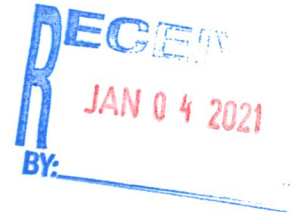




BOARD OF ACCOUNTANCY

November 23, 2020

Professional Ethics Executive Committee
c/o Toni Lee-Andrews, Director
American Institute of Certified Public Accountant
1211 Avenue of the Americas
New York, NY 10036-8775



Re: Proposed Interpretation
Staff Augmentation Arrangements

The Minnesota State Board of Accountancy avails itself of the opportunity to comment on the above referenced exposure draft dated September 8, 2020.

Our comments are formulated pursuant to our reading of the National Association of State Board of Accountancy (NASBA) comment letter dated November 2, 2020. However, our observations and comments offered stand on their own and constitute the position of the Minnesota State Board of Accountancy (MSBA) independently.

Our responses are ordered as answers to certain questions posed to respondents in the exposure draft and are as follows:

Reference – 24.a. Should staff augmentation arrangements with attest clients be permitted under any circumstances? Why or why not?

The MSBA answer is No.

The preparation of accounting records to make such records ready for an attest function or merely maintain such records are management functions. Notwithstanding procedures posted as safeguards addressing the self-review threats such augmentation services yield, we do not believe there are safeguards to reduce the management participation threat to an acceptable level. Further, we believe that in most cases, the client in need of staff augmentation could obtain these services from a provider that is not required to be independent.

24b. 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?

While the MSBA does not believe augmentation services can be provided to attest clients without impairing independence, we do, however, provide input on the definitional changes suggested by NASBA.

Substituting “emergency situation” for “unexpected situation” while a possible improvement is definition parsing that is not effective without clarification of what such terms mean.

24c. 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 do agree with the suggested wording provided by NASBA in their November 2 response.

While the MSBA is opposed to augmentation arrangements for attest function clients, if permitted, they should be provided only long enough to allow the client to make other arrangements.

24d. Should an exception for staff augmentation arrangement with certain affiliates of a financial statement attest client, as described in paragraphs 14-19 of this explanation, be permitted?

The MSBA agrees with NASBA suggestions to bolster the Interpretation with explicitly defining responsibilities, and applying the Conceptual Framework for Independence. The affiliates area provides a myriad of arcane corridors that need to be negotiated. This area needs to be closely analyzed.

24e. 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?

While an exemption allowing augmentation arrangements with clients receiving only SSAE, including AUP, services could be appropriate we disagree with the use of the clause "all SSAE engagements."

For example, if after the completion of an AUP engagement a client engages the firm that executed the AUP engagement, through theretofore rendered no other services to that client, to become its auditor. Does this raise an independence issue since the attest function might cover the period the SSAE covered?

24f. Are there specific aspects of the proposal that you believe are too permissive or too restrictive? If so, please explain.

Our answer to 24a is an indication of our position.

24g. 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?

In consideration of the COVID-19 era we are involved in, we believe this should be increased to 9 months.

Respectfully submitted
Minnesota State Board of Accountancy

Chae Selcer, Vice Chair

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BOARD OF ACCOUNTANCY

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