

June 15, 2018

Professional Ethics Division  
AICPA Professional Ethics Executive Committee  
American Institute of Certified Public Accountants

To Whom It May Concern:

We have thoroughly reviewed the recent Exposure Draft which proposes revising the interpretation of the significant threats to independence stemming from “Information Systems Services” that is included in the Nonattest Services subtopic of the Independence Rule. We fully support the need to better define and identify activities that would result in a member acting as management and thereby impairing independence in this space that an increasing number of CPA firms are entering.

We believe the AICPA Professional Ethics Executive Committee (the Committee) has done an excellent job in clarifying threats to independence with respect to Information System Services relative to system design, implementation, installation, configuration, customization, and services related to interface modification and data translation. We humbly request that the Committee and all other related parties reconsider the language contained within section 19 under “System and Network Maintenance, Support and Monitoring” prior to issuing a final pronouncement.

We feel that the draft language should be modified to recognize that the listed services can be delivered in ways that would not result in the impairment of independence. As CPA firms continue to evolve, many are offering these services to increase the value added to their clients without making management decisions. It is very common for firms working with small and mid-sizes organizations to identify areas for improvement and offer best practices for the management of a network, the achievement of optimal performance, or the security of a system. These recommendations are provided to management who ultimately decides how and if they will be implemented. When an organization possesses individuals with the appropriate skillset to oversee and accept these services, we believe that the threat to independence can be reduced to an acceptable level such that these services can be provided without impairing independence.

We request that the Committee consider the following modifications to the examples listed in section 19 to clarify that independence is not impaired when management decisions are not made by member firms. We believe this distinction is consistent with standards in place over other services firms provide.

We recommend modifying the second sentence of section 19 as follows:

*“If post-implementation services involve the attest client **delegating any type of decision making authority and outsourcing an ongoing function, process, or activity to the member that in effect would result in the member assuming a management responsibility, compliance with the “Independence Rule” would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards, and independence would be impaired.**”*

We believe that 19(a) should be clarified to read:

*“Operates the attest client's network, such as managing the attest client's systems or software applications **without specific and continuous direction from management**”*

We believe that 19(b) should remain as drafted as this is a service where the member would clearly be acting as management.

We believe that 19(c) should be clarified to read:

*“Has responsibility for monitoring or maintaining the attest client's network performance **without specific and continuous direction from management**”*

We believe that 19(d) should be clarified to read:

*“Operates or manages the attest client's information technology help desk **where management has not dictated an industry standard framework to be used (ITIL, ITSM, etc.) and a set of standard operating procedures**”*

We believe that 19(e) should be clarified to read:

*“Has responsibility to perform ongoing network maintenance, such as updating virus protection solutions, applying routine updates and patches, or configuring user settings **without specific and continuous direction from management**”*

We believe that 19(f) should be clarified to read:

*“Has responsibility for maintaining the security of the attest client's networks and systems **without specific and continuous direction from management**”*

It appears that the Committee has drawn a distinction between discrete nonrecurring and on-going services and preliminarily concluded that recurring or ongoing services are more likely to impair independence. We believe that as long as management is ultimately making all key decisions and overseeing and taking responsibility for the work performed that recurring services would not be more likely to impair independence.

We greatly appreciate the opportunity to participate in your deliberation process and thank you for your consideration of these suggestions. We are very willing to participate in any follow-up process in advance of the issuance of the final standard. Please direct any questions to Eric Maneval or George Henderson at 520-321-4600.

Most Sincerely,

*Beach Fleischman PC*