

June 29, 2021

Toni Lee-Andrews, CPA, PFS, CGMA  
Director, Professional Ethics Division  
Email to [ethics-exposedraft@aicpa.com](mailto:ethics-exposedraft@aicpa.com)

Ms. Lee-Andrews,

We appreciate the opportunity to comment on the Exposure Draft and Invitation to Comment on the proposed interpretations related to Noncompliance with Laws and Regulations (NOCLAR) dated February 25, 2021.

The following comments are presented on behalf of the Accounting and Assurance Task Force and the Ethics Committee of the Kansas Society of CPAs, a 2,400 member strong association. Our comments for consideration are outlined below.

#### Areas Needing Clarification or Additional Guidance

- We believe the term "*clearly inconsequential*" is subjective and needs to be defined. Therefore, we suggest incorporating a threshold.
- We believe that there needs to be guidance for when a member is subject to a confidentiality agreement; further, there needs to be guidance for when state laws and regulations confidentiality requirements are in place.
- We believe there needs to be clarification on disclosing a NOCLAR situation to 3<sup>rd</sup> parties. For example, when a member is aware that "Client A" fires an employee for fraudulent activity, another client of the member subsequently hires the same employee.
- We believe there needs to be guidance for when a member is terminated from an engagement and whether the member must continue the NOCLAR investigation or if the responsibilities cease.

#### Practice areas

- We believe there are unintended consequences with the expansion that now includes "*suspected non-compliance*." Auditors are inherently skeptical, so the expanded definition will likely lead to more instances, potential rabbit holes, and extensive documentation related to potential non-compliance. The auditor is not engaged to find fraud. Further, it could be dangerous for the auditor when documenting the "*suspected non-compliance*," so the auditor would need to consult legal counsel.

- We recommend the same level of ethics for all professional accountants, with the main differences being how someone practically responds to an ethics issue depending on their experience and seniority level in the organization. A potential option would be to remove the "senior professional accountant" distinction, but in the "Addressing the Matter" section, outline options depending on the accountant's level in the organization and include the bullet of raising the issue to a more senior-level person in one's employing organization if applicable.

Implementation period

- A one-year transition period might be too short of a time frame to implement, especially for engagements in process. We recommend a longer transition period.

Thank you for the opportunity to comment on this Exposure Draft.

*Kate Grant, CPA*

Kate Grant, CPA  
KSCPA Ethics Committee Chair

*Natasha Schamberger*

Natasha Schamberger, CPA  
KSCPA President/CEO