



December 20, 2021

Professional Ethics Executive Committee
American Institute of Certified Public Accountants

ethics-exposedraft@aicpa.org

Re: Exposure draft: Proposed revised interpretation, Unpaid Fees

Dear PEEC:

CohnReznick appreciates the opportunity to comment on the exposure draft (ED), *Proposed revised interpretation, Unpaid Fees*.

We support the AICPA Professional Ethics Committee (PEEC) in its overall mission to interpret and enforce the AICPA Code of Professional Conduct. CohnReznick is the 16th largest accounting firm in the U.S., with its origins dating back to 1919. While our domestic and international capabilities (including through our Nexia International membership) allow us to serve a broad array of clients, we are a significant provider of services to the smaller and middle market. Our desire is that our response to the ED will give you perspective into the unique impact these changes might have on small and medium size entities and their ability to attract capital.

Our responses to specific questions on which the PEEC is seeking comment are included in the attachment to this letter.

If you have any questions concerning our comments or would like to discuss any of our recommendations in more detail, please contact Steven Morrison, Partner, National Director of Audit at steven.morrison@cohnreznick.com.

Yours truly

A handwritten signature in black ink that reads 'CohnReznick LLP'. The signature is written in a cursive, flowing style.

ATTACHMENT

OVERALL RESPONSE

We do believe the proposed interpretation is operational, with our proposed wording in letter c below, and may provide relief from circumstances when there are technical violations of the current unpaid fees interpretation that are not substantive. However, we would not object if there were no changes to the extant interpretation on unpaid fees as we feel the bright-line requirements have been operational for a number of years and are helpful in removing ambiguity between practitioner and attest client.

SPECIFIC RESPONSES

- a. **PEEC does not believe unpaid fees create advocacy threats and, as such, proposes to eliminate this from the interpretation. Do you believe the advocacy threat is applicable to unpaid fees? If so, please explain.**

We do believe that unpaid fees may constitute an advocacy threat. ET 1.000.010.11 defines an advocacy threat as “The threat that a member will promote a client’s interests or position to the point that his or her objectivity or independence is compromised.” We believe that certain fees that remain unpaid, particularly when large, may serve as a form of financing for the attest client which may be construed as a form of advocacy.

- b. **Are the factors to consider when evaluating whether threats are at an acceptable level clear? Should any other factors be considered?**

We believe factors in the ED to consider when evaluating whether threats are at an acceptable level are clear.

- c. **Do you agree with the use of the terms “clearly insignificant” and “significant” in paragraph .03 of the interpretation? Why or why not?**

We do not agree with the terms “clearly insignificant” and “significant” in paragraph .03 of the proposed interpretation. It is unclear if the PEEC was intending this to be binary, that is, that the fee is “clearly insignificant” or “significant” or if the PEEC believes there is a figurative middle ground that is greater than “clearly insignificant” but less than “significant.” The figurative middle ground is implied by the last sentence “Other situations require judgment to assess the threats...”

To remove unnecessary ambiguity, and limit the potential for abuse, we recommend changes to the revised interpretation including the bolded wording be added and the wording that is struck through be removed:

.03 *Threats to the covered member’s compliance with the “Independence Rule” [1.200.001] are at an **acceptable level** when unpaid fees are both clearly insignificant to the covered member and relate to *professional services* provided less than one year prior to the issue date of the current-year attest report. Alternatively, threats would not be at an acceptable level when unpaid fees are both significant to the covered member and relate to professional services provided more than one year prior to the issue date of the current-year attest report. **For purposes of this***

paragraph, a threat is either “clearly insignificant” or “significant.”
~~Other situations require judgment to assess the threats to the covered member’s compliance with the “Independence Rule.”~~

d. Should any other safeguards be provided as examples in paragraph .04?

We have no other examples to propose for addition to paragraph .04.

e. Are the safeguards in paragraphs .04a and .04d clearly delineated? Why or why not?

We believe the safeguards in paragraphs .04a and .04d are clearly delineated.

f. Is it clear in paragraph .04f that communication with those charged with governance is not in itself a sufficient safeguard?

Although .04f does make mention of “other safeguards applied,” we do not believe that it is clear that communication with those charged with governance is not in itself a sufficient safeguard. Conversely, we believe, that as currently proposed, that a practitioner may conclude that communication with those charged with governance is in itself a sufficient safeguard. We recommend the PEEC be explicit as to its intent in the final interpretation such as by adding the following:

“Communication with those charged with governance regarding the unpaid fees but not applying other safeguards is not sufficient for the communication with those charged with governance to be considered a safeguard under paragraph .04”

g. Do you agree that a six-month delayed effective date provides adequate time to implement the proposal? If not, why, and what period would provide adequate time?

We believe the six-month effective date provides adequate time to implement the proposal.