



National Association of State Boards of Accountancy

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February 6, 2019

Ms. Barbara Andrews  
Forensic and Valuation Services Executive Committee (FVSEC)  
American Institute of Certified Public Accountants (AICPA)  
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Via email: [Barbara.Andrews@aicpa-cima.com](mailto:Barbara.Andrews@aicpa-cima.com)

**Re: Exposure Draft – Statement on Standards for Forensic Services**

Dear Members of the AICPA Forensic and Valuation Services Executive Committee:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments on the Statement on Standards for Forensic Services (Exposure Draft). NASBA’s mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs.

In furtherance of that objective, NASBA offers the following comments on the Exposure Draft.

**General**

NASBA appreciates the FVSEC for taking on the challenge of developing a forensic standard to be used in litigation and investigation professional services. We agree that the growth and demand for forensic services continues. The development of a forensic standard will enhance the overall quality and consistency of such services by providing more authoritative guidance. NASBA is overall supportive of the proposed standard as it serves to protect the public interest.

The Statement on Standards for Forensic Services No. 1 (Statement) references the AICPA’s Code of Professional Conduct (Code) throughout. To improve readability for CPAs, we recommend including the actual language from the Code in certain instances. For example, including the definition of the “client” from the Code in the Statement would be beneficial as the concept is key to applying the provisions of the Statement.

## **Specific Topics**

### *Client Interest*

The first bullet under Client Interest in paragraph 5 describes integrity. The integrity definition requires CPAs to be “honest and candid within the constraints of client confidentiality.” How is the context of client confidentiality impacted in situations where the CPA is engaged by an attorney? The definition of the client in the Code states “when the engaging entity and the subject entity are different, while there is only one engagement, they are separate clients.” It seems like in these circumstances there might also be attorney/client privilege.

In protection of the public interest, it seems that serving the client interest should be subject to the requirements of the court. Further guidance in the Statement may be warranted to address these types of situations.

The second bullet under Client Interest in paragraph 5 introduces the concept of independence; however, it is not clear whether independence applies to these services. We recommend that the Statement explicitly state whether independence is required. Further, we recommend the Statement provide guidance to the CPA about disclosure and reporting in situations when the CPA is not independent if independence is not required to perform these services.

### *Communication with Client*

Communication with the client in paragraph 5 requires the CPA to inform the client of conflicts of interest. These types of engagement require extensive due diligence during the acceptance process. Further guidance in this area may be warranted including examples of potential conflicts of interest.

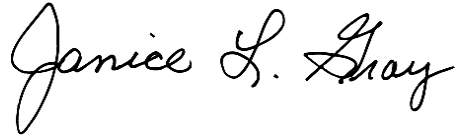
Item (b) of Communication with Client holds that the CPA must inform the client of “significant reservations concerning the scope or benefits of the engagement.” It is not clear why the client would be or should be advised of the benefits of a forensic engagement. Also, the Statement does not address why a CPA should accept an engagement if the CPA has “significant reservations concerning the scope” of the engagement. Further guidance and examples in these areas may be warranted.

### *Licensure Requirement*

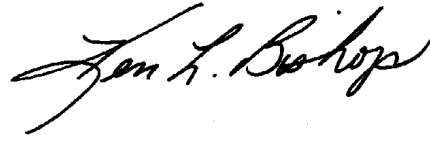
NASBA is aware of certain states in which the court of law requires the member to be licensed in the state in order to provide certain services such as expert witness testimony. It might be beneficial to include licensure requirement as a consideration within the Statement as part of the engagement acceptance process.

We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

A handwritten signature in black ink that reads "Janice L. Gray". The signature is written in a cursive style with a large initial "J".

Janice L. Gray, CPA  
Chair

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is written in a cursive style with a large initial "K".

Ken L. Bishop  
President & CEO