



Tel: 732-750-0900
Fax: 732-750-1222
www.bdo.com

90 Woodbridge Center Dr., 4th Floor
Woodbridge, NJ 07095

September 15, 2017

Via e-mail: ethics-exposedraft@aicpa-cima.com

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

Re: Long Association of Senior Personnel with an Attest Client

Dear Professional Ethics Division and Members of the Professional Ethics Executive Committee:

BDO USA, LLP, appreciates the opportunity to provide comments on the American Institute of Certified Public Accountants ("AICPA") Professional Ethics Executive Committee's ("PEEC") Proposed Interpretation to the Code of Professional Conduct (the Code), *Long Association of Senior Personnel with an Attest Client* (proposed interpretation). Our comments on the proposed interpretation follow.

We support the PEEC's endeavor in setting high-quality and robust independence and ethics standards for the accounting profession in the United States. Further, we understand the importance of the PEEC's efforts to converge with the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics. Overall, BDO supports the proposed interpretation, however, we have provided specific commentary below.

General Comments

We support the proposed interpretation, which expands on existing guidance in the Code contained in the Conceptual Framework for Independence and believe the proposed interpretation will provide clarity to members on the application of the Conceptual Framework when a familiarity threat exists because "*a partner or partner equivalent of the firm has been a member of the attest engagement team for a prolonged period.*" (ET sec. 1.210.010.14b). We also agree with the PEEC that the guidance should be limited to senior personnel of the engagement team as the threats to independence resulting from the long association of non-senior personnel with an attest client would be sufficiently mitigated due to review processes.

Request for Specific Comments

1. The self-interest threat to independence exists when "...a member could benefit, financially or otherwise, from an interest in or relationship with an attest client or persons associated with the attest client" (ET sec. 1.210.010.16). Do you believe this threat may exist when a member is included in senior personnel of an attest engagement team over a long period and should therefore be included as a potential threat to independence in paragraph .02?



The IESBA's guidance pertaining to long association cites the professional accountant's concern with losing a long standing client as a basis for inclusion of the self-interest threat. A professional accountant may have concern about losing a client regardless of the length of time servicing the client. Thus, we do not believe the self-interest threat is relevant to the issue of long association with an attest client and the familiarity threat sufficiently addresses the issue.

Paragraph .04 of the proposed interpretation provides examples of factors concerning the significance of the threats. All of the examples appear to be factors that would affect the familiarity threat. Thus, if the PEEC concludes that the self-interest threat is appropriate for inclusion, some relevant factors pertaining to the self-interest threat should be included.

2. Are there significant challenges that would require the need for a delayed effective date? If so, please identify the challenges and provide a recommendation regarding an effective date.

While we do not foresee any *significant* challenges, we do recommend that the PEEC provide firms time to educate partners and staff on the proposed interpretation and update firm policies to reflect the new guidance and implement safeguards, where necessary. We believe that a delayed effective date of three months after issuance in the Journal of Accountancy should be a sufficient time period.

Other Comments

The familiarity threat is described in the Conceptual Framework as the threat that the member will become "too sympathetic to the attest client's interests or too accepting of the attest client's work or product." Paragraph .03 of the proposed interpretation states that long association with an attest client may create a *familiarity threat with the attest client*, etc. We believe this is not stated correctly and it should be revised to clarify that it is the *long association with the attest client*, etc., that creates the familiarity threat. Accordingly, we recommend the following revision to paragraph .03:

...However, a *familiarity threat may be created when a member's long who is included*~~decision~~ among senior personnel of the attest engagement team *has a long association* may create a familiarity threat with any of the following:

- a. The attest client and its operations
- b. The attest client's senior management
- c. The subject matter of the engagement team
- d. Financial statements on which the firm will express an opinion or the financial information that forms the basis of the financial statements."



Professional Ethics Executive Committee
American Institute of Certified Public Accountants
Page 3 of 3

We would be pleased to discuss our letter with you. If you would like to discuss our comments, please contact, Ms. Lisa A. Snyder, CPA, National Assurance Partner - Independence at (732) 734-3052 or lsnyder@bdo.com.

Respectfully,

/s/ BDO USA, LLP

BDO USA, LLP