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By email: [ethics-exposedraft@aicpa.org](mailto:ethics-exposedraft@aicpa.org)

Professional Ethics Executive Committee  
Professional Ethics Division  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707

**Re: Consultation Paper: *Strategy and Work Plan***

Dear Professional Ethics Executive Committee:

BDO USA, LLP appreciates the opportunity to respond to the Professional Ethics Executive Committee's (PEEC) proposed Strategy and Work Plan ("Work Plan") related to proposed new standard-setting and member enrichment projects.

We support the PEEC's endeavor to identify potential standard-setting and member enrichment projects in the Work Plan. We believe many of the proposed projects will be beneficial to the profession by adding clarity to the AICPA Code of Conduct ("the Code"), providing additional guidance on the application of existing standards or providing new guidance related to emerging areas of practice.

We have provided our views on the various components of the proposed Strategy and work Plan below as well as our responses to some of your specific request for comments.

## **Proposed New Standard Setting Projects**

### **Business Relationships**

We support the inclusion of a project to provide additional/updated guidance related to business relationships between members and their attest clients. We believe it would be beneficial to determine the types of business relationships members have with attest client's, the nature of those relationships and additional safeguards that may be necessary to properly protect independence, integrity and objectivity. Additional items for this project should include: referring to these relationships as "Business Relationships" in the Code rather than "Cooperative Arrangements with Clients" (this is consistent with the terminology used in the rules of both the International Ethics Standards Board for Accountants and the Securities and Exchange Commission) and possible exceptions for business relationships with affiliates of a financial statement attest client.

### **Definition of Office**

We support the inclusion of a project to provide additional/updated guidance related to the definition of office and consider this to be a high priority project for inclusion in the Work Plan. Proper application of the current definition of office is a frequent challenge in practice, particularly when dealing with situations such as business lines that operate as one national group and offices in geographic clusters that are managed by the same partner or have combined financial reporting. When reviewing the current definition of office, we encourage the PEEC to give consideration to the requirements in the audit standards for determining the appropriate engagement office to be included in the audit opinion signature and the impact that might have on the determination of the office for independence purposes.

### **Client Affiliates**

We support the inclusion of a project related to providing additional guidance to members on the application of the independence rules to affiliates of the financial statement attest client. Specifically, we believe additional guidance related to application of the affiliate rule in situations where an individual, or a group of individuals, controls multiple entities that are otherwise unrelated to one another, would be beneficial.

### **Artificial Intelligence (AI)**

We do not support the inclusion of a project related to AI in the current Work Plan. We believe the most pressing questions to be addressed with AI relate to how it can be utilized by engagement teams when providing professional services. Therefore, AI related guidance should first be addressed by standard-setters such as the Auditing Standards Board. Until the profession understands how AI can be utilized when providing professional services, we believe the ethics implications cannot be properly addressed. In addition, we believe the existing conceptual framework should be sufficient for evaluating any current ethical issues that might arise at the present time such as due care and competence.

### **Simultaneous Employment**

We do not support the addition of a project related to simultaneous employment. We believe the current guidance is appropriate and any necessary exceptions, such as the current adjunct professor exception, should be addressed on an as needed basis. At the present time, we are unaware of any other employment relationships with an audit client that should qualify for an exception.

### **Digital Assets**

We support the inclusion of a project that would provide guidance limited to how the ownership of digital assets should be treated under the financial interest rules. This is an emerging area of practice and guidance would be beneficial to members.

## **529 College savings Plans**

We support the inclusion of a project to update the guidance related to the treatment of investments in 529 College Savings plans under the financial interest rules. Current guidance considers the investments made by the 529 College Savings Plan to be a direct financial interest of the account holder. However, in many situations the account holder does not have any insight into what investments have been made by the plan. This disconnect between plan operation and the rule creates significant issues in practice. The college savings plan project and the digital assets project could be combined into one project.

## **Reporting an Independence Breach to an Affiliate that is also an Attest Client**

We do not support the inclusion of a project related to reporting breaches to sister or downstream affiliates that are also attest clients. We believe that any reporting of such breaches would only be appropriate if the breach also impacts the affiliate. In such a situation, we believe current guidance is sufficient.

## **De Minimis Fees**

We do not support the inclusion of a project related to revisions of the guidance to include exceptions for immaterial unpaid fees. The basis for unpaid fees being considered an independence impairing situation is because the unpaid fees are deemed to become a loan from the member to the client. Permitting immaterial unpaid fees would be inconsistent with guidance in the loan rule and we do not believe a change would be appropriate.

## **Member Enrichment Projects**

### **Data Security and Breaches**

We do not support the inclusion of a project related to providing guidance on the ethical responsibilities of members related to data security. There are numerous state and federal laws in existence that proscribe the responsibilities of business as it relates to data security and data privacy. These laws are widely varied in their application and the requirements imposed on impacted businesses. Because of the varied requirements within the existing regulations it would be impossible for AICPA to create guidance that is consistent with all of them. We believe it would create additional confusion for members if the AICPA were to create an additional set of requirements.

### **Conflicts of Interest**

We do not support the proposal to create additional guidance on application of the conflict of interest rules. We believe the current guidance is sufficient and given the wide variety of situations where conflicts of interest could arise, creation of guidance that will reduce the inquiries on the topic will be difficult and not a good use of AICPA resources.



We appreciate your consideration of our comments and suggestions and would be pleased to discuss them with you at your convenience. Please direct any questions to Christopher Tower, National Assurance Managing Partner - Audit Quality and Professional Practice at [ctower@bdo.com](mailto:ctower@bdo.com) or Lisa Snyder, National Assurance Managing Partner - Independence at [lsnyder@bdo.com](mailto:lsnyder@bdo.com).

Very truly yours,

/s/ BDO USA, LLP

BDO USA, LLP