



Frequently Asked Questions: Nonattest services

As of October 6, 2021

AICPA Professional Ethics Division

Introduction

The answers to these frequently asked questions (FAQs) are based on guidance the AICPA Professional Ethics Division staff provided in response to members' inquiries concerning the interpretations of the "[Nonattest Services](#)" subtopic (ET sec. 1.295) of the "[Independence Rule](#)" (ET sec. 1.200.001) of the AICPA [Code of Professional Conduct](#) (code). The FAQs are not rules or interpretations of the Professional Ethics Executive Committee and, therefore, are not considered authoritative guidance. Further, the answers do not address the requirements of other standard-setters or regulatory bodies, such as the state boards of accountancy, the SEC, and the U.S. Government Accountability Office, whose positions may differ from those of the AICPA.

In applying the following FAQs, [members](#) should comply with all applicable interpretations of the "[Nonattest Services](#)" subtopic including, but not limited to, the "General Requirements for Performing Nonattest Services" interpretation (ET sec. 1.295.040), as well as, where applicable, the "[Conceptual Framework for Independence](#)" interpretation (ET sec. 1.210.010).

Terms that are defined in the code appear in italic. The first time a defined term or citation to the code appears in an FAQ, it will be hyperlinked.

The date the FAQ was added to this document or revised appears in brackets at the end of the answer. The statement "Added prior to June 2005" means that the FAQ was added between May 2004 and May 2005. For conforming edits (for example, revised citations for the Ethics Codification Project), the dates when those edits were made to the FAQ are not identified.

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Routine activities

1. A *member* is not required to apply the *safeguards* in paragraph .01 of the “[General Requirements for Performing Nonattest Services](#)” interpretation (ET sec. 1.295.040) or comply with the “[Documentation Requirements When Providing Nonattest Services](#)” interpretation (ET sec. 1.295.050) when performing certain routine activities. Which activities are considered to be routine for purposes of these interpretations?

Whether an activity is routine or not should be determined by considering all facts and circumstances related to the activity. Routine activities generally involve providing advice or assistance to the *client* on an informal basis as part of the *client-member* relationship. Routine activities are typically insignificant in terms of time incurred or resources expended and generally do not result in a specific project or engagement or in the *member* producing a formal report, deliverable, or other formal work product.

Examples of routine activities include the following:

- Responding to an *attest client's* questions on tax matters
- Providing advice to the *attest client* on routine business matters
- Educating the *attest client* on matters within the technical expertise of the *member*
- Providing information to the *attest client* that is readily available to the *member*, such as generally available best practices

[Added prior to June 2005]

Period of impairment

1. What would be an example of how to apply the exception found in paragraph .03 of the “[Scope and Applicability of Nonattest Services](#)” interpretation (ET sec. 1.295.010)?

Consider the following facts and circumstances:

- In January 20X5, a *member* is engaged by a nonattest client to close the *client's* December 31, 20X4 books and records. In providing the services, the *member* performs certain bookkeeping activities, such as coding journal entries that are considered management responsibilities.
- The entity's 20X4 *financial statements* were audited by another *firm*, which issued an unqualified audit opinion in March 20X5.
- In September 20X5, the nonattest client asks the *member* to perform the audit of its *financial statements* as of and for the year ended December 31, 20X5.

Although the nonattest services provided by the *member* would *impair independence*, because (a) the nonattest services were provided prior to the entity becoming an *attest client* (i.e., prior to the [period of the professional engagement](#)); (b) the nonattest services were related to the 20X4 *financial statements* (i.e., prior to the period covered by the 20X5 *financial statements*); and (c) the 20X4 *financial statements* were audited by another *firm*, all the criteria would be met. Therefore, *independence* would not be *impaired* for purposes of performing the 20X5 audit of the entity's *financial statements*. [Added November 2015]

Suitable skill, knowledge, and/or experience

1. What does “suitable skill, knowledge, and/or experience” mean in the context of the interpretations of the “[Nonattest Services](#)” subtopic (ET sec. 1.295)?

“Suitable skill, knowledge, and/or experience” means that the individual designated by the *attest client* to oversee the nonattest service has the ability to understand the nature, objective, and scope of the nonattest service. Overseeing the service does not require that the individual designated by the *attest client* must supervise the *member* in the day-to-day rendering of the services. The requirement for an individual designated by the *attest client* to possess suitable skill, knowledge, and/or experience does not, however, require that the individual possess the expertise to perform or re-perform the services.

Rather, the individual should agree on the nature, objective, and scope of the services; receive periodic progress reports when appropriate; make all significant judgments; evaluate the adequacy and results of the service; accept responsibility for the service results; and ensure that the resulting work product meets the agreed-upon specifications. The skill, knowledge, and/or experience needed will vary depending on the nature of the nonattest service. For example, the skill, knowledge, and/or experience needed to oversee a payroll service may significantly differ than the skill, knowledge, and/or experience needed to oversee a complex tax service. [Added prior to June 2005]

2. Is the requirement that the individual designated by the *attest client* possess suitable skill, knowledge, and/or experience to oversee the nonattest services provided by the *member* new to the AICPA code?

No. The code has historically required that *attest client* management or a management designee undertake certain responsibilities in connection with the *member's* delivery of nonattest services. For example, at various times, the code has called for the *attest client* to “be sufficiently knowledgeable,” “sufficiently informed,” and “have an informed judgment on the results of the nonattest service.” These requirements necessitate oversight by an individual with suitable skill, knowledge, and/or experience. [Added prior to June 2005]

3. Why do the interpretations of the “[Nonattest Services](#)” subtopic require an individual who possesses suitable skill, knowledge, and/or experience to oversee the nonattest services provided by the *member*?

If the individual designated by the *attest client* does not possess suitable skill, knowledge, and/or experience to oversee the nonattest service, there would be no one (other than the *member*) to make the significant judgments that become necessary during the delivery of the service or discharge the other responsibilities required to be performed by *client* management (or a designee) as required by the “[Management Responsibilities](#)” interpretation (ET sec. 1.295.030) of the “[Nonattest Services](#)” subtopic. Accordingly, the [management participation](#) and [self-review threats](#) would be so significant if the *member* performs those activities that *independence* would be *impaired*. [Added prior to June 2005]

4. Which factors should a *member* consider in determining whether the individual designated by the *attest client* to oversee the nonattest service possesses suitable skill, knowledge, and/or experience?

In assessing whether the individual designated by the *attest client* has suitable skills, knowledge, and/or experience to oversee a nonattest service, the *member* might consider the following factors as they pertain to the individual:

- Understanding of the nature of the service
- Knowledge of the *attest client's* operations
- Knowledge of the *attest client's* industry
- General business knowledge
- Level of education
- Position at the *attest client*

Some factors may be given more weight than others, depending on the nature of the service. For example, although the level of education attained by the individual can be one indicator of his or her skills and/or knowledge, it is not necessarily true that the more formal education the individual possesses, the more able he or she would be to oversee the nonattest service. If the individual understands the nature of the service and possesses a sufficient knowledge of the *attest client's* business and industry, he or she may have the skills, knowledge, and/or experience to oversee the service, regardless of the level of education that he or she possesses. For example, most small business owners know their company's operations and financial position better than anyone, and they understand the services they need from the *member* and what those services are intended to accomplish. Because they are the owners of the business, they regularly make important decisions about all matters affecting their business. Accordingly, *members* might conclude that those individuals would possess the necessary skills, knowledge, and/or experience to understand the services being performed; make any management decisions; and determine whether the results of the services meet the agreed-upon specifications. [Added prior to June 2005]

5. The "General Requirements for Performing Nonattest Services" interpretation requires that an individual designated by the *attest client* possess suitable skill, knowledge, and/or experience (preferably within senior management) to oversee the nonattest services. Which individual or individuals at the *attest client* can serve in this capacity (for example, the owner, controller, or bookkeeper)?

The individual(s) designated by the *attest client* will likely depend on the nature of the *attest client's* organization and the nature of the nonattest engagement. In an owner-managed business, it will often be the owner, but, depending on the nature of the nonattest services and the qualifications (that is, skill, knowledge, and/or experience) of other *attest client* employees or individuals, it also could be the controller, bookkeeper, or another employee. In larger organizations or for more complex services, the *attest client* is more likely to designate a senior officer to oversee the services. The employee or individual responsible for overseeing the nonattest services needs to understand the services sufficiently to oversee them but does not need to possess the technical qualifications to perform or re-perform the services. As

discussed in FAQ 6, the *attest client* may also designate an independent consultant or outside legal counsel with the requisite qualifications to oversee the services.

For example, consider a nonattest engagement in which the *member* has been asked to provide investment advisory services that include recommendations on the allocation of funds that the *attest client* should invest in various asset classes based on the *attest client's* desired rate of return and risk tolerance. The owner of the company has knowledge of the company's investment objectives and therefore serves as the *attest client* designee. The owner makes all investment decisions concerning the allocation of funds and investment selections and accepts responsibility for the resulting investment plan. For purposes of this nonattest engagement, the *member* may conclude that the owner of the company possesses the skill, knowledge, and/or experience to oversee the service. On the other hand, consider an engagement for the *member* to install an off-the-shelf accounting package and set up the chart of accounts and *financial statement* format for a small business client. The owner of the company is traveling on business and designates the office manager to oversee the installation. The office manager primarily performs routine clerical and receptionist functions for the business and has limited understanding of the company's operations. He or she has never used accounting or financial software, such as the application being installed by the practitioner. In addition, because the company hires a part-time bookkeeper to maintain its general ledger and subsidiary records, the office manager has no understanding of the company's books or records and *financial statements*. For purposes of this nonattest engagement, it appears unlikely that the office manager would be in a position to sufficiently understand the services being performed to oversee them and accept responsibility for the resulting accounting system. [Added prior to June 2005]

6. **Would a *member* be considered to meet the [safeguards](#) in paragraph .01 of the "General Requirements for Performing Nonattest Services" interpretation if the *attest client* contracts with a third party who is not an employee of the *attest client* to oversee or advise on the *member's* performance of the nonattest service?**

Yes. However, in order for the *member* to meet the safeguards in paragraph .01(a) of the "General Requirements for Performing Nonattest Services" interpretation, management of the *attest client* would have to contract with the third party to advise management regarding the nature of the nonattest services and the evaluation of the adequacy and results of the services in order to enable management to (1) effectively oversee the services, (2) assume all management responsibilities, and (3) accept responsibility for the results of the services.

If the *attest client* outsources the nonattest services oversight functions to a third party, and the third party serves as the individual designated by the *attest client* to oversee the nonattest services, the *member* would be considered to meet the safeguards in paragraph .01(a) of the "General Requirements for Performing Nonattest Services" interpretation provided that the individual designated by the *attest client* possesses the necessary skill, knowledge, and/or experience; functions in a capacity equivalent to that of an *attest client* employee; has the authority to make decisions on behalf of the *attest client*, and performs the other *client* responsibilities delineated in paragraph .01(a). [Added prior to June 2005]

7. How can a *member* be satisfied that the *attest client* designee understands the nonattest services performed and the resulting work product?

Members are expected to use their professional judgment and experience to recognize which individuals designated by the *attest client* are able to fulfill the *client* responsibilities that are set forth in the interpretation. Through interaction with the owners or employees of the *attest client*, experienced practitioners should be able to assess whether the individual designated by the *attest client* possesses the skill, knowledge, and/or experience necessary to effectively oversee the nonattest service. See also FAQ No. 4 in this section. [Added prior to June 2005]

8. What level of technical expertise must the individual designated by the *attest client* have in order to accept responsibility for the deferred tax asset and liability calculations prepared by the *member*?

The intent of the “General Requirements for Performing Nonattest Services” interpretation is not for the individual designated by the *attest client* to possess a level of technical expertise commensurate with that of the *member*. In the case of deferred taxes, the individual designated by the *attest client* should understand the basis for the deferred tax assets or liabilities and the impact of the deferred taxes on the *attest client’s financial statements*. [Added prior to June 2005.]

9. What are some examples of nonattest services and the level of understanding that the individual designated by the *attest client* to oversee the nonattest services should possess in order to comply with the “General Requirements for Performing Nonattest Services” interpretation?

Bookkeeping — When the *member* performs routine bookkeeping services for an *attest client*, the *member* should be satisfied that the individual designated by the *attest client* understands the basis for the proposed journal entries and how the posting of the journal entries will affect the *financial statements*. For recurring or standard journal entries (for example, depreciation), the individual designated by the *attest client* may require no explanation regarding the reason for the entry (for example, when the *member* has previously discussed these entries with the *attest client*), whereas for more complex journal entries (for example, deferred taxes), the *member* may need to have further discussions with the individual designated by the *attest client* discussing the underlying requirements and the basis for the entry and how the entry will affect the *financial statements*. For such services, the individual designated by the *attest client* must have the skills, knowledge, and experience to approve the proposed journal entries and accept responsibility for the company’s individual designated by the *attest client*.

Tax compliance services — For tax return preparation engagements, the individual designated by the *attest client* need not have an in-depth understanding of the applicable tax laws. However, the individual designated by the *attest client* should review the tax return, understand and approve key tax positions taken or disclosed in the return, and approve the filing of the return. The *member* also should be satisfied that the individual understands the

company's tax situation, has a general understanding of how the amounts on the tax return were determined, and make all decisions regarding significant tax positions taken in the return.

Valuation services — For more complex engagements, such as permitted valuation services, the *member* may need to explain to the individual designated by the *attest client* the valuation methodologies used as well as all significant assumptions. The individual then should be in a position to approve all significant assumptions and accept responsibility for the resulting valuation. [Added prior to June 2005]

Documentation requirement

Requirement c. of paragraph .01 of the “General Requirements for Performing Nonattest Services” interpretation requires that, before performing nonattest services for an *attest client* the *member* should establish and document in writing his or her understanding with the *attest client* regarding the (i) objectives of the engagement, (ii) services to be performed, (iii) *attest client's* acceptance of its responsibilities, (iv) *member's* responsibilities, and (v) any limitations of the engagement.

- 1. May a *member* comply with the documentation requirement by including the requirements in paragraph .01(c) in an engagement letter, the audit planning memo, or in a memorandum of understanding maintained in the *member's* billing files, rather than a separate document?**

Yes. Requirement c. of paragraph .01 of the “General Requirements for Performing Nonattest Services” interpretation only requires a *member* to document in writing his or her understanding with the *attest client* and does not prescribe any specific form of documentation provided that the level of documentation meets the requirement. Refer to FAQ No. 2 on this topic for further details, including illustrative sample documentation. [Added prior to June 2005]

- 2. What form of documentation does requirement c. of paragraph .01 of the “General Requirements for Performing Nonattest Services” interpretation require?**

Although the interpretation requires that the *member's* understanding with the *attest client* in writing, before performing nonattest services the *member* may determine the form of that documentation. The form of documentation is not as important as the content and the timing of the documentation. From a timing perspective, see paragraph .01(c) of the “General Requirements for Performing Nonattest Services” interpretation and paragraph .01 of the “Documentation Requirements When Providing Nonattest Services” interpretation, which address when the required documentation has to occur.

From a content perspective, if the *member* is engaged, for example, to assist an *attest client* by providing bookkeeping services, the *member* may document his or her understanding with the *attest client* regarding the matters identified in requirement c. for these bookkeeping services in the [attest engagement](#) letter. However, the matters identified in requirement c.

may also be documented in a separate engagement letter specific to the nonattest services engagement, a memo to the attest files, the auditing steps, or a checklist that the *member* prepares as part of the audit or review engagement.

Similarly, if an *attest client* engages the *member* to perform tax compliance services, the understanding could be documented in a tax organizer or a memo contained in the tax working papers. Other methods of documentation, such as a memo of understanding maintained in the *member's* billing or correspondence files (that is, separate from the client working paper files), also would satisfy this requirement.

The following is illustrative sample language that can be incorporated into an *attest engagement* letter; a “stand-alone” nonattest services engagement letter; a tax organizer letter; or other documentation method preferred by the *member*.

[Sample language to document understanding with the attest client for the provision of bookkeeping and tax services]

Objectives of the Engagement and Services to Be Performed

1. We will provide the bookkeeping and tax services outlined as follows:
 - At the end of each month, CPA Firm agrees to perform the following:
 - Post client coded transactions to ABC Company’s general ledger. Propose adjusting or correcting journal entries to be reviewed and approved by ABC Company management. Prepare a trial balance based on the adjusted general ledger.
 - Prepare monthly sales and payroll tax returns [*insert applicable tax jurisdictions*] for ABC Company management’s review and approval. Upon receipt of approval, we file the electronic returns on the Company’s behalf.
 - At the end of the year, CPA Firm agrees to perform the following:
 - Propose adjusting or correcting journal entries to be reviewed and approved by ABC Company management.
 - Prepare federal and state income tax returns [*insert applicable tax jurisdictions*].
 - Prepare year-end sales and payroll tax returns [*insert applicable tax jurisdictions*].
 - Answer inquiries on specific tax matters.
 - CPA Firm will not assume management responsibilities on behalf of ABC Company. However, we will provide advice and recommendations to assist management of ABC Company in performing its responsibilities.
2. ABC Company’s responsibilities are as follows:
 - ABC Company agrees to perform the following responsibilities in connection with CPA Firm’s provision of the bookkeeping and tax services:

- Assume all management responsibilities, including determining account codings and approving all proposed journal entries.
 - Assign [*name of competent client employee*] to oversee the bookkeeping and tax services and evaluate the adequacy and results of the services.
 - Accept responsibility for the results of the bookkeeping and tax services, including the journal entries, general ledger, trial balance, and tax returns.
3. CPA Firm's responsibilities and limitations of the engagement are as follows:
- CPA Firm will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the AICPA.
 - This engagement is limited to the bookkeeping and tax services previously outlined. CPA Firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account codings and approving journal entries. CPA Firm will advise ABC Company with regard to tax positions taken in the preparation of the tax return, but ABC Company must make all decisions with regard to those matters.

[Added prior to June 2005]

3. Does the documentation requirement apply to all *client* engagements?

The documentation requirement applies to any nonattest services (for example, financial statement preparation, bookkeeping, tax, or consulting services) performed by the *member* for an *attest client*. If a *member* performs a compilation in which he or she discloses a lack of *independence*, the documentation requirement would not apply.

Other regulators may have more restrictive rules regarding *independence* when performing nonattest services for an *attest client*. Accordingly, the *member* should be aware of and comply with all rules and regulations applicable to specific *clients*. [Added prior to June 2005]

4. Are any activities excluded from the documentation requirement?

According to paragraph .04 of the "General Requirements for Performing Nonattest Services" interpretation, the documentation requirement does not apply in those circumstances in which the *member* performs routine activities, such as providing advice and responding to the *attest client's* technical questions as part of the normal *client-member* relationship. In addition, the documentation requirement does not apply when a *member* performs the types of activities related to attest services identified in paragraph .04 of the "Scope and Applicability of Nonattest Services" interpretation (ET sec. 1.295.010). Also refer to FAQ No. 1 under the heading "Routine Activities." [Added prior to June 2005]

5. Would *independence be impaired* when a *member* fails to document the understanding with the *client*?

No. A failure to prepare the required documentation would not *impair* the *member's independence* provided the understanding with the *attest client* had been established. However, the failure to document the understanding with the *attest client* would be considered a violation of the "[Compliance with Standards Rule](#)" (ET sec. 1.310.001). [Added prior to June 2005]

6. Does the "General Requirements for Performing Nonattest Services" interpretation require a *member* to document the *attest client's* review and approval of journal entries proposed by the *member*?

The "General Requirements for Performing Nonattest Services" interpretation does not require that the *member* document the *attest client's* review and approval of the journal entries. However, the *member* may wish to document the name of the individual designated by the *attest client* who reviewed and approved the journal entries and the date of his or her review to provide evidence that such review and approval took place. [Added prior to June 2005]

7. A *member's firm* does not require its clients to sign engagement letters for tax return preparation services. How does the documentation requirement under requirement c. of paragraph .01 of the "General Requirements for Performing Nonattest Services" interpretation apply with respect to these *clients*?

Tax compliance services performed for an *attest client* are nonattest services subject to the requirements of the "General Requirements for Performing Nonattest Services" interpretation. Therefore, the documentation requirement applies when the *member* provides tax compliance services to an *attest client*. However, the form of documentation is left to the *member's* discretion, and, provided that the documentation contains all of the required elements, the *member* may document his or her understanding with the *attest client* of the matters identified in requirement c. in a tax organizer or disclosure statement provided to the *attest client*, a memo in the tax or attest service working papers, or through other means. [Added prior to June 2005]

Bookkeeping services

1. A *member* records journal entries while performing monthly bookkeeping services without obtaining *attest client* approval. Would *independence be impaired*?

Yes. In order for the *member* to maintain his or her *independence*, an individual designated by the *attest client*, preferably within senior management, must review and approve the proposed journal entries. In addition, the *member* should be satisfied that the individual designated by the *attest client* understands the nature of the proposed entries and the impact the entries have on the *financial statements*. [Added prior to June 2005]

2. **During the course of providing monthly bookkeeping services, the *member* receives invoices from the *attest client* indicating approval for payment and identifying the appropriate general ledger accounts to record the transaction. The *member* prepares the *attest client's* checks for payment of those invoices, records the transactions in the *attest client's* general ledger system, and returns the checks to the *attest client* for approval and signature. The *member* does not have signature authority over the *attest client's* checking account. Would *independence* be *impaired*?**

No. Management determined and approved the appropriate account classifications, approved the invoices for payment, and reviewed and signed the prepared checks. [Added prior to June 2005]

3. **During the course of providing monthly bookkeeping services, the *member* discusses with *client* management the need to record recurring journal entries (for example, depreciation expense) each month in the general ledger. The *attest client* approves the recurring journal entries and makes any necessary decisions (for example, useful lives of the assets). The *member* then records these entries in the *attest client's* general ledger each month. Would *independence* be *impaired*?**

No. The *attest client* understands the general nature of the journal entries and the impact they have on its *financial statements*. [Added prior to June 2005]

4. **An *attest client* records all disbursements in its checkbook and identifies the type of expense (for example, telephone, rent, etc.) on the checkbook stubs. During the course of providing monthly bookkeeping services, the *member* assigns the general ledger account number based on the type of expense indicated by the *attest client* and records these payments in the *attest client's* accounting system. Would *independence* be *impaired*?**

No. The *member* would not be considered coding transactions. [Added prior to June 2005]

5. **During the course of performing an *attest engagement*, the *member* proposes adjustments to the *financial statement* to the *client* management. For example, the *member* might propose adjusting entries to correct the *client's* tax provision, deferred tax account, or depreciation and amortization account. *Client* management reviews the proposed entries and related supporting documentation, understands the impact on its *financial statements*, and records the adjustments identified by the *member*. Would the proposal of such entries constitute a nonattest bookkeeping service subject to the interpretations of the "Nonattest Services" subtopic?**

No. According to paragraph .04 of the "Scope and Applicability of Nonattest Services" interpretation, proposing entries as a result of the member's *attest engagement* is a normal part of those engagements and would not constitute performing a nonattest bookkeeping

service subject to the interpretations of the “Nonattest Services” subtopic. [Added prior to June 2005]

6. **A *member* is engaged to perform an audit for a *client* that records all transactions on a cash basis in its general ledger. During the audit process, the *member* identifies all appropriate journal entries required to convert the audit client’s general ledger to an accrual basis and prepares the *financial statements*, including footnotes, on the accrual basis in order to conform to U.S. generally accepted accounting principles (GAAP). The audit client reviews the entries and *financial statements*, including all footnote disclosures, and understands the impact these entries have on the *financial statements*. As part of the management representation letter, the audit client acknowledges responsibility for the *financial statements* and footnotes. Would these services be considered nonattest bookkeeping services subject to the interpretations of the “Nonattest Services” subtopic?**

If the engagement covers periods beginning on or after December 15, 2014, then providing these services will be considered nonattest services subject to the interpretations of the “Nonattest Services” subtopic including the “General Requirements for Performing Nonattest Services” interpretation. [Revised March 2015]

7. **The *member* prepares a bank reconciliation of a *client*’s bank account in connection with monthly bookkeeping services. The *client* reviews and approves the bank reconciliation. Would *independence* be *impaired*?**

No. According to paragraph .06 of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010), preparing reconciliations is a nonattest service, so as long as the safeguards from the “General Requirements for Performing Nonattest Services” interpretation are met, *independence* will not be *impaired*.

8. **A *member* performing bookkeeping services records adjusting and reclassification journal entries and compiles preliminary *financial statements*. The *member* delivers the *financial statements* and compilation report to the *attest client* and provides the *attest client* copies of the general ledger, journals, and journal entries, which contain a description of the nature of each entry. The *member* asks the *attest client* to review the journal entries and then asks whether the *attest client* has any questions about any of the entries. Would the requirements of the “General Requirements for Performing Nonattest Services” interpretation be met?**

Yes. Provided the *member* is satisfied that the *attest client* understands the nature and impact of the journal entries, the requirements of the “General Requirements for Performing Nonattest Services” interpretation would be met. [Added prior to June 2005]

9. **Must the *member* review the proposed journal entries and explain their impact on the *financial statements* to the *attest client* in person or can this review take place by phone, fax, mail, or email?**

The review process can take place in person; by phone, fax, mail, or email; or a combination thereof. Regardless of the method used, the *member* must be satisfied that the individual designated by the *attest client* has the skills, knowledge, and experience to understand the nature and impact of the journal entries on the *attest client's financial statements*. [Added prior to June 2005]

- 10. As part of performing bookkeeping services, a *member* records adjusting journal and reclassification entries and prepares the *attest client's preliminary financial statements*. The *member* does not review each and every journal entry with the *attest client*, but, rather, the *member* describes the nature of the journal entries and their impact on the *preliminary financial statements*. The *attest client* approves the *preliminary financial statements* and provides them to its bank. Would the requirements of the "General Requirements for Performing Nonattest Services" interpretation be met?**

Yes. Provided all of the other requirements of the "General Requirements for Performing Nonattest Services" interpretation are met. [Added prior to June 2005]

Controllership services

- 1. A *member* provides temporary controllership and other accounting services for *attest clients* during *client* maternity leaves, illnesses, and sudden departures. Do these activities *impair independence* under the "General Requirements for Performing Nonattest Services" interpretation?**

These services would be subject to the "General Requirements for Performing Nonattest Services" interpretation. If a *member* performs controller-type activities, *independence* would be *impaired* because such activities typically involve the performance of management responsibilities or the supervision of *client* employees. However, if the *member* performs temporary accounting and other services in compliance with the requirements of the "General Requirements for Performing Nonattest Services" interpretation, *independence* would not be *impaired*. In such circumstances, the *member* also should consider whether the duration or regularity of the services might nevertheless *impair independence*. Having the title of controller would *impair independence* regardless of the actual services performed. [Added prior to June 2005]

Tax services

- 1. The *member* performs year-end tax planning and prepares the tax returns for an *attest client*. Would these services be considered nonattest services and therefore subject to the requirements of the "Nonattest Services" subtopic?**

Yes. Tax services are considered nonattest services and are therefore subject to the requirements of the "Nonattest Services" subtopic, including the "General Requirements for

Performing Nonattest Services” interpretation, which requires among other things that the *member’s* understanding with the *client* with respect to the tax services be documented in writing.

2. **Do the interpretations of the “Nonattest Services” subtopic apply when the *member* prepares the personal tax returns of the owners and officers of an *attest client*? Does it matter whether the owners or officers pay for the services themselves or whether the *attest client* pays for the services?**

If the personal tax returns are prepared without having to rely on representations of the *attest client*, then the interpretations of the “Nonattest Services” subtopic would not apply. The mere fact that the *client* pays for the services also would not cause the interpretations of the “Nonattest Services” subtopic to apply. [Added prior to June 2005]

3. **Would providing nonattest services to an *attest client* in the *client’s* application of FASB *Accounting Standards Codification (ASC) 740-10-50, Income Taxes*, such as identifying potential uncertain tax positions, advising the *attest client* whether those tax positions meet the more-likely-than-not (MLTN) threshold, and calculating the related unrecognized tax benefits, *impair independence*?**

The provision of such nonattest services would not *impair independence* provided the individual designated by the *attest client* can make an informed judgment on the results of the *member’s* services and the other requirements of the “General Requirements for Performing Nonattest Services” interpretation are met. In meeting the requirements of this interpretation, the *member* may assist the *attest client* in understanding why the tax positions do or do not meet the MLTN threshold and the basis for any unrecognized tax benefit so that the *attest client* can accept responsibility for the amounts reported and disclosed in the *financial statements*. [Added July 2007 and reference to FASB ASC updated September 2009]

4. **The “[Tax Services](#)” interpretation (ET sec. 1.295.160) under the “Independence Rule” (ET sec. 1.200.001) provides that a “court encompasses a tax, district, or federal court of claims and the equivalent state, local, or foreign forums.” Are there any criteria that *members* could use that would indicate a forum is equivalent to a court?**

To determine what other forums may be equivalent to a court, *members* may consider criteria such as the following:

- The forum is presided over by a trier of fact who is independent of the taxing authority and is empowered to render a determination that is binding (absent appeal).
- The forum conducts formal proceedings governed by a set of procedural rules dealing with matters such as evidence and testimony.
- The forum is the last opportunity for the parties to present new factual evidence so that any appeal of the forum’s decisions would involve only a review of the forum’s records, including its factual or legal findings, and not an evidentiary hearing. [Added July 2017].

Information technology services¹

1. What criteria should a *member* use to determine whether an *attest client's* information system is unrelated to its *financial statements* or accounting records?

Information systems that produce information that is reflected in the amounts and disclosures in the *attest client's financial statements*, used in determining such amounts and disclosures, or used in effecting internal control over financial reporting are considered to be related to the *financial statements* and accounting records. However, information systems that are used only in connection with controlling the efficiency and effectiveness of operations are considered to be unrelated to the *financial statements* and accounting records. [Added prior to June 2005]

Appraisal, valuation, and actuarial services

1. Would assisting an *attest client* in applying FASB ASC 805, *Business Combinations*, or FASB ASC 350, *Intangibles—Goodwill and Other*, *impair independence* (for example, providing advice on the various valuation methodologies available and assumptions needed and providing valuation templates, software, or other tools so that the *attest client* can determine an appropriate value for acquired assets, goodwill, contingent consideration, and so on)?

When the *attest client* requests that the *member* perform valuation services or when the *member* is in essence performing the valuation for the *attest client* (such as when the *member* provides the *attest client* with a *firm*-developed template or software product or inserts amounts into a template or software product), the *member* should refer to the guidance in the “[Appraisal, Valuation, and Actuarial Services](#)” interpretation. Specifically, paragraph .02 states that services that involve a significant degree of subjectivity and whose results, individually or when combined with other valuations, appraisals, or actuarial services, are material to the *attest client's financial statements* will *impair independence*.

Valuations performed in connection with business combinations or appraisals of assets or liabilities normally have a material effect on *financial statements* and involve a significant degree of subjectivity.

Providing advice on the various valuation methodologies available and assumptions to be made in performing the valuation would not *impair independence* provided the requirements of the “General Requirements for Performing Nonattest Services” interpretation are met. These requirements include the *attest client* determining or approving all significant assumptions and matters of judgment and making an informed judgment on, and accepting responsibility for, the results of the service. In meeting the requirements of this interpretation,

¹ FAQs 1 through 6 and 8 deleted in July 2019 once the revised Information System Services interpretation was added to the online Code.

the *member* also may assist the *attest client* in understanding the accounting standards and the nature of the necessary accounting adjustments.

In addition, the *member* may provide the *attest client* with generic or standardized templates or software products not developed by the *firm* to assist the *attest client* with performing the valuation. Generic or standardized products are those in which formulas are well established and subject to only minor judgments or interpretations. Accordingly, it is reasonable to expect that the result produced by such products will be similar to the result that would be produced by other vendors' products. [Added August 2008 and references to FASB ASC updated September 2009].

Training services

1. **An *attest client* is implementing changes to its financial reporting system or process (for example, implementing International Financial Reporting Standards [IFRS] or eXtensible Business Reporting Language [XBRL]). Would a *member's independence be impaired* if he or she provided training to the *attest client* related to such system or process?**

A *member's independence* would not be *impaired* if he or she provides *attest client* personnel with a general understanding of the financial reporting system or process (FRP). If *attest client* personnel already have a general understanding of the FRP, the *member* may provide more specific training to *attest client* personnel on how the system or process applies to the *attest client's* specific circumstances. In providing training services, however, the *member* should ensure that such nonattest services do not involve supervising *attest client* personnel in either the implementation or daily operation of the FRP, or in performing other management responsibilities such as making FRP operational decisions or implementing the internal controls necessary for the FRP to run effectively. [Added February 2010]

Project management services

1. **Will a *member's independence be impaired* if the *member* manages a project for an *attest client* (such as implementing an *attest client's* cybersecurity program, converting the *attest client's* FRP from U.S. GAAP to IFRS, or implementing XBRL)?**

Yes. Taking responsibility for the management of an *attest client's* project will *impair* a *member's independence*. This would be true even if the project did not impact *the financial statements*.

Independence, however, will not be *impaired* if management makes all decisions related to the project and the *member's* involvement is limited to providing assistance, advice, suggestions, and recommendations regarding matters that are within the *member's* areas of knowledge or experience. Such activities might include (a) providing advice about how to improve the *attest client's* infrastructure security, (b) providing advice about either the tagging of XBRL-formatted or the preparation of IFRS-based *financial statements*, (c) providing

feedback on management's plans, including how management will prioritize its activities, and (d) assisting the *attest client* with its understanding of the general considerations for the project. [Issued February 2010 and updated April 2017]

2. **Would a *member's independence* be *impaired* if he or she assisted *attest client* management with its determination of whether or not to proceed with a project (for example, converting its FRP from U.S. GAAP to IFRS or implementing XBRL for its financial statements)?**

Provided the member only assists the *attest client* by providing guidance on the conversion or implementation issues and does not make the decision of whether or not to proceed with the project, the *member's independence* would not be *impaired*. For example, such assistance may include (a) helping gather information that management will use to conduct its analysis or (b) providing advice and making recommendations on the assumptions management plans to use in its analysis. [Added February 2010]

Cybersecurity services

1. **May a *member* provide general training or informational sessions on cybersecurity issues to an *attest client* without *impairing independence*?**

Yes. A *member* may provide these services as long as the *member's* services are only advisory in nature and the *member* complies with the applicable interpretations under the "Nonattest Services" subtopic, including the "General Requirements for Performing Nonattest Services" interpretation and the "[Advisory Services](#)" interpretation (ET sec. 1.295.105). For example, the *member* may provide informational training sessions related to guidance issued by the National Institute of Standards and Technology (NIST). [Added April 2017]

2. **May a *member* conduct a best practice review of an *attest client's* cybersecurity practices that would include benchmarking the *attest client's* current cybersecurity infrastructure and procedures against the NIST Cybersecurity Framework (CSF) or other established framework without *impairing independence*?**

Yes. A member may conduct such a review provided the *member's* services are only advisory in nature (that is, result only in recommendations to the *attest client*) and the *member* complies with the applicable interpretations under the "Nonattest" Services subtopic including the "General Requirements for Performing Nonattest Services" interpretation and the "Advisory Services" interpretation. [Added April 2017]

3. **Will a *member's independence* be *impaired* if the *member* accepts responsibility for the design, development, or implementation of an *attest client's* policies and procedures for cybersecurity threats and practices?**

Yes. A *member's independence* will be *impaired* because the *member* will have assumed a management responsibility. [Added April 2017]

- 4. Will a *member's independence* be *impaired* if the *member* evaluates an *attest client's* cybersecurity program and provides advice and recommendations to the *attest client* on improving the company's policies, procedures, and internal control relating to cybersecurity threats and practices?**

No. A *member's independence* will not be impaired, provided the *member's* services are only advisory in nature and the *member* complies with the applicable interpretations under the "Nonattest Services" subtopic including the "General Requirements for Performing Nonattest Services" interpretation and the "Advisory Services" interpretation. [Added April 2017]

- 5. Will a *member's independence* be *impaired* if the *member* provides an *attest client* with "attack and penetration" testing relating to its cybersecurity?**

It depends. A *member's independence* will be *impaired* if the "attack and penetration" testing is done by performing ongoing evaluations of the *attest client's* controls as part of the *attest client's* monitoring activities. Ongoing evaluations monitor the presence and functioning of controls in the ordinary course of managing the *attest client's* business. These activities would result in the *member* accepting responsibility for maintaining the *attest client's* internal control, which would be assuming a management responsibility.

However, the *member* may be able to provide "attack and penetration" testing without *impairing independence* if the testing is done by performing separate evaluations of the controls. The scope and frequency of such separate evaluations are a matter of judgment. They may be conducted periodically but, unlike ongoing evaluations, are not routine operations built into the *attest client's* business processes. As with the provision of any nonattest service, the *member* needs to comply with the applicable interpretations under the "Nonattest Services" subtopic including the "General Requirements for Performing Nonattest Services" interpretation (ET sec. 1.295.040) and the "Advisory Services" interpretation. [Added April 2017]

Hosting services

- 1. A *member* uses a third-party subscription clearinghouse to issue attest reports. Is the subscription clearinghouse considered a *member's* portal under item e. in paragraph .04 of the "[Hosting Services](#)" interpretation (ET sec. 1.295.143) under the "Independence Rule"?**

No, the subscription clearinghouse would not be considered a *member's* portal if all of the following criteria are met:

- a. The platform is a document repository designed to facilitate document exchange between users.

- b. The platform is hosted, run, and controlled entirely by a third-party vendor that is not the *member*.
- c. The *member*, *attest client*, and other subscription clearinghouse *members* have their own user agreements with the third-party vendor.

[Added February 2019]

2. Must a *member* terminate a client’s access to data or records covered by the “Hosting Services” interpretation and relate to an engagement completed prior to July 1, 2019?

The *member* is not required to terminate such access prior to July 1, 2019 in order to be in compliance with the “Hosting Services” interpretation. However, upon the effective date, the *member* should terminate access to such records within a reasonable period of time (see FAQ 3 in the Hosting Services section of this document). [Added February 2019]

3. Item (e) in paragraph .04 of the “Hosting Services” interpretation indicates that to avoid providing hosting services, *members* should terminate an *attest client’s* access to the data or records in the portal within a reasonable period after the conclusion of the engagement. What is a reasonable period?

Members should use professional judgment when determining what a reasonable period of time would be for the specific data or records. The period of time should be practical in that it provides the *client* sufficient time to retrieve the information from within the portal and not cause the *member* undue hardship. The period of time should also be limited in duration and should not be extensive. A period of time that is consistent with the *member’s* documentation retention policy or a statute of limitations that continues for multiple years would likely be considered extensive and therefore not limited in duration. For some situations, the *member* may conclude that no undue hardship would occur within a relatively brief period of time, such as 60 days, and therefore this would be a reasonable period of time for the *client* to retrieve data or records before access is terminated. In other circumstances, a reasonable period of time may be closer to a year in order to avoid undue hardship for the *member*. [Added February 2019]

4. A *member* prepares and transmits an *attest client’s* income tax return and related schedules (return) in accordance with the “Tax Services” interpretation under the “Independence Rule” and sends the filed return to the *attest client* using the *member’s* portal. Must the *member* terminate the *attest client’s* access to that return within a reasonable period after preparing and transmitting the return to avoid providing hosting services?

Yes. Item (e) in paragraph .04 of the “Hosting Services” interpretation indicates that to avoid providing hosting services, *members* should terminate an *attest client’s* access to the data or records in the portal within a reasonable period after the conclusion of the engagement. [Added February 2019]

5. **An attest client hires a member to do permitted bookkeeping services. If the member uses a general ledger software program that is only on the member's server or a server leased by the member (that is, the attest client does not have a separate instance of the general ledger software) to support the member with providing such services, would the member be providing hosting services to the attest client?**

It depends on the specific facts and circumstances. If the member (a) is not keeping the attest client's data or records on the attest client's behalf and (b) has provided information to the attest client through electronic or other means such that the attest client's data and records are in sufficient detail to be considered complete and enable the attest client to accept responsibility for the permitted bookkeeping services (as currently required by the "General Requirements for Performing Nonattest Services" interpretation), the member would not be providing hosting services. Under these circumstances, even though the attest client would not have a separate instance of the general ledger software, the member would still not be viewed as providing hosting services because the member has not accepted responsibility to act as the sole host of a financial or nonfinancial information system of the attest client; rather the member is using the software to support the services the member is providing. [Added February 2019 and updated January 2020]

6. **A member provides an attest client access to sales tax computation software on the member's server. The attest client inputs its original data, and the software calculates the sales tax and generates a tax return, which the attest client downloads and files. Which actions could the member take to avoid providing hosting services?**

To avoid performing hosting services, the member may wish to consider the following:

- a. In obtaining an understanding with the attest client about the scope of the service in accordance with paragraph .01 of the "Documentation Requirements When Providing Nonattest Services," specify that it is the attest client's responsibility to maintain its original data and records as well as the information produced by the system (information) and that the member has no responsibility to safeguard or maintain any of these data, records, or information.
- b. The client's access to the data, records, and information in the system is terminated after a reasonable period.

[Added February 2019]

7. **A member returned an attest client's data or records used to perform a professional service but retained a copy as documentation in support of the member's service. Would the member be providing hosting services if the member complied with the attest client's subsequent request for a copy of its data or records?**

No. Item a. in paragraph .04 of the "Hosting Services" interpretation allows a member to retain copies of an attest client's original data or records as documentation that supports the member's professional service. An occasional request by the attest client for copies of original data or records would not, in and of itself, mean that the member was providing hosting services. However, the member should be alert to a situation in which the attest client

repeatedly requests copies of data or records, which may signify that the *member* has begun providing hosting services as a de facto repository for the *attest client's* data or records. If such situation exists, the *member* should evaluate whether in fact a de facto repository relationship exists and weigh its future impact on *independence*. [Added February 2019]

8. **An *attest client* provides a *member* with data and records for the *member* to prepare the *attest client's* tax return. The *member* prepares the *attest client's* tax return and provides the completed tax return to the *attest client*. Must the *member* provide the *attest client* with any other information to avoid providing hosting services under items (b) or (c) in paragraph .01 of the "Hosting Services" interpretation?**

As currently required by the "General Requirements for Performing Nonattest Services" interpretation, in addition to the tax return, the *member* must provide the *attest client* with information needed for the *attest client* to be able to accept responsibility for the return. [Added January 2020]

9. **An *attest client* requests information previously provided by the *member*. Does that mean that the *member* is providing hosting services?**

It depends. *Members* should evaluate the specific facts and circumstances to determine whether the request indicates that the *attest client* is relying on the *member* to maintain the *attest client's* data or records. If the *member* determines the *attest client* is relying on the *member*, the *member* would be providing hosting services if the *member* continues to provide the client with such records. For example, if an *attest client* makes repeated requests for a copy of a tax return, one could conclude the *attest client* is relying on the *member* to maintain its records, and the *member* would be providing a de facto nonattest hosting service by providing the requested tax return repeatedly. On the other hand, if the *attest client* asks the *member* to provide a copy of a document (such as a tax return) to a lending institution to expedite a loan approval, accommodating the *attest client's* request may not indicate the *attest client* is relying on the *member* to maintain its records. [Added January 2020]

10. **In order to avoid impairing independence, when should a *member* provide an *attest client* with accounting or other records that the *member* prepared (but was not specifically engaged to prepare) and that are not in the *attest client's* books and records or are not otherwise available to the *attest client*?**

The *member* should provide the *attest client* with this information at the time the nonattest services are completed (as opposed to when the *attest client* makes the request) if such information is necessary for the *attest client* to accept responsibility for the permissible nonattest service as required by the "General Requirements for Performing Nonattest Services" interpretation.

As a reminder, when the *client* is not an *attest client*, *members* do not need to apply the "Independence Rule" and related interpretations. Rather, in order to avoid a violation of the "Acts Discreditable Rule" (ET sec. 1.400.001), *members* should refer to the "[Records](#)"

[Request](#)” interpretation (ET sec. 1.400.200) to understand when this information needs to be provided. [Added January 2020]

11. Is there any language that could be added to engagement letters (attest or nonattest) to clarify that a member’s firm cannot accept responsibility for maintaining an attest client’s data and records?

Yes. Your firm could consider adding the following sample language to attest client engagement letters for either attest or nonattest services:

As an attest client [*or affiliate of an attest client*²], [*firm name*] cannot store your documents, data, or records on your behalf because doing so will impair [*firm name*]’s independence. This is in accordance with the “Hosting Services” interpretation (see ET sec. 1.295.143) of the AICPA Code of Professional Conduct. [*Client name*] is solely responsible for maintaining its own data and records.

[Added October 2021]

12. If the firm uses a portal to provide attest clients with member-prepared records or member work products, is there language that could be added to engagement letters (attest or nonattest) to explain what action the firm is taking to avoid inadvertently providing hosting services?

Yes. Your firm could consider adding the following sample language to attest client engagement letters for either attest or nonattest services:

[*Firm name*] does not host any [*client name*]’s information. [*Name of portal or method of data transfer*] is used solely to transfer data and is not intended for the storage of [*client name*]’s information. [*Client name*] is solely responsible for downloading any deliverables and other records from the [*name of portal or method of data transfer*] that [*client name*] wishes to retain for its own records at the completion of the engagement. If this engagement occurs over multiple years, [*client name*] should download such information at least annually.

The data and deliverables and other records will either be removed from the [*name of portal or method of data transfer*] or otherwise become unavailable to [*client name*] [*specify what that time frame is*]. If the engagement is multi-year, the completion of the engagement occurs each year when the deliverables for that year are delivered to [*client name*].

[Added October 2021]

² Your firm may consider adding the client affiliates if it is determined that the exception found in paragraph .02b of the “Client Affiliates” interpretation (ET sec. 1.224.010) does not apply.

13. If the firm uses a portal to exchange information with *attest clients*, is there language that could be added to engagement letters (attest or nonattest) to explain what action the member’s firm is taking to avoid inadvertently providing hosting services?

Yes. Your firm could consider adding the following sample language to engagement letters for either attest or nonattest services:

[Firm name] does not host any *[client name]*’s information. *[Name of portal or method of data transfer]* is used solely as a method of transferring data and is not intended for the storage of *[client name]*’s information. Upon conclusion of the engagement, *[firm name]* will provide *[client name]* with a copy of the deliverables and relevant data from the *[name of portal or method of data transfer]* relating to the engagement in a mutually agreed-upon format. If the engagement occurs over multiple years, this exchange will occur at least annually.

The data and other content will either be removed from the *[name of portal or method of data transfer]* or become unavailable to *[client name]* within a reasonable period of time *[could specify what that time frame is]*. If the engagement is multi-year, the completion of the engagement occurs each year when the deliverables are completed for that year.
[Added October 2021]