



National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web [www.nasba.org](http://www.nasba.org)

August 14, 2018

Professional Ethics Executive Committee  
c/o Toni Lee-Andrews, Director  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

Via e-mail: [Ethics-ExposureDraft@aicpa-cima.com](mailto:Ethics-ExposureDraft@aicpa-cima.com)

**Re: Disclosing Client Information in Connection with a Quality Review**

Dear Members and Staff of the AICPA Professional Ethics Executive Committee (PEEC):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Exposure Draft, *Disclosing Client Information in Connection with a Quality Review* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (state boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State boards are charged by law with protecting the public.

NASBA has been encouraging the state boards to adopt the AICPA *Code of Professional Conduct* (the Code) with the goal of having consistent uniform standards in all jurisdictions. Accordingly, we are keenly focused on proposed changes to the Code that might be unacceptable, because they are not considered to be in the public interest.

In furtherance of these objectives, NASBA offers the following General Comments and responses to the Request for Specific Comments in the Exposure Draft.

**General Comments**

NASBA generally agrees with the proposed interpretation of the Code's *Confidential Client Information* Rule (1.700.001), which would provide parity between members undergoing quality reviews of their firms' tax practices to those undergoing peer reviews of their accounting and auditing practices.

NASBA would suggest that the title to 1.700.110 be modified to indicate that this relates to "Tax Practice Quality Reviews."

### **Request for Specific Comments**

1. *Is it clear that the proposal is applicable to quality reviews as described by Treas. Reg. 7216, which includes voluntary tax practice reviews, and similar reviews that would be subject to Treas. Reg. 7216?*

NASBA believes the proposed interpretation is not clear enough and recommends the PEEC clarify the language and add a broader reference to “the appropriate federal regulations.”

2. *Is it clear that confidential state and local tax information is included in the scope of confidential client information addressed by the proposed interpretation? Is it clear that the requirements of Treas. Reg. 7216 would apply to that information in the context of the proposed standard?*

NASBA believes some clarification of the scope of the proposed interpretation would be helpful. We also believe the member should ensure that the laws of state and/or local taxing authorities are not more restrictive than Treasury Reg. 7216 and suggest the PEEC add language to that effect.

3. *Do you agree that a confidentiality agreement should be recommended as an additional safeguard if the member determines it is necessary instead of being a required safeguard for all quality reviews?*

NASBA believes that a recommendation for a nondisclosure agreement between the quality reviewer and the ostensible reviewed client might complicate an already complex situation. There are extant applicable federal and state statutes that prohibit disclosure of tax information. Those federal and state statutes apply to quality reviewers as well as tax preparers.

4. *Do you recommend the consideration of any other safeguards in paragraph.02?*

NASBA has no further recommendations.

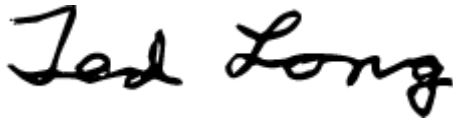
5. *Do you foresee any hardships or obstacles to implementation of the proposed standard?*

NASBA does not foresee any other complications from application of the proposed interpretation other than ensuring compliance with applicable state and/or local laws that may be more restrictive.

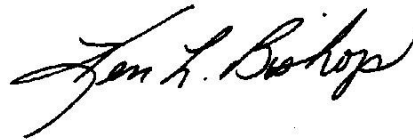
---

NASBA appreciates the opportunity to comment on the Exposure Draft.

Very truly yours,



Theodore W. Long, Jr., CPA  
NASBA Chair



Ken L. Bishop  
NASBA President and CEO