which an individual is primarily responsible for, or able to influence, the subject matter of the attest engagement, as previously described. [Prior reference: paragraph .18 of ET section 92]

Period of the professional engagement. The period begins when a member either signs an initial engagement letter or other agreement to perform attest services or begins to perform an attest engagement for a client, whichever is earlier. The period lasts for the entire duration of the professional relationship, which could cover many periods, and ends with the formal or informal notification, either by the member or client, of the termination of the professional relationship or by the issuance of a report, whichever is later. Accordingly, the period does not end with the issuance of a report and recommence with the beginning of the following year's attest engagement. [Prior reference: paragraph .29 of ET section 92]

Public interest entities. All of the following:

- a. All listed entities, including entities that are outside the United States whose shares, stock, or debt are quoted or listed on a recognized stock exchange or marketed under the regulations of a recognized stock exchange or other equivalent body.
- b. Any entity for which an audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to an audit of listed entities (for example, requirements of the SEC, the PCAOB, or other similar regulators or standard setters).

Members may wish to consider whether additional entities should also be treated as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered may include

- the nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders;
- size; and
- number of employees.

Members should refer to the *independence* regulations of applicable authoritative regulatory bodies when a *member* performs attest services and is required to be independent of the **attest** client under such regulations. [Prior reference: paragraph .20 of ET section 100-1]

1.280.040 Member of a Credit Union (in part)

.01 When a covered member is a member of a credit union that is an attest client, the self-interest threat would be at an acceptable level, and independence would not be impaired, if the covered member individually qualifies to join the credit union other than by virtue of the professional services provided to the **credit union client**. However, if during the period of the professional engagement the *member's* qualification to join the credit union is a result of the professional services provided to the **credit union client**, threats to compliance with the "[Independence Rule](#)" (1.200.001) would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards. Accordingly, independence would be impaired.

1.290.010 Actual or Threatened Litigation (in part)

.07 If threatened or actual litigation is unrelated to the performance of *an client's* attest engagement and is for an amount that is not material to the covered member's firm or the attest client, threats to the covered member's compliance with the "Independence Rule" [1.200.001] would be at an acceptable level, and independence would not be impaired. Such claims may arise, for example, out of immaterial disputes regarding billings for services, results of tax or management services advice, or similar matters.

.11 If only the underwriter or officers or directors of other **attest** clients of the covered member file cross-claims against the covered member, threats to the covered member's compliance with the "Independence Rule" [1.200.001] would be at an acceptable level unless other circumstances create threats to compliance with the "Independence Rule."

1.295.040 General Requirements for Performing Nonattest Services (in part)

.02 The safeguards in paragraph .01 and the "Documentation Requirements When Providing Nonattest Services" interpretation [1.295.050] of the "Independence Rule" [1.200.001] do not apply to certain routine activities performed by the member, such as providing advice and responding to the attest client's questions as part of the **attest** client-member relationship. However, in providing such services, the member must not assume management responsibilities, as described in the "Management Responsibilities" interpretation [1.295.030] of the "Independence Rule." [Prior reference: paragraph .05 of ET section 101]

1.295.120 Bookkeeping, Payroll, and Other Disbursements (in part)

.01 If the member applies the "General Requirements for Performing Nonattest Services" interpretation [1.295.040] of the "Independence Rule" [1.200.001], threats would be at an acceptable level and independence would not be impaired. For example, a member may

- record transactions to an *attest client's* general ledger when management has determined or approved the account classifications for the transaction.
- post ~~client-coded~~ transactions **coded by the attest client** to ~~an~~ **the** attest client's general ledger.
- prepare financial statements based on information in the attest client's trial balance.
- post attest client-approved journal or other entries to an attest client's trial balance.
- propose standard, adjusting, or correcting journal entries or other changes affecting the financial statements to the attest client. Prior to the member posting

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these journal entries or changes, the member should be satisfied that management has reviewed the entries and understands the nature of the proposed entries and the effect the entries will have on the attest client's financial statements.

- f. generate unsigned checks using source documents or other records provided and approved by the attest client.
- g. process an attest client's payroll using payroll time records that the attest client has provided and approved.
- h. transmit attest client-approved payroll or other disbursement information to a bank or similar entity subsequent to the attest client's review and authorization for the member to make the transmission. Prior to such transmission, the attest client is responsible for making the arrangements with the bank or similar entity to limit the corresponding individual payments regarding the amount and payee. In addition, once transmitted, the attest client must authorize the bank or similar entity to process the payroll information.
- i. prepare a reconciliation (for example, bank and accounts receivable) that identifies reconciling items for the attest client's evaluation.

1.295.135 Executive or Employee Recruiting (in part)

- .02 If the member applies the "[General Requirements for Performing Nonattest Services](#)" interpretation [1.295.040] of the "Independence Rule" (1.200.001), *threats* would be at an acceptable level and independence would not be impaired. For example, a member may
- a. recommend a position description or candidate specifications.
 - b. solicit and screen candidates based on ~~client-approved~~ criteria **approved by the attest client**, such as required education, skills, or experience.
 - c. recommend qualified candidates to the attest client for their consideration based on ~~client-approved~~ criteria **approved by the attest client**.
 - d. participate in employee hiring or compensation discussions in an advisory capacity.

1.295.140 Forensic Accounting (in part)

- .02 *Attest client*. For purposes of this interpretation, the term *attest client* refers to ~~an underlying party to the litigation for whom~~ **the attest client with respect to which** the member is providing **litigation** services, not the law firm that engages the member on behalf of the law firm's client. If the law firm that engages the member on behalf of the member's attest client is also an attest client of the member, the member should consider the applicability of the "Cooperative Arrangements With Attest Clients" interpretation [1.265.010] of the "Independence Rule" [1.200.001].

1.295.150 Internal Audit (in part)

- .10 Members should use judgment in determining whether otherwise permitted internal audit services performed may result in a significant management participation threat to independence, considering factors such as the significance of the controls being tested, the scope or extent of the controls being tested in relation to the overall financial statements of the **attest** client, as well as the frequency of the internal audit services. If the threat to independence is considered significant, the member should apply safeguards to eliminate or reduce the threat to an acceptable level. If no safeguards could reduce the threat to an acceptable level, then independence would be impaired.

1.297.010 Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements (in part)

.02 If the individual or entity that engages the covered member (**engaging entity**) is not the responsible party, the *covered member* need not be independent of that individual or entity **engaging entity**. However, the *covered member* should consider the **because threats to the member's compliance with the "Integrity and Objectivity Rule" (1.100.001) and the "Conflicts of Interest"** interpretation (1.110.010) of the "Integrity and Objectivity Rule" (1.100.001), with regard to any relationships that may exist with the individual or entity that engages the *covered member* to perform these services **may still exist with respect to the engaging entity, members should comply with this rule and interpretation.**

1.510.030 Services Performed by a Member's Spouse For a Contingent Fee (in part)

.01 A member's spouse may provide services for a contingent fee to a client for whom **with respect to which** the member performs a service listed in paragraph .01a of the "Contingent Fees Rule" (1.510.001) without causing the member to be in violation of the "Contingent Fees Rule" if

- a. the activities of the member's spouse are separate from the member's practice and
- b. the member is not significantly involved in the spouse's activities.

1.510.040 Contingent Fee Arrangements With an Investment Advisory Services Nonattest Client That Is Related to a Client (in part)

.01 A member or member's firm may provide investment advisory services for a contingent fee to

- a. owners, officers, or employees of a client for whom **with respect to which** the member performs a service listed in paragraph .01a of the "Contingent Fees Rule"
- b. a nonattest client employee benefit plan that is sponsored by **an attest** client for whom **with respect to which** the member performs a service listed in paragraph .01a of the "Contingent Fees Rule."

1.510.050 Investment Advisory Services (in part)

.01 A member or member's firm may provide investment advisory services for a fee based on a percentage of the investment portfolio to a client for whom **with respect to which** the member performs a service listed in paragraph .01a of the "Contingent Fees Rule" [1.510.001] without violating that rule if all of the following safeguards are met:

- a. The fee is determined based on a specified percentage of the **attest** client's investment portfolio.
- b. The dollar amount of the portfolio on which the fee is based is determined at the beginning of each quarter (or longer period of time as may be agreed upon) and is adjusted only for the **attest** client's additions or withdrawals during the period.
- c. The fee arrangement is not renewed with the **attest** client more frequently than on a quarterly basis. [Prior reference: paragraphs .047–.048 of ET section 391]

1.520.030 Services Performed by a Member's Spouse For a Commission (in part)

.01 A *member's* spouse may receive a commission for referring products or services to or from a *client* for whom **with respect to which** the member performs a service listed in paragraph .01 of the "Commissions and Referral Fees Rule" [1.520.001] without causing the member to be in violation of the "Commissions and Referral Fees Rule" if both

- a. the activities of the member's spouse are separate from the member's practice and
- b. the member is not significantly involved in the spouse's activities.

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1.520.040 Referral of Products of Others (in part)

.03 In addition, if a member receives a commission for referring a third party's product or service to a client ~~for whom~~ **with respect to which** the member does not perform a service listed in paragraph .01 of the "Commissions and Referral Fees Rule" [1.520.001] through a distributor or an agent and receives a commission from the third party, the member should disclose the commission ~~to the client~~, as discussed in paragraph .03 of the "Commissions and Referral Fees Rule." However, any subsequent performance of a service listed in paragraph .01 of that rule during a period in which the commission was received would be considered to violate the rule. [Prior reference: paragraphs .375-.376 of ET section 591]

1.520.050 Commission Arrangements With an Investment Advisory Services Nonattest Client That Is Related to a Client (in part)

.01 A member or member's firm may receive a commission for referring a nonclient or nonattest client's products or services to the following:

- a. Owners, officers, or employees of a client ~~for whom~~ **with respect to which** the member performs a service listed in paragraph .01 of the "Commissions and Referral Fees Rule"
- b. A nonattest client employee benefit plan that is sponsored by a client ~~for whom~~ **with respect to which** the member performs a service listed in paragraph .01 of the "Commissions and Referral Fees Rule"