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December 8, 2020

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

Via e-mail: [Ethics-ExposureDraft@aicpa.org](mailto:Ethics-ExposureDraft@aicpa.org)

Re: Comments on Exposure Draft, *Proposed Interpretation, Staff Augmentation Arrangements (ET sec. 1.295.157)*, AICPA Professional Ethics Division dated September 8, 2020

Dear Committee Members:

Crowe LLP appreciates the opportunity to comment on the American Institute of Certified Public Accountants ("AICPA") Professional Ethics Executive Committee's ("PEEC") September 2020 Exposure Draft, *Proposed Interpretation, Staff Augmentation Arrangements* (Exposure Draft) which provides guidance for staff augmentation professional services.

We support the PEEC's efforts to provide guidance related to arrangements that involve providing human resource capital. We appreciate the PEEC's consideration of the comment letters received on the earlier December 2018 Exposure Draft for Staff Augmentation Arrangements and for evaluating those responses. Overall, we support the proposed interpretation.

Please see our responses below to the PEEC's requests for specific comments.

## **Response to Request for Specific Comment**

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

We acknowledge there might be certain situations where an attest client has an unexpected event where assistance is needed, and the auditor may be the best suited to provide the assistance. We believe staff augmentation arrangements pose a threat to independence as they create the appearance of simultaneous employment; therefore, we support the PEEC's proposal to only permit these arrangements in limited circumstances.

### **2. 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 agree these arrangements should only be provided in limited situations. The safeguards proposed appear appropriate to reduce the threats caused by familiarity, management participation or self-review if the arrangement was short-term in nature, the augmented staff was performing activities not prohibited by the "nonattest services" subtopic, and that person was restricted from participating in, or influencing, the attest engagement.

We recommend the PEEC consider issuing an FAQ providing examples for applying the “not expected to reoccur” safeguard. We believe members may be confused in applying this provision if a staff augmentation arrangement had been provided in the past, as they may believe that this type of arrangement can never reoccur. Alternatively, a member may conclude they can enter into multiple staff augmentation arrangements as long as they never expected to enter into each one. In addition, it is unclear whether the reoccurrence expectation is limited to a particular activity or whether the expectation relates to providing any staff augmentation arrangement for the client. For example, if a member enters into an arrangement to provide staffing to assist with a bookkeeping activity, does the member evaluate whether they do not expect that specific arrangement to reoccur or is the expectation focused on whether they do not expect any staff augmentation arrangements with the client to reoccur.

**3. Do you believe that 30 days is an appropriate time period for the attest client to make other arrangements? If no, why?**

We believe “short period of time” addresses that the service should not be permanent or long-term and should allow the attest client reasonable time to make other arrangements; however, we recommend the PEEC consider removing the reference to 30 days from the interpretation as this may be viewed as a bright-line measurement. Instead, we suggest the PEEC issue an FAQ that includes a recommended time period for applying the “short period of time” provision. This would be similar to how the PEEC provided an FAQ for the “reasonable period of time” provision in the Hosting interpretation (ET 1.295.143.04e).

**4. Should an exception for staff augmentation arrangements for certain affiliates of a financial statement attest client, as described in paragraphs 14-19 of this explanation, be permitted? Why or why not? 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?**

Staff augmentation arrangements create familiarity threats and employment appearance concerns. However, those concerns would be greatly reduced, perhaps removed, if providing the arrangement to an affiliate. In particular, entities included in items (c) – (l) of the affiliate definition create less risk given their relationship with the audited entity. Accordingly, we are supportive of including the exception for staff augmentation arrangement for these affiliates.

**5. 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 suggest the same exemption that is being proposed for agreed-upon-procedures be extended to other SSAE engagements since we do not believe the risk is different between these engagements as it relates to staff augmentation arrangements. Given the similarity of staff augmentation arrangements to non-attest services, we considered it is reasonable to use a similar framework for evaluating threats to independence. For example, if the staff augmentation arrangement was considered a non-attest service, it could be provided to a SSAE attest client as long as the service does not relate to the subject matter of the SSAE engagement and the member can comply with the general requirements for providing non-attest services. Given the nature of staff augmentation arrangements which includes working under the direction of the client and performing activities that are not prohibited by ET 1.295, we believe complying with the general requirements should not be problematic since those arrangements would not typically include management functions.

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

As note above in #5, we believe the exemption for only certain SSAE engagements is too restrictive and should be extended to all SSAE engagements.

**7. 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?**

The proposed six-month timeline appears to allow sufficient time for attest clients to make other arrangements for services that would no longer be permitted under this new interpretation.

Lastly, we identified one Code reference that appears to be incorrect. Paragraph .04 of section 1.297.020 references 1.275.040, but we believe the correct reference should be 1.275.007.

Crowe LLP appreciates the PEEC's efforts in providing this new interpretation. We would be pleased to respond to any questions regarding our comments. Should you have any questions please contact Jennifer Kary at (574) 239-7886.

Cordially,

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP