

December 11, 2021

Ms. Sherry Hazel  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

Sent via email: [Ethics-exposedraft@aicpa.org](mailto:Ethics-exposedraft@aicpa.org)

**Exposure Draft: Proposed Revised Interpretation, Unpaid Fees**

This letter is in response to the proposed standard issued by the AICPA dated September 20, 2021.

**Background**

415 Group is a firm of certified public accountants with eight partners (all who serve clients, in addition to their responsibilities of leading and managing the operations of the Firm) and 70 other professionals and support staff. Our practice includes accounting and attest services in addition to tax and other non-attest services to organizations in a wide variety of industries.

We appreciate the opportunity to provide responses to the certain specific questions included in the exposure draft as well as other comments we believe to be relevant.

**Specific Request Paragraph 10a:**

We agree that unpaid fees do not create an advocacy threat and support the proposal to eliminate such from the interpretation.

**Specific Request Paragraph 10b:**

The factors to consider when evaluating whether threats are at an acceptable level (delineated in paragraph .02 of the proposed revised interpretation) are clear, except for item 2a. As drafted, paragraph 2a. refers to the *covered member*. As the definition of a *covered member* includes individuals (items 12a. through 12d of PEEC's definitions of a covered member.), it is not clear if the intent is to have this proposed revised interpretation and the consideration of the significance of unpaid fees apply to individuals as well as firms which meet the definition of a covered member.

We believe the intent is for this to apply at the firm level rather than individuals serving the attest engagement and encourage that Unpaid Fees Task Force to clarify more specifically its intent.

**Specific Request Paragraph 10C:**

We agree with the terms "clearly insignificant" and "significant" in paragraph .03 of the Interpretation.

This is a principles-based framework, as delineated in Item 3 of the 'Explanation of the revised interpretation'. Accordingly, we strongly support the proposed replacement of the bright-line one-year provision with a principles-based framework. We also strongly support the

proposed concept of allowing the member to determine whether the independence threats are at an acceptable level and if so, allowing the member to determine if safeguards can reduce the threats to an acceptable level.

**Specific Request Paragraph 10d:**

We do not believe that any examples of additional safeguards need to be provided. The possible safeguards listed are good examples of actions that a member might take. There may, however, be specific situations with specific clients where another action (that is not contemplated in the list of possible ones as an exhaustive list) is possible. As a result, we encourage the Unpaid Fees Task Force to clarify the last sentence of paragraph .04 as follows: “Examples of actions that might be safeguards include *(but are not limited)* to the following.” to make clear that other actions may be satisfactory and that the listed actions are not individually or in the aggregate required.

**Specific Request Paragraph 10e:**

We believe that the safeguard delineated in paragraph .04a is not as clear as desired. It is not clear whether the ‘appropriate reviewer’ in this paragraph is meant to apply to reviewers within the same firm or if it is meant to be other firms. Our view is that reviewers within the same firm are the most appropriate resources to review attest work prior to current year report issuance but acknowledge that it is a consideration a member may make when evaluating the specific facts and circumstances.

Additionally, it is not clear what is intended in paragraph .04a with the phrase “...reviewer who has not provided attest services...” We recognize and support the concept of independence and in this limited instance “a second set of eyes,” however we believe that the limitation should apply to the current year engagement rather than all other attest services or bright line “cooling off” periods.

With respect to paragraph .04d, we believe there is ambiguity as it is written regarding pre-issuance reviews. When an attest engagement already includes an engagement quality control review (EQCR), it is not clear whether the intent is for an additional review (pre-issuance), and if so, it is not clear what the desired scope is. If it is intended that a pre-issuance review be in addition to an EQCR we believe there is limited, if any benefit, relative to the cost. With respect to the concept of a post review in paragraph .04e, we do not believe such a review would achieve the objective of serving as a safeguard for this specific threat. We believe post issuance reviews are most appropriate for internal inspections and peer reviews.

**Specific Request Paragraph 10f:**

It is clear that paragraph .04f is not intended to be the only safeguard as it indicates “and other safeguards applied” indicating that at least one other safeguard is necessary.

**Specific Request 10g:**

We believe that a six-month period of time provides adequate time to implement the proposal.

**Concluding Comments**

We support the proposed revisions of the interpretation with respect to its principles-based framework and specifically the removal of its bright line one-year provision as well as the other aspects that allow the member to evaluate the specific facts and circumstances and use his/her judgment in determining whether appropriate safeguards can be put into place to reduce threats to an acceptable level.

Sincerely,



Four Fifteen Group