



RSM US LLP

June 15, 2023

Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via email to ethics-exposedraft@aicpa.org

Re: Exposure Draft, *Proposed new and revised interpretations related to fees*, AICPA Professional Ethics Division – March 15, 2023

RSM US LLP (RSM) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (AICPA) Professional Ethics Division's March 15, 2023, Exposure Draft, *Proposed new and revised interpretations related to fees* (the Exposure Draft). RSM is a leading provider of audit, tax and consulting services focused on the middle market.

As requested, we have the following comments on the specific aspects of the proposed interpretations and revisions upon which PEEC is seeking feedback:

Use of Covered Member

- a. *Do you agree with the use of "covered member" in the proposed new interpretations? If you disagree, please explain why.*

We agree with the use of *covered member* in the proposed new interpretations.

Engagement Scope

- b. *Do you agree with the engagement scope in the proposed new interpretations, especially where the proposed scope goes beyond IESBA's? If you disagree, please explain why.*

We agree with including both entities that a *financial statement attest client* can control and over which it has *significant influence* that are material to the *financial statement attest client* in the proposed new "Fee Dependency" interpretation. For consistency of application, we believe this same scope should apply to a *financial statement attest client* in the proposed new "Determining Fees for an Attest Engagement" interpretation.

Threats Related to Fee Dependency

- c. *Is it clear that threats related to fee dependency should be considered each year, not just at year five?*

We do not believe it is clear in proposed new interpretation 1.230.040 that fee dependency should be considered (evaluated under the Conceptual Framework for Independence) each year prior to year five. See response to immediately following question.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Considerations in Paragraphs 12–14, 22 and 23

- d. *Do you believe the considerations in paragraphs 12–14, 22 and 23 of the explanation should be included either in the proposed interpretations or as nonauthoritative guidance? If so, please explain why.*

We believe proposed new interpretation 1.230.040 should be revised to require that fee dependency be evaluated under the Conceptual Framework for Independence in each year one through four based upon the considerations in paragraphs 12–14 of the Exposure Draft.

It would be helpful if the considerations in paragraphs 22–23 were incorporated into Section 1.295.020 Cumulative Effect on Independence When Providing Multiple Nonattest Services. If that cannot be accomplished at this time, nonauthoritative guidance would be helpful.

Total Fees From an Attest Client

- e. *Do you agree that total fees from an attest client should include fees received from entities described under items (a) and (b) of the definition of “affiliate”? If you disagree, please explain why.*

We agree that total fees received from a *financial statement attest client* should include fees received from entities described under items (a) and (b) of the definition of *affiliate*.

Proposed Effective Date

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

Unless the proposed new and revised interpretations are issued in final form before December 31, 2023, we do not believe the proposed effective date of January 1, 2025, provides sufficient time for firms to effectively implement these new requirements.

We also offer the following comments on each new and revised Interpretation:

1.230.030 Determining Fees for an Attest Engagement

We agree that determining fees to be charged to an *attest client*, whether for attest services or other services, is a business decision that is generally market driven. However, we are concerned that demonstrating that *attest engagement* fees were not influenced by the *firm's* provision of other services to an *attest client* may be overly burdensome. Further, we believe that the self-interest and undue influence threats related to the influence of other services fees on the *attest engagement* fee can often be reduced to an acceptable level when evaluated based on the considerations discussed in paragraph 22 of the Exposure Draft and the application of safeguards such as those set forth in the examples in paragraph 23 of the Exposure Draft. Consequently, we believe this proposed new interpretation is overly restrictive.

1.230.040 Fee Dependency

We believe the example in paragraph .02 of how a *covered member* might calculate the total fees of the *firm* is unnecessary and recommend paragraph .02 be revised to simply state, “In calculating the total fees of the *firm*, the *covered member* should include fees from attest and nonattest services, excluding fees to other *network firms* within the *firm's network*.”

We are unsure of how to apply paragraph .04b., which states, “... an appropriate reviewer, who is not a member of the *firm* issuing the report or a professional body, reviews the fifth year's attest work.” Should

there be a comma between “report” and “or” such that a review by a professional body satisfies the requirement? If so, this could be clarified by stating whether this would be any professional body or whether this is intended to cover a situation where the engagement is subject to a peer review.

1.210.010 Conceptual Framework for Independence

We do not understand and think it should be clarified regarding why the *self-interest threat* related to fee dependency applies to both the *member* and the member’s *firm* while the *undue influence threat* related to the proportion of fees generated by providing nonattest services only relates to the *firm*.

1.224.010 Client Affiliates

As stated previously, we believe only entities included in categories (a) and (b) of the definition of *affiliate* should be included when applying proposed new interpretation 1.230.030, as well as 1.230.040. Also, for consistency, we believe only those affiliates should be included when applying Section 1.295.020 Cumulative Effect on Independence When Providing Multiple Nonattest Services.

We appreciate this opportunity to provide feedback on the Exposure Draft and would be pleased to respond to any questions you may have. Please direct any questions regarding this letter to Claire Blanton, National Director of Independence, Compliance and Ethics, at 704.206.7271.

Sincerely,

RSM US LLP

RSM US LLP