

August 29, 2022

Attn: AICPA Professional Ethics Executive Committee  
Ethics-Exposuredraft@aicpa.org.

Re: Exposure Draft – Proposed revised interpretations and definitions: Compliance Audits

AICPA PEEC:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs (TXCPA). The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below on the above-referenced exposure draft.

Requests for Comment:

A. Is the definition of “compliance audit” clear? If not, please explain how it should be clarified.

Response:

The PSC believes the revised definitions are adequate and assist in clarifying applicability of independence rules. The revised definitions appear to accurately carve out exceptions to the existing rules.

B. Is the definition of “compliance audit attest client” clear? If not, please explain how it should be clarified.

Response:

The definition appears to explain what is not a compliance audit attest client rather than what is a compliance audit attest client. However, the definition does provide helpful guidance for compliance audits not performed in conjunction with financial statement audits.

C. Do you agree that there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential? If you disagree, please explain why.

Response:

The PSC agrees that exceptions to the independence rules as explained in the exposure draft are logical and adequate.

D. Do you agree that the affiliates’ interpretations should not apply in a compliance audit? If you disagree, please explain why.

Response:

The PSC agrees that affiliates’ interpretations should not apply in a compliance audit.

E. Do you agree that the revision in each of the affiliates' interpretations serves as a useful reminder that these interpretations do not apply to specific attest engagements (e.g., compliance audits and engagements performed under the SSAEs)? If you disagree, please explain why.

Response:

The PSC agrees that the revisions in the affiliates' interpretations provide clarification on what does and does not constitute a financial statement audit. The proposed guidance should eliminate confusion in this determination.

F. Do you agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore are not subject to the "Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements" subtopic (ET section 1.297)? If you disagree, please explain why.

Response:

The PSC agrees that entities not subject to compliance attestation procedures are not subject to independence rules.

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

Response:

The effective date provides adequate time to implement the proposed guidance. We think that early implementation would be beneficial to smaller entities.

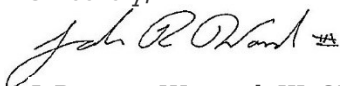
H. What independence requirements applicable to compliance audits would you like further explained through nonauthoritative guidance?

Response:

The independence requirements applicable to compliance audits have been adequately explained in the proposed guidance. The PSC believes that the independence rules should remain principal based and not rule based. Additionally, specific examples would be helpful in assisting audit firms that do not perform a lot of these types of engagements to determine applicability of the requirements since single audits may be newly required for some clients due to COVID relief money received.

We appreciate the opportunity to provide input on this exposure draft of revised interpretations and definitions concerning compliance audits.

Sincerely,



J. Ramsey Womack III, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants