



**Office of the Washington State Auditor
Pat McCarthy**

February 19, 2020

Via Electronic Mail

AICPA Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036-8775

RE: AICPA Professional Ethics Executive Committee's consultation paper *Strategy and Work Plan*

In general, our Office supports the Committee's planned projects. We had specific comments on the following projects:

Artificial Intelligence

We view artificial intelligence as a methodology or tool that could be used in audits or other services. Accordingly, we are interested in further guidance in the form of audit standards rather than ethics rules. We do not see any ethical challenges beyond what is already covered by existing rules, since we would not expect a member's ultimate responsibility for their professional actions, judgments or conclusions to be transferred elsewhere based on the use of this tool. We would, however, expect the member to understand and monitor their reliance on the use of the tool in their professional activities and react accordingly, as they would with any other type of evidence, software tool or specialist.

Simultaneous employment or association with an attest client

It is always helpful to clarify that trivial matters do not create an independence issue. For example, service as a reservist in the Armed Forces or as an adjunct professor at a community college or university (that is, in a non-management or leadership position that is uninvolved in the subject matter of the audit) by a professional employee of the firm that is not involved in the audit should not represent an independence impairment.

529 college savings plans

We believe this is a valuable project to pursue since the current provisions seem unreasonable and inconsistent with other provisions. Current guidance indicates there is no control of the plan's investments and, as noted in the Consultation Paper, investing options in savings plans are not static and present challenges for monitoring underlying investments. Both types of plans are government-controlled savings programs provided in accordance with legislatively

established legal requirements not subject to negotiation or modification for benefit of individuals. Further, some, if not all, of these programs are backed by the full faith and credit of the state, limiting the exposure of the account holder and therefore, the threat to objectivity and independence.

At the very least, guidance should be harmonized with 1.255.010 Depository Accounts, 1.280.040 Member of a Credit Union and 1.255.020 Brokerage and Other Accounts, which all provide for threats to be at an acceptable level when services are provided under normal terms and assets at risk of loss are immaterial to the covered member's net worth.

De minimis fees

Similar to our views on the simultaneous employment or association project, we believe it is always helpful to clarify that trivial matters do not create an independence impairment. Furthermore, we would encourage the Committee to consider using the term "clearly trivial" rather than an antiquated Latin phrase.

Other comments

In addition to the projects described in the plan, we would encourage the Committee to consider clarifying independence guidance for situations when an auditor of a government has civic interactions with that government. For example:

- Having citizenship with a government or benefiting from government services or programs that are comparable to and offered to all citizens - such as social services, social insurance programs or fire protection - would not be considered a financial interest in the government or a self-interest threat.
- Voting and participation in public discourse would not be considered management participation in the government.
- Paying taxes, fines or charges for services to a government that are comparable to those paid by all citizens would not be considered a self-interest threat.
- Being the subject of or disputing a government enforcement action would not be considered an adverse interest threat so long as the matter is clearly trivial to the government and member. For example, receiving or disputing a traffic or parking ticket or property tax assessment on the member's home.

Thank you for the opportunity to provide our comments. Any inquiries may be directed to me at (564) 999-0814.

Sincerely,

A handwritten signature in black ink, reading "Scott Woelfle, CPA". The signature is fluid and cursive, with the first name "Scott" being the most prominent part.

Scott Woelfle, CPA
Director for Quality Assurance