



Open meeting minutes — August 17–18, 2021

Professional Ethics Division Professional Ethics Executive Committee

The Professional Ethics Executive Committee (PEEC or committee) held a duly called meeting August 17–18, 2021. Day 1 convened on August 17 at 10 a.m. EST and adjourned at 2:48 p.m. EST. Day 2 convened on August 18 at 10 a.m. EST and adjourned at 11:35 a.m. EST.

Agenda materials for this meeting were sent to PEEC members and observers on July 30, 2021 and were posted to aicpa.org.

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Attendance

Members

Brian Lynch, Chair
Claire Blanton
Thomas Campbell
Robert Denham
Anna Dourdourekas
Anika Heard
Jennifer Kary
Alan Long
William McKeown
Randy Milligan
James Newhard
Stephanie Saunders
Katherine Savage
Lewis Sharpstone
Lisa Snyder
Peggy Ullmann
Douglas Warren
Lawrence Wojcik

Guests

See exhibit 1 in the appendix of this document.

AICPA Professional Ethics Division staff

James Brackens, Vice President –
Ethics and Practice Quality
Toni Lee-Andrews, Director
Ellen Gorla, Associate Director
Jennifer Clayton, Associate Director
Elaine Bagley
Sarah Brack
Michele Craig
Emily Daly
Liese Faircloth
Jennifer Kappler
Iryna Klepcha
Kelly Mullins
Karen Puntch
Michael Schertzinger
John Wiley
Summer Young
Shannon Ziemba

Key votes in this meeting

Motions approved

- Issue an exposure draft of the revisions to the definition of beneficially owned, “Loans” interpretation, “Loans and Leases with Lending Institutions” interpretation, “Immediate Family Members” interpretation, and Client Affiliates” interpretation.
- Issue an exposure draft of the revisions to the “Unpaid Fees” interpretation.
- Issue an exposure draft of the new “Accounting Standards Implementation Services” interpretation.
- Form a task force to determine the convergence needs for the fee-related standards IESBA issued in April 2021.

Welcome

Mr. Lynch welcomed the committee and discussed administrative matters.

SEC convergence

Ms. Kary updated the committee on the task force’s activities ([agenda item 1A](#)) and sought approval to expose the proposals ([agenda items 1B-1D](#)).

Items of note include the following:

- Clarification of language included in paragraph .06 of the acquisition and other transactions section of the proposal
- Explanation of how the proposals differ from the SEC rules in the exposure draft
- Correction of bulleted formatting errors in paragraph .03 of the “Loans and Leases with Lending Institutions” interpretation

Discussion

The committee discussed the affected interpretations and noted the following:

- The proposed revised definition of beneficially owned in agenda item 1C should be further refined by removing the phrase “who has” as it is not needed.

Beneficially owned, beneficial ownership interest. Describes a *financial interest* of which **providing** an individual or entity, is not the record owner, but has a ~~who has the~~ right to some or all of the underlying benefits of ownership. These benefits include the authority to direct the voting or disposition of the

interest or to receive the economic benefits of the ownership of the interest.

- The proposed subheadings before paragraphs .06 and .10 of the acquisition and other transaction section in agenda item 1B should include the additional highlighted text. Although this further lengthens the subheadings, it differentiates the situations covered by paragraphs .06 and .10.

Votes

The committee voted unanimously with no abstentions to issue an exposure draft of the revisions to the “Loans” interpretation, “Loans and Leases with Lending Institutions” interpretation, definition of “Beneficially Owned”, “Immediate Family Members” interpretation and “Client Affiliates” interpretation.

The committee voted unanimously that if adopted, the revisions will be effective three months after notice appears in the *Journal of Accountancy* and early implementation will be allowed.

Client affiliates

Ms. Snyder sought approval to expose revisions to the “Client Affiliates” interpretation and to the definition of “affiliate” ([agenda items 2A-2C](#)).

The primary item of note is that the committee decided to forego changes to authoritative guidance to account for including individuals in the interpretation and definition.

Discussion

Because it is rare for firms to provide individuals a service that would impair independence, the issue of practicality was raised with regard to revising the definition of affiliate to include “individual”.

Committee members agreed this is rare and noted that, therefore, it’s low risk.

The changes to the interpretation and the definition resulted from comments on [PEEC’s strategy and work plan](#). The task force plans to consider the best way to move forward, but due to the low risk, PEEC will not pursue changes to authoritative guidance.

Unpaid fees

Mr. McKeown sought approval to revise the Unpaid Fees Task Force charge and to expose revisions to the “Unpaid Fees” interpretation. ([see agenda items 3A-3F](#)).

Items of note include the following:

- The task force charge was changed from determining if unpaid fees are in substance a loan and if the one-year bright line threshold is appropriate given the COVID-19 pandemic to a more principles-based approach in order to converge with other standard setters and be consistent with the AICPA Code of Professional Conduct.

Discussion

The committee reviewed the proposed Qs & As ([agenda item 3D](#)) and concluded that overall these did not appear helpful to practitioners.

The committee also noted the existing unpaid fees Q&A may need to be updated for the portion that refers to unpaid fees as constituting a loan.

Votes

The committee voted unanimously and with no abstentions to

- accept the revised task force charge;
- issue an exposure draft of the revisions to the “Unpaid Fees” interpretation with a 90-day exposure period; and
- make revisions to the interpretation, if adopted, effective six months after notice in the *Journal of Accountancy*, and early implementation will be allowed.

Assisting attest clients with implementing accounting standards

Ms. Kary sought approval to revise the Assisting Clients with Implementing Accounting Standards Task Force charge, expose a new interpretation “Accounting Standards Implementation Services” and sought input on three Qs & As. ([agenda items 4A-4C](#)).

The committee provided feedback on how to strengthen the Qs & As and also recommended adding a fourth to illustrate an example when a member’s independence would be impaired.

Discussion

The committee discussed changing the name of task force to remove the word “new” because the interpretation is not only for implementing new standards. It also covers clients implementing existing standards that are “new” to their organizations.

Votes

The committee voted unanimously and with no abstentions to

- change the charge of the task force to remove the word “new;”
- issue an exposure draft of the new interpretation with a 90-day exposure period; and make the effective date of the new interpretation, if adopted, three months after notice appears in the *Journal of Accountancy*.

ISS practice aid

Ms. Dourdourekas sought input on the practice aid ([agenda items 5A–5B](#)).

Discussion

Committee members expressed concern about the length of the practice aid. PEEC recommended

- making step 1 of the framework more concise.
- adding instructions on how to use the framework that would clarify that not all of the steps are always applicable.

The committee also discussed whether installing a commercial off-the-shelf (COTS) system that performs a prohibited service would always impair independence. They recommended updating the practice aid to reflect that this is not always the case.

Given the pending effective date of January 1, 2022, the committee believes the practice aid should be issued without scenarios. They recommended adding scenarios later as an attachment.

IESBA update

Ms. Gorla updated the committee on IESBA’s June 2021 meeting. In addition to the project summaries found in [agenda items 6B–6F](#), she noted the following:

- A dedicated page ([Strengthening International Independence Standards](#)) will house all of the resources produced related to the nonassurance services (NAS), fees, and eventual public interest entity (PIE) standards.
- Preliminary feedback on the PIE exposure draft included
 - Support for a narrow approach by many regulators, professional accountancy organizations and firms.

- Strongest support was for the first three categories (publicly traded entity, deposits from public and insurance to public) with less support for the other categories.
- Least support for the fourth category (an entity whose function is to provide post-employment benefits)
- An exposure draft where the proposals revise the code to align with ISQM 1 and ISQM 2.
- During the September 2021 meeting, the Tax Planning and Related Services working group will present their final report and bring a project proposal for approval.

Compliance audits

Ms. Miller updated the committee on the task force's activities.

Items of note include the following:

- The task force has a meeting scheduled with the U.S. Government Accountability Office (GAO) on August 25th. This meeting will include representatives from the AICPA Government Audit Quality Center, AICPA staff, and a couple of task force members.
- After the meeting the task force will reconvene to determine any potential guidance or other activities.

Staff augmentation

Ms. Snyder sought input from PEEC on the proposed Q&A ([agenda items 7A-7B](#)).

Items of note include the following:

- The task force implemented committee feedback from the May meeting on two Qs & As, restructuring and revising the subject matter into four separate Qs & As.
- The task force added a fifth Q&A regarding application of the effective date and presented all Qs & As to the committee for feedback.

Discussion

The committee discussed content, made minor grammatical changes, then approved the publication of the Qs & As.

NOCLAR

Mr. Denham updated the committee on the task force's activities. The comment period for the exposure draft ended on June 30th and the task force received 26 comment letters. Comment letters came from a variety of sources, including individual practitioners, state boards, state societies, firms, and government organizations and focused on four main topics:

- Confidentiality
- Requirements
- Exclusions
- Clarifications

At the November 2021 PEEC meeting, the task force plans to present to PEEC a summary and analysis of the comment letters along with revisions to the guidance based on comments received.

IFAC convergence and monitoring

Mr. Lynch sought approval to form a task force to determine the convergence needs for the fee-related standards IESBA issued in April 2021 ([agenda item 8](#)). The committee approved the project proposal and recommended the task force begin in early 2022 so that the project can be finalized as close as possible to the effective date of the IESBA fee standard.

Statements on Standards for Tax Services

Ms. Saunders updated the committee on the task force's activities.

Items of note include the following:

- The task force continues to meet with other AICPA committees and technical resource panels as well as leadership of outside groups to solicit feedback
- The task force will take comments received and work on further revisions to the proposed standards and is hopeful to have an updated version ready for the committee in November.
- That version will be shared with legal in anticipation of being exposed in early 2022 and due to the timing of the traditional tax season the exposure period will likely extend through the summer of 2022 to give commenters ample time to respond.

Quality management

Ms. Goldman provided the committee with an overview of the proposed revised quality management standards, which require firms to take a risk-based approach to their quality management system.

Member enrichment update

Staff provided the committee with an update on ongoing member enrichment projects not discussed elsewhere in the agenda:

- Nonauthoritative staff Qs & As related to hosting
- GAO comparison
- Single audit resources
- Division Qs & As (Will be reformatted and included in *AICPA Technical Questions and Answers*)
- Online Ethics Library (Operational by Q1 2022)
- Ethically Speaking podcast (Gaining subscribers. Committee members and others are encouraged to share the podcast widely.)

Approval of May 2021 meeting minutes

The committee voted unanimously with no abstentions to approve the minutes of the May meeting ([agenda item 9](#)).

Appendix

Guests in attendance at the August 2021 meeting

	Name	Company
1.	Christine Cutti-Fox	Senior Manager – Forensics
2.	Ahava Goldman	Associate Director, Audit & Attest Standards
3.	Henry Grzes	AICPA, Lead Manager, Tax Practice and Ethics
4.	Kent Absec	Idaho State Board of Accountancy
5.	Ellen Adkins	WebsterRogers
6.	P. Anthony Allen	Kentucky Society of CPAs
7.	Sonia Araujo	PwC
8.	Arthur Auerbach	Arthur Auerbach, CPA
9.	Coalter Baker	NASBA
10.	Rita Barnard	Kansas Society of CPAs
11.	Ian Benjamin	Chair–AICPA Enforcement Subcommittee
12.	Sheila Border	Wipfli LLP
13.	Sam Burke	PwC
14.	David Kirklan Cloniger	RSM US LLP
15.	Allan Cohen	RSM US LLP
16.	Karen Cookson	U.S. Department of Housing and Urban Development
17.	Melissa Critcher	Enforcement Subcommittee
18.	Debbie Cutler	Debra A. Cutler CPA PC

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19.	James Dalkin	U.S. Government Accountability Office
20.	Michael Delaney	Connecticut Auditors of Public Accounts
21.	Anna Durst	Nevada Society of CPAs
22.	Dan Dustin	NASBA
23.	Jason Evans	BDO
24.	Greg Fiedler	Sikich LLP
25.	Mira Finé	Ethics Chair–Colorado Society of CPAs
26.	Shelly Gower	Plante Moran PLLC
27.	Andrew Gripp	Crowe LLP
28.	Pamela Ives Hill	Ethics Chair–Missouri Society of CPAs
29.	Kelly Hnatt	External Counsel
30.	Laura Hyland	Moss Adams
31.	Robin Kelley	Ethics Chair–Massachusetts Society of CPAs
32.	Kimberly Kuhl	KPMG
33.	Stacey Lockwood	Society of Louisiana CPAs
34.	Joe Marchbein	Rice Sullivan, LLC
35.	Elizabeth McKneely	Deloitte
36.	Nancy Miller	KPMG
37.	Angela Miratsky	BKD, LLP
38.	Karen Moncrieff	EY
39.	Christina Moser	Plante Moran PLLC

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40.	Jan Neal	Deloitte
41.	Donna Oklok	Accountancy Board of Ohio
42.	Christine Piché	CliftonLarsonAllen
43.	Luis Plascencia	Luis V. Plascencia, CPA
44.	Mark Priebe	U.S. Department of Education
45.	Mark Reynolds	Creative Value Consulting LLC
46.	John Robinson	RSM US LLP
47.	Deborah Rood	CNA Insurance
48.	Stephanie Sauer-Watts	PwC
49.	April Sherman	CliftonLarsonAllen
50.	Edward Sona	PwC
51.	Susan Speirs	Utah Association of CPAs
52.	Marc Stepper	Ethics Chair–Washington Society of CPAs
53.	John Szczomak	Ethics Chair–New Jersey Society of CPAs
54.	Joseph Tapajna	University of Notre Dame
55.	Jessica Tomc	EY
56.	Paula Tookey	Deloitte
57.	Shelly Van Dyne	BDO
58.	Sharron Waugh	Tennessee Board of Accountancy
59.	Jim West	BDO
60.	Duncan Will	CAMICO Mutual Insurance

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61.	Les Williford	BDO
62.	Ellen Wisbar	CBIZ, Inc.
63.	Darlene Zibart	Kentucky Society of CPAs