



October 6, 2017

AICPA Professional Ethics Division
1211 Avenue of the Americas
New York, NY 10036-8775

Via e-mail: Ethics-ExposureDraft@aicpa.cima.com

Re: Exposure Draft interpretation "State and Local Government Entities"

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced Exposure Draft of Proposed Interpretation issued by the Professional Ethics Executive Committee. The FICPA has more than 20,000 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of approximately 23 members, of whom 48% are from local or regional firms, 26% are from large multi-office firms, 13% are sole practitioners, 9% are in international firms, and 4% are in education.

The committee has the following responses to the questions posed in the Exposure Draft:

1. Are there any situations in which you believe the framework proposed will not reach the appropriate answer for the general fund? If so, please explain the situation and why you believe the appropriate answer would not be reached.

The committee agrees with the general approach to evaluating independence for affiliates of SLGs in both downstream and upstream relationships. The discussion on the nature of affiliates is broad enough to cover independence threats from funds other than the general fund.

2. Paragraph .03 of the proposed revised interpretation notes that when an interpretation of the "Independence Rule" (ET sec. 1.200.001) is applied in a state or local government environment and the interpretation uses terminology that is not applicable in this environment, the member should use their professional judgement to determine if there is an equivalent term and provides an example of one such situation in which PEEC believes this could occur. Are there any other terms or concepts included in the interpretations to the independence rules that PEEC should highlight as an example or consider providing additional application guidance for?

In the opinion of the committee, the proposed interpretation adequately covers situations when professional judgment to be applied. Although the committee did not have specific examples of other situations, the general concept of professional judgement as outlined, is sufficient to cover future situations that may not be anticipated at this time.

3. Are the entities that would be included in the proposed definition of a *primary government* in paragraph .04a the entities that should be evaluated for independence purposes? If not, what entities should be evaluated for independence purposes, and should the term *primary government* be used to describe these entities?

The definition of related entities is adequate for evaluating independence, and the committee does not believe any other entities need to be included. There is a general consensus about the term *primary government*, and the interpretation is in line with that consensus definition.

4. PEEC believes that the criteria necessary to undertake the “more than minimal influence evaluation” in paragraph .14 is already available to the auditor as a result of other audit procedures. Do you believe that there are circumstances in which this information is not readily available to the auditor? If so, provide examples of circumstances in which a member may have difficulty in performing this evaluation.

The committee believes that the existing criteria to evaluate “more than minimal influence” are sufficient for the purpose of evaluating threats to independence. The audit procedures to determine the major funds and identify related parties would be adequate to identify such relationships.

5. The “more than minimal influence over the accounting or financial reporting process over that fund or component unit” concept would require an analysis that is intended to be different than the analysis required for determining which entities are in a primary government’s financial reporting entity. In the context of the proposed guidance, is that objective clear? If not, how would you better describe the analysis?

The committee concurs with the differing criteria for analysis of the entities that are in the primary government’s financial reporting entity versus the entities that should be evaluated for more than minimal influence over the financial reporting process. That distinction meets the objective of evaluating threats to independence separately from the financial reporting process.

6. Paragraph .13 provides a “best efforts” provision that addresses those situations in which a member is unable to obtain the information necessary to identify investments held by a financial statement attest client. Are there any other situations in which you believe a best efforts provision would be necessary, either upstream or downstream, because the financial statement attest client may have difficulty identifying all the entities required to be included in the financial reporting entity?

It is the view of the committee that the existing framework for evaluating independence already incorporates the best efforts provision implicitly, and no additional set of criteria would be necessary.

7. Is it clear that the interpretation does not apply to an entity that provides grant funds to the financial statement attest client (or vice versa) unless that entity is a fund or component unit that would otherwise be covered by the interpretation? If not, provide examples of situations in which you believe additional guidance is needed.

The committee agrees that the grantor agencies (with the exception noted above) are generally outside the relationship to be evaluated for threats to independence. The exceptions would be covered in the evaluation of threats to independence, and additional guidance would be redundant.

The Committee appreciates this opportunity to respond to the statement on the proposed interpretation. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

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Committee members coordinating this response:

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