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August 26, 2022

Professional Ethics Executive Committee
American Institute of Certified Public Accountants (AICPA)
220 Leigh Farm Road
Durham, NC 27707

Via email: Ethics-ExposureDraft@aicpa.org

Re: Comments on Exposure Draft, “Proposed new and revised definitions and interpretations – Compliance audits,” AICPA Professional Ethics Division, June 3, 2022

Dear Committee Members:

CliftonLarsonAllen LLP (CLA) appreciates the opportunity to comment on the June 3, 2022 AICPA Professional Ethics Executive Committee (PEEC) Exposure Draft (ED), which proposes the new definitions “compliance audit” and “compliance audit attest client” and revises the definition of “financial statement attest client” and the following Ethics Interpretations (ET): “Clients Affiliates” interpretation (ET section 1.224.010) and “State and Local Government Client Affiliates” interpretation (ET section 1.224.020). We understand the need to ensure the independence rule and interpretations are applied consistently when performing a compliance audit.

General Comments

CLA overall supports the proposal.

Request for Specific Comments

If the PEEC proceeds with the proposed new definitions and revised definitions and interpretations, we offer the following responses to the request for specific comments requested in the ED:

Request for Comment

a. Is the definition of “compliance audit” clear? If not, please explain how it should be clarified.

Response: CLA believes that the definition of “compliance audit” is clear.

Request for Comment

b. Is the definition of “compliance audit attest client clear”? If not, please explain how it should be clarified.

Response: CLA believes that the definition of “compliance audit attest client” would be clearer if it was emphasized that the exception applies when there are multiple entities and that both conditions must

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be met in order for a client to not meet the definition of a compliance audit attest client. Proposed wording: “~~An~~ **A reporting** entity with respect to which a *compliance audit* is performed. ~~unless the entity~~ **To the extent the reporting entity contains multiple entities, an individual entity would not be considered a compliance audit attest client if that particular entity :**

- a. is not **likely to be** subject to compliance audit procedures and
- b. reports amounts that are trivial and clearly inconsequential.

When an entity meets this definition, it is not considered a *financial statement attest client*.”

Request for Comment

- c. Do you agree that there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential? If you disagree, please explain why.

Response: CLA believes that there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential.

Request for Comment

- d. Do you agree that the affiliates interpretations should not apply in a compliance audit? If you disagree, please explain why.

Response: CLA agrees that the affiliates interpretations should not apply in a compliance audit.

Request for Comment

- e. Do you agree that the revision in each of the affiliates interpretations serves as a useful reminder that these interpretations do not apply to specific attest engagements (e.g. compliance audits and engagements performed under the SSAEs)? If you disagree, please explain why.

Response: CLA does agree if the auditor is performing only the compliance audit.

Request for Comment

- f. Do you agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore are not subject to the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic (ET section 1.297)? If you disagree, please explain why.

Response: CLA does agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore are not

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subject to the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic.

Request for Comment

g. Do you agree that the effective date provides adequate time to implement the proposals? If you disagree, please explain why.

Response: CLA believes that the effective date provides adequate time to implement the proposals.

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CLA appreciates the opportunity to review and offer our comments on the proposed new definitions and proposed revised definitions and interpretations. We would be pleased to discuss any questions that you or your staff may have regarding our comments.

Respectfully submitted,



CliftonLarsonAllen LLP