



## North Carolina State Board of Certified Public Accountant Examiners

June 28, 2021

Brian S. Lynch, Chair  
AICPA Professional Ethics Executive Committee  
220 Leigh Farm Road  
Durham, NC 27707-8110

Dear Committee Members:

The North Carolina State Board of CPA Examiners (Board) has reviewed the Exposure Draft, *Proposed interpretations and definition – Responding to Noncompliance With Laws and Regulations* prepared by the American Institute of Certified Public Accounts (AICPA) Profession Ethics Executive Committee (PEEC). The draft re-exposes for comment revisions to new interpretations for members “Responding to Noncompliance with Laws and Regulations” that would be added to the AICPA Professional Standards. The proposal seeks to provide specific guidance for members who encounter noncompliance with laws or regulations (NOCLAR) or suspected NOCLAR. The Board offers the following comments:

The Board agrees with PEEC’s decision to separately identify the responsibilities for members who provide financial statement attest services and members who offer services other than financial statement attest services. When conducting a financial statement attest service, the high-level objectives of the member include obtaining reasonable assurance as to whether a client’s financial statements are free from material misstatement, thereby allowing the member to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework (such as generally accepted accounting principles). This higher-level expectation should require more direct interaction with those charged with governance to address any suspected NOCLAR matters.

The Board agrees with PEEC’s decision to exclude litigation and investigation engagements from being subject to the interpretation. For a litigation engagement, the member will be providing professional assistance to lawyers in a litigation process. The objective of an investigation engagement involves systemically gathering and reviewing evidence to document the presence of specific wrongdoing or noncompliance and provide a conclusion to the engaging party. Both situations could include services to be performed that specifically address possible known or suspected NOCLAR. As such, the Board agrees compliance with the interpretation would be inconsistent with its intended purpose.

Finally, the Board agrees that a one-year transition period for the effective date of the interpretation is appropriate. This exposure of the interpretation appears to address many of the concerns with the March 2017 exposure expressed by the profession. It also seems that this presentation adequately addresses any concerns about member confidentiality requirements. The guidance appears relevant, and the interpretation's lengthy previous exposure period suggests that most practitioners should be aware of the interpretation's implications. As such, a one-year transition period should be sufficient.

The Board appreciates the opportunity to provide comments related to the proposed revisions and clarifications in the AICPA Code of Professional Ethics.

Sincerely,

A handwritten signature in black ink that reads "Barton W. Baldwin". The signature is written in a cursive style with a large initial "B".

Barton W. Baldwin, CPA  
President