



Office of the Auditor General

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**Doug A. Ringler, CPA, CIA**  
Auditor General

March 6, 2019

Toni Lee-Andrews, CPA, PFS, CGMA  
Director, Professional Ethics Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Lee-Andrews:

We have reviewed the AICPA Professional Ethics Division Exposure Draft (ED) of a proposed interpretation entitled *State and Local Government Client Affiliates (formerly Entities Included in State and Local Government Financial Statements)* and generally agree with its provisions. Our comments to the specific issues raised in the ED are as follows:

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.*

We do consider the examples in paragraph .06 as helpful indicators of when to apply the Conceptual Framework. We also ask the committee to consider defining "nonaffiliate". The absence of a definition forces readers to interpret the word as all entities other than an affiliate.

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.*

In general the criteria defining which entities are affiliates is sufficiently clear. However, we share the National State Auditors Association's concerns regarding whether a government's "related organizations" are affiliates or nonaffiliates. Clarification on this topic would be appreciated.

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.*

We consider the specific instance noted above as sufficiently clear to apply the interpretation.

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

Real world examples expressed in a Questions and Answers format and the use of decision trees and flowcharts would be extremely helpful given the theoretical nature of this interpretation.

We appreciate the opportunity to comment on this exposure draft.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Doug Ringler  
Auditor General

Via email