



December 2, 2021

Ms. Toni Lee-Andrews
Ethics Team
AICPA
220 Leigh Farm Road
Durham, NC 27707

Re: PEEC Exposure Draft: Proposed revised interpretation, Unpaid Fees

Dear Ms. Lee-Andrews:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. Our comments related to this exposure draft follow the specific questions that were included therein:

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.

TIC agrees with the determination made by PEEC on this point and concurs with the removal of this item from the interpretation.

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

The factors to be evaluated as listed in the interpretation are clear and appropriate for consideration.

c) Do you agree with the use of the terms "clearly insignificant" and "significant" in paragraph .03 of the interpretation? Why or why not?

TIC agrees with the use of these terms in the context of the interpretation as they are commonly used by practitioners in other settings which should allow them to be used here without issue. TIC also appreciates that the terminology is principle based and allows practitioners flexibility in applying the interpretation based on their individual practice, as what may be considered significant to one practitioner may not be significant to another.

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

TIC has concerns with some of the examples provided in paragraph .04 as outlined below (examples from the exposure draft in italics):

- a. Have an appropriate reviewer who has not provided attest or non-attest services to the attest client review the attest work performed before the current-year attest report is issued*

TIC agrees that this example would provide a sufficient safeguard.

- b. Obtain partial payment of the unpaid fees balance.*

TIC believes that the inclusion of this example without additional guidance would not result in a sufficient safeguard. As currently written in the exposure draft, a practitioner could argue that receiving a payment of any amount, including an amount which is clearly insignificant to the overall balance of unpaid fees, would result in a sufficient safeguard. This example could be modified by utilizing the 'significant' wording that is used elsewhere in the exposure draft to result in what TIC would consider a sufficient safeguard:

Obtain a significant ~~partial~~ payment of the unpaid fees balance before the current-year attest report is issued.

- c. Agree to a payment schedule before the current-year attest report is issued.*

TIC agrees that this example would be an appropriate safeguard.

- d. Select the current attest engagement for pre-issuance or post-issuance review.*

TIC does not find the wording in this example to be useful or clearly differentiate from the suggested safeguard provided by example 04a regarding performance of a pre-issuance review.

Regarding the performance of a post-issuance review, TIC does not believe such a review would serve as a safeguard since the report would already have been issued. In this situation the review would serve more as a detective control to identify instances where a report potentially should not have been issued opposed to a preventative control to stop issuance of a report. As the intention of the guidance is to provide examples of safeguards, TIC does not believe that a post-issuance review should be included.

- e. Suspend further work on current attest engagements and not accept new engagements with this attest client until the unpaid fees are clearly insignificant to the covered member.*

TIC agrees that this example would provide a sufficient safeguard.

f. *Communicate with those charged with governance (TCWG) regarding the unpaid fees and the other safeguards applied.*

TIC agrees there are situations where this communication is important, such as when TCWG are a truly independent body apart from the entity and management. However, at many entities served by smaller practitioners that is not the case. Please see our response to question f) included in the exposure draft, for additional thoughts on this example.

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

Please refer to our response in d) above.

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

Although 4.f. refers to 'and the other safeguards applied,' it is not entirely clear that PEEC's intention is that this should not be viewed as a sufficient safeguard on a standalone basis by including this example in the list of other examples in paragraph 04. To make this clearer to practitioners, wording should be added to clearly indicate that communication with TCWG alone is not a sufficient safeguard. TIC also suggests moving that safeguard to a separate paragraph to further denote that it should not be viewed as equivalent to the other safeguards in paragraph .04a- 04e.

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?

The proposed timing of the effective date is adequate.

TIC appreciates the opportunity to present these comments on behalf of PCPS Member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Bryan Bodnar

Chair, On Behalf of the PCPS Technical Issues Committee