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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

December 4, 2020

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

Via email to: Ethics-Exposuredraft@aicpa.org

RE: Exposure draft, Proposed interpretation, Staff Augmentation Arrangements, AICPA
Professional Ethics Division dated September 8, 2020

Dear Committee Members:

We are a full service regional CPA firm with over 100 partners, and offices in 6 cities. We appreciate the opportunity to comment on the above referenced exposure draft.

With respect to the proposed revisions, we note that these appear to be written in the context of services generally provided by CPA firms, such as accounting, tax and consulting. However, many CPA firms of all sizes have expanded into new service lines, including technology, marketing and human resources consulting. Further, in some instances, these services are provided through a temporary staffing agency owned by the CPA firm. In many cases, these services are completely unrelated to the financial statements (or other attest subject matter), and don't comprise part of a client's internal control structure. As such, we believe that proposed revisions should only relate to "professional services" as defined in ET 0.400.40. Narrowing the scope to professional services will prevent what we believe to be an unintended consequence of prohibiting services clearly unrelated to those of a traditional CPA firm. The provision of these unrelated services would still require compliance with the general requirements for performing nonattest services.

We suggest that a revision be made to ET 1.275.001.01 as follows:

In this interpretation, staff augmentation arrangements ***for professional services*** involve lending *firm* personnel (augmented staff) to an *attest client* whereby the *attest client* is responsible for the direction and supervision of the activities performed by the augmented staff. Under such arrangements, the *firm* bills the attest client for the activities performed by the augmented staff but does not direct or supervise the actual performance of the activities.

Below are our specific comments as requested in the Exposure Draft.

a. Should staff augmentation arrangements with attest clients be permitted under any circumstances? Why or why not?

We believe there are appropriate circumstances for staff augmentation arrangements. In a dynamic business environment, there are frequently client needs for short term staffing, and CPA firms are well suited to provide these services to clients. The existing relationship between the CPA firm and the client allow for meeting these needs in a timely manner. The existing relationship and client knowledge allow the CPA firm to assess independence related to these arrangements, and make appropriate determinations regarding permissible services. Further, we note that International Ethics Standards Board for Accountants (IESBA) allows for staff augmentation arrangements, and we believe that differences in ethical standards create significant operational issues for CPA firms.

b. If you believe staff augmentation arrangements should be permitted, do you agree with the proposed interpretation, including the proposed safeguards, that would allow such arrangements in very limited situations? Why or why not?

We believe the interpretation should not contain incremental requirements over the IESBA requirements. Specifically, the IESBA guidance does not contain safeguards related to “unexpected situations that would create a significant hardship” and “the augmented staff arrangement is not expected to reoccur”. Both of these safeguards are not significantly clear, and would result in implementation challenges. The determination of significant hardship could be subject to different interpretations by similar professionals. Further, projecting the recurrence of future arrangements could be both subjective and arbitrary. Further, we believe that these incremental safeguards aren’t responsive to threats to independence, as they are not focused on the service provided or the nature of the relationship between the CPA firm and the client.

c. Do you believe that 30 days is an appropriate time period for the attest client to make other arrangements (see par. .02c of the interpretation)? If not, why?

We believe a bright line or rebuttable presumption metric is not helpful. For example, certain arrangements may be for one or two days per week, and a 30 day period would only result in potentially four days of work to be allowed. We believe the IESBA rule for “a short period of time” is more appropriate.

d. Should an exception for staff augmentation arrangements with certain affiliates of a financial statement attest client, as described in paragraphs 14–19 of this explanation, be permitted? i. Why or why not? ii. If it should be permitted, should the proposed additions discussed in paragraphs 18–19 of this explanation be added as drafted or do you have suggested revisions?

We believe an exception for other than downstream affiliates should be permitted. This is consistent with existing guidance related to services for affiliates of an attest client. With a large and complex group of entities, such as certain private equity fund structures, there are often entities that meet the definition of an affiliate, but have no impact on the attest client. We believe the proposed additions to the guidance are suitable as drafted.

e. Do you believe there should be an exemption for staff augmentation arrangements for all SSAE engagements when the services provided by the augmented staff do not relate to the specific subject matter of the SSAE engagement, or should the exemption be limited to only AUPs under the SSAEs? Why or why not?

We believe the exemption should be limited only to AUP engagements. AUP engagements with specifically enumerated procedures help to remove certain aspects of professional judgement that are required when performing other attest engagements. Independence threats can therefore be reduced or eliminated in AUP engagements. We believe that other attest engagements still contain areas of professional judgment that could be subject to independence threats, and therefore should not be part of the exemption.

f. Are there specific aspects of the proposal that you believe are too permissive or too restrictive? If so, please explain.

Please see our comments in “b” above.

g. Does a six-month delayed effective date allow firms enough time to implement the necessary policies and procedures and terminate any relationships that would no longer be permitted? Why or why not?

We believe a full year delay is more appropriate. The process of sourcing, screening and hiring employees can be time consuming, and this process has only been extended due to the global COVID-19 pandemic.

We would be pleased to discuss our comments with you. If you have any questions, please contact Eric Janson, Partner, at eric.janson@rubinbrown.com or (314) 290-3295.

Sincerely,

RubinBrown LLP



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