



STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OF LOUISIANA

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June 29, 2021

AICPA Professional Ethics Executive Committee  
American Institute of Certified Public Accountants (AICPA)  
1345 Avenue of the Americas  
New York, NY 10105

VIA: [Ethics-Exposuredraft@aicpa.org](mailto:Ethics-Exposuredraft@aicpa.org)

RE: ***Responding to Noncompliance With Laws and Regulations***

Dear Committee Members,

Thank you for the opportunity to comment on the 'Responding to Noncompliance With Laws and Regulations' exposure draft. We support the objective of providing the CPA profession with guidance on appropriate steps to mitigate the impact and/or the commission of NOCLAR. Providing this guidance will help protect the public interest and enhance the profession's integrity.

Louisiana has adopted, with few exceptions, the AICPA Code of Professional Conduct in our Professional and Occupational Standards for CPAs. Therefore, changes to the Code of Professional Conduct have a direct impact to our rules and may not conflict with other Louisiana statutes. While the interpretation acknowledges that regulatory requirements may require the CPA to take additional steps that may not be addressed in the interpretation, we feel the interpretation fails to adequately address client confidentiality regulations.

Louisiana has an Accountant – client privilege statute outside of the Accountancy Act which deters a CPA from disclosing confidential information obtained during the course of an engagement or employment. Other states may have similar statutes that would take precedence over any requirement in this interpretation. We urge the committee to add language that clearly indicates that the laws of states with client privilege must be followed if they conflict with this interpretation.

With regard to the specific questions the committee is seeking comment for:

***Do you agree with the differentiation in requirements applicable to members in public practice providing services other than financial statement attest services?*** We support the differentiation in requirements applicable to members in public practice. We believe that absent an attest engagement notification to management or those charged with governance is sufficient to protect the client and the profession's integrity. Once notification is made, the client is the responsible party for determining whether or not the CPA should be engaged to take additional steps to mitigate the impact of the NOCLAR to the company and the public.

***Do you agree that a litigation or investigation engagement as defined in, and subject to, SSFS No. 1, and an engagement to which the protections set forth in IRC Section 7525 apply, should be excluded from the proposed interpretation for members in public practice? If not, why? Are there other nonattest services that should be excluded from the proposed interpretation?*** We do agree with the proposed interpretation's exclusion of the two types of services mentioned based on the nature of such services. The interpretation limits the CPA's requirements to notification of a NOCLAR in all other nonattest engagements and services. We believe this minimum step is essential to preserve the integrity of the profession and protect the public. Therefore, we would not support additional exclusions.

***Is a one-year transition period for the effective date appropriate? If not, why?*** We believe a one year transition period is too short to adequately educate the profession on the changes being made. Continuing Professional Education courses and other materials will require changes. As many states do not require annual Ethics courses it may be two to three years before many CPAs are presented with these changes. We would, therefore, urge a transition period of not less than two years.

We would also like the committee to consider the following:

The definition for NOCLAR for members in public practice and members in business are not identical. The phrase "that are contrary to the prevailing laws or regulations" is not a part of the definition for members in business. We believe that phrase should be included in the definition for members in business as a guide to the level of omission or commission that the employing entity's actions or lack thereof should rise to in order to label such as NOCLAR.

Section .05 is almost identical for members in public practice and members in business. The interpretation includes for members in public practice the objective "to comply with applicable laws, regulations and professional standards" but does not include that objective for business members. The interpretation for business members includes the objective "to take such further action as appropriate in the public interest", which is not included in the objectives for members in public practice. We would argue that a CPA is a CPA whether in public practice or business and the objectives of the members should be the same. Business CPAs should comply with laws, regulations and professional standards and public practice CPAs should take appropriate actions in furtherance of the public interest.

We are concerned with the requirement that a CPA in business who is a senior professional accountant must evaluate the appropriateness of the response of superiors and/or those charged with governance. The assumption here is that the senior professional accountant will be kept informed about the response. No guidance is provided to the CPA who does not receive updates on the response and any actions that are taken.

Section .08 for members in business and Section.09 for members in public practice are almost identical. However the revised interpretation removed the examples for members in public practice but not for members in business. We feel that the examples for business members should be removed as well. By providing examples there may be an impression that only those examples or ones similar rise to the level of NOCLAR. The CPA should use their own professional judgment to evaluate the materiality of any adverse financial consequences to the business and the public.

The addition of the words "credible" and "is likely to" occur in section .13 for members in public practice are welcome clarifications. These additions should also be made to section .15 for members in business.

The Applicability heading to the interpretation for public practice members with the following section .06 restated from section .10 adds needed clarification to when the interpretation does not apply. However, these changes were not made to the interpretation for business members. We feel the interpretation for business members would be improved with the identical changes.

We appreciate the opportunity to comment on these proposed interpretations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lynn V. Hutchinson".

Lynn V. Hutchinson, CPA, CGMA  
Chair