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March 26, 2019

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: State and Local Government Client Affiliates

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”), *State and Local Government Client Affiliates* (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. Overall, BDO supports the proposed interpretation and the newly proposed clarifications to the original exposure draft, released on July 7, 2017, which contained revisions to the interpretation “State and Local Government Entities” (ET sec. 1.224.020). We believe the revised proposal is much less complex than the original proposal and this simplified approach will be better understood by practitioners when implementing the standard in practice.

Request for Specific Comments

- 1. Are the examples of circumstances or relationships with nonaffiliates that could result in the member consulting the “Conceptual Framework for Independence helpful to assessing when the conceptual framework may be applicable? If not, please provide other suggested examples or circumstances that should be included.**

Yes. We believe that the examples of circumstances or relationships with nonaffiliates that could result in the member consulting the “Conceptual Framework for Independence are helpful to assessing when the conceptual framework may be applicable.

- 2. Does this exposure draft provide clear guidance to the member on how to determine which entities are affiliates to the financial statement attest client? If not, please explain what areas in this exposure draft are unclear.**

Yes. We believe that this exposure draft provides clear guidance to the member on how to determine which entities are affiliates to the financial statement attest client.



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3. Is it clear that investments will only be considered an affiliate if they are held by the financial statement attest client or by an affiliate under item a.i. of paragraph .03? If not, please provide a suggested clarification on how to make it clear that investments of these two entities only will be considered an affiliate.

Yes. We believe it is clear that investments will only be considered an affiliate if they are held by the financial statement attest client or by an affiliate under item a.i. of paragraph .03.

4. What implementation guidance do you believe would be helpful for the Ethics Division to develop so that the interpretation can be successfully implemented?

We believe the Ethics Division should allow the interpretation to be implemented by members and collect feedback in order to fully understand what guidance would be helpful.

We would be pleased to discuss our letter with you. If you have questions or would like to address a topic within our comments, please contact, Ms. Lisa A. Snyder, CPA, National Assurance Managing Partner - Independence at 732.734.3052 or lsnyder@bdo.com or Mr. Jason Evans, CPA, National Assurance Director - Independence at 919.278.1953 or jmevans@bdo.com.

Respectfully,

/s/ BDO USA, LLP

BDO USA, LLP