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Professional Ethics Executive Committee  
AICPA Professional Ethics Division  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas, 27th Floor  
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Via email: [Ethics-Exposedraft@aicpa.org](mailto:Ethics-Exposedraft@aicpa.org)

**Re: Proposed revised interpretation, Unpaid Fees**

Dear Committee Members,

Ernst & Young LLP (EY, we or our) is pleased to provide comments on the American Institute of Certified Public Accountants ("AICPA") Professional Ethics Executive Committee's (PEEC) September 2021 Exposure Draft, *Unpaid Fees*.

In this letter, we have responded to the PEEC's questions regarding the proposal that we believe will either help clarify or further enhance the proposed interpretations and definition.

We would be pleased to discuss our comments with members of the PEEC at its convenience.

Yours sincerely,

*Ernst & Young LLP*

## A. Request for specific comments

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

### **Response:**

While we support the use of the terms “clearly insignificant” and “significant,” we believe members may lack sufficient experience with those terms as compared to the terms “material” and “immaterial” which are used more frequently in the AICPA Code of Professional Conduct. Without clear definition or a framework to determine whether an unpaid fee is clearly insignificant, application of the proposed revised interpretation may be inconsistent among members. We believe non-authoritative guidance should be developed prior to the effective date of the revised interpretation to provide members with a framework to assist in the evaluation of whether unpaid fees are clearly insignificant.

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

### **Response:**

With respect to potential threats to independence resulting from unpaid fees, we believe that safeguards should be fully implemented prior to issuance of the current year attest report. We do not believe a future action such as a post issuance review would be in itself a sufficient safeguard. We recommend either removing post issuance review from paragraph .04d or clarifying that additional safeguards would be needed to reduce a significant threat to an acceptable level.

The pre-issuance review noted in paragraph .04d can be read to be an example of the safeguard in paragraph .04a. We recommend expanding paragraph .04a to elaborate on the types of reviews (e.g., pre-issuance review) and reviewers that would constitute a sufficient safeguard or distinguishing between the examples of the review type safeguard intended by paragraphs .04a and the pre-issuance review specified in paragraph .04d.

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

### **Response:**

Its placement in paragraph .04f among the examples of an actions that might be a safeguard does not clearly convey that such communication could not be the sole safeguard. We believe communication with those charged with governance should be a required communication rather than considered a safeguard as those charged with governance should be aware of the delay in payment of fees, particularly in situations where the unpaid fees pose a significant threat to independence.