



National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web www.nasba.org

March 11, 2025

Professional Ethics Executive Committee
American Institute of Certified Public Accountants
1345 Avenue of the Americas
New York, NY 10105

Via e-mail: ethics-exposedraft@aicpa.org

Re: Exposure Draft: Proposed revisions related to simultaneous employment or association with an attest client

Dear Members and Staff of the AICPA Professional Ethics Executive Committee (PEEC):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Exposure Draft, *Proposed revisions related to simultaneous employment or association with an attest client* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) 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. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA supports the PEEC in this initiative. We have reviewed the Exposure Draft and offer the following comments.

Comments on Specific Questions

a. Do you agree that covered members should be prohibited from being simultaneously employed or associated with an attest client? If not, please explain.

NASBA agrees that covered members should be prohibited from being simultaneously employed or associated with an attest client.

b. Do you agree all partners and professional employees should be restricted from holding a key position or serving in a governance role at an attest client? If not, please explain.

NASBA agrees that all partners and professional employees should be restricted from holding a key position or serving in a governance role at an attest client.

c. Do you agree with the new definition of “simultaneously employed” or “associated”? If not, please explain your rationale and suggest possible adjustment

NASBA agrees with the new definition of “simultaneously employed” or “associated”.

d. Do you agree that a partner or professional employee of a firm should report to the appropriate person at the firm the intention to accept an offer to become simultaneously employed or associated with an attest client?

NASBA agrees that a partner or professional employee of a firm should report to the appropriate person at the firm the intention to accept an offer to become simultaneously employed or associated with an attest client. The explanatory memorandum provides the example that the appropriate person identified by the firm could be someone from the firm’s independence office or the lead audit or quality control partner as that would be consistent with the “Client Affiliates” interpretation (ET sec. 1.224.010) and the “Considering Employment or Association with Attest Client” interpretation. Since “appropriate person” is not a defined term and appears in other contexts in the Code, NASBA recommends including a link or footnote to the interpretations referenced in the explanatory memorandum in paragraph .02 b. to provide guidance for the term.

e. Paragraph .03 of the proposed interpretation provides for an inadvertent breach related to the reporting requirement. Do you agree with this inclusion?

NASBA agrees with the inclusion of an inadvertent breach related to the reporting requirement in paragraph .03 of the proposed interpretation.

f. Paragraph .04 of the proposed interpretation provides examples of how an individual might assess facts and circumstances when evaluating threats. Do you find these examples helpful? Are there any you would suggest be added or deleted?

NASBA believes the examples of how an individual might assess facts and circumstances when evaluating threats in paragraph .04 are helpful and comprehensive. NASBA has no additional suggestions.

g. Paragraphs .04-.06 of the proposed interpretation outline factors to consider when assessing threats and potential safeguards. Are these factors appropriate? Are there any factors to consider that are not addressed?

NASBA believes the factors to consider when assessing threats and potential safeguards are appropriate. NASBA recommends that the safeguard example in paragraph .06 b. include “and role” to mirror the language used in the example factor paragraph .04 a. such that the phrase “individual’s position and role at the *attest client*” is used in both so that title and responsibilities are considered.

h. Do you believe that the conceptual framework can appropriately address the threats created by a partner or professional employee (who is not also simultaneously employed or associated with the attest client in a key position) carrying out activities to be management responsibilities as described in the “Management Responsibilities” interpretation (ET sec. 1.295.030)? If not, please explain.

NASBA believes that the conceptual framework can appropriately address the threats created by a partner or professional employee carrying out activities to be management responsibilities as described in the “Management Responsibilities” interpretation (ET sec. 1.295.030).

i. Do you believe the adoption of the proposed interpretation would create inconsistency with the “Staff Augmentation Arrangements” interpretation (ET sec. 1.275.007)? If so, please explain.

NASBA believes that the adoption of the proposed interpretation would not create inconsistencies with the “Staff Augmentation Arrangements” interpretation (ET sec. 1.275.007).

j. Do you agree with the proposed guidance for independent contractors? If not, please explain.

NASBA agrees with the proposed guidance for independent contractors.

k. PEEC initially charged the task force with determining whether an exception should exist for individuals employed by the armed services. The proposed interpretation extends this exception to include conflicts with other relevant employment laws or regulations at the federal, state, and local levels. Do you agree that the exceptions presented in the exposure draft are appropriate? If not, please explain.

NASBA agrees that the exceptions presented in the exposure draft are appropriate.

l. Are there any issues unaddressed by the proposed definition and interpretation that should be addressed?

Paragraph .10 of the proposed interpretation “Simultaneous Employment of Association with an Attest Client” (ET sec. 1.275.005) provides an exception when a partner or professional employee of the member’s firm serves as an adjunct faculty member of an educational institution that is an attest client as long as the partner or professional employee meets the safeguards provided.

Another common situation is a partner serving on an advisory board of an educational institution that is an attest client. Educational institutions often seek participation for advisory boards from the local office due to proximity and, for the same reason, the local office is often engaged to perform the attest engagement. The partner could potentially be a covered member due to being located in the same office in which the lead attest engagement partner primarily practices in connection with the attest engagement. However, advisory boards generally provide feedback and insights from

those in practice and industry to the school of accountancy at the educational institution and are not responsible for overseeing the strategic direction or the financial reporting process of the educational institution as those charged with governance. Could the same exception for the adjunct faculty member apply to this common volunteer activity if the safeguards in paragraph .10 are met?

Further, while these two situations may be common, we believe there could be many other situations where a covered member is volunteering for a not-for-profit or governmental client in a manner that is unlikely to have any effect on the objectivity of the engagement team. Clearly, serving as a controller for an attest client as a volunteer would not be acceptable. On the other hand, a partner volunteering to serve food in a soup kitchen of a not-for-profit client is unlikely to impact the objectivity of an engagement team out of the same office that is performing the audit of that not-for-profit organization. We suggest that the exceptions be extended such that paragraph .01a would not apply to volunteer positions that are not governance roles or key positions. In such cases, the provisions in paragraph .02 would still apply.

NASBA believes that more examples of common situations in which this interpretation would be applied would be helpful for consistent implementation.

* * * * *

We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Maria E. Caldwell

Daniel J. Dustin

Maria E. Caldwell, CPA
NASBA Chair

Daniel J. Dustin, CPA
NASBA President and CEO