

November 24, 2021

Attn: AICPA Professional Ethics Executive Committee  
Ethics-Exposuredraft@aicpa.org.

Re: Exposure Draft – Proposed Revised Interpretation, Unpaid Fees

AICPA PEEC:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below on the above-referenced exposure draft.

a. PEEC does not believe unpaid fees create an advocacy threat 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.

The PSC agrees that unpaid fees do not create a threat to advocacy. The proposed interpretation gives the CPA more flexibility in determining collection practices. The interpretation aligns with SEC regulation and appears to resolve another convergence issue. However, the proposed interpretation seems to be counterintuitive to improving audit quality, considering that what was previously a clear and concise rule regarding unpaid fees is now up to the judgment of the auditor.

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 consider when assessing threats are clear. However, the definition of "clearly significant" needs additional clarification. This level of threat is up to the professional judgment of the auditor unless there is a more concise definition of what should be considered significant.

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

The use of "clearly insignificant" and "significant" should be determined on a firm basis and a case-by-case basis. A more concise definition of "clearly significant" would be beneficial to the interpretation. The proposed interpretation allows firms to decide on the level of liability they are willing to accept.

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

The examples provided in paragraph .04 are sufficient. However, the first example is a concern when considering the definition of covered member. Additionally, the proposal increases the concern that performing an audit for a client that has not paid last year's fees might affect audit quality, specifically increasing the risk of an underperformed audit. This is especially a concern when entities other than the audit client may rely on the audit report.

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

The safeguards in .04a and .04d are clearly delineated. However, the PSC thinks that both safeguards will increase the cost of the audit and add further delays to the issuance of the audit report.

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

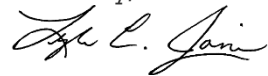
As presented in the proposed revised interpretation, it is not clear that communication is not in itself a sufficient safeguard. As such, the committee believes that paragraph .04f should be deleted or included in the interpretation as a separate requirement. As written, paragraph .04f does not add value to the decision process. Additionally, privacy issues prevent auditors from communicating with potential ultimate users of the audit report that previous audit fees are unpaid, which may affect their financial decisions. While this interpretation provides flexibility to auditors when considering continuing an audit engagement while previous audit fees are not paid in full, it creates other issues. For example, additional disclosures for readers of the audit report may be necessary.

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?

A six-month delayed effective date provides adequate time for implementation. Firms that decide to continue to provide services to a client with unpaid audit fees will more than likely decide to implement the proposed interpretation early, as allowed in the proposal.

We appreciate the opportunity to provide input on this Exposure Draft of revised interpretation, unpaid fees.

Sincerely,



Lyle C. Joiner, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants