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Comment letters on Proposed Statements on Responsibilities in Personal Financial Planning Practice: Working With Other Advisers and Implementation Engagement Functions and Responsibilities

American Institute of Certified Public Accountants. Statements on Responsibilities in PFP Practice Subcommittee

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AICPA

INTERNAL MEMORANDUM

Date: July 26, 1993
To: Karen Neloms
Library Services
From: Steve Rojas
Personal Financial Planning
Subject: Exposure Draft Comments



Enclosed are copies of written comments received on the exposure drafts of the following proposed Statements on Responsibilities in Personal Financial Planning Practice:

- *Working With Other Advisers*
- *Implementation Engagement Functions and Responsibilities*

These comments should be available for public inspection through July 31, 1994.

If you have any questions or need additional information, please call me at extension 3196.

July 14, 1993

PROPOSED STATEMENT ON RESPONSIBILITIES IN
PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISORS

SUMMARY STATEMENTS

<u>Number</u>	<u>Organization</u>	<u>Name/Address</u>	<u>Para. No.</u>
1.	Self	Benjamin Podgor Attorney & Counsellor at Law 32 Abbey Street Massapequa Park, NY 11762	
2.	Self, NJSCPA, NJSCPA Quality Control Cmte.	Paul C. Young, CPA 4th Floor 111 Broadway New York, NY 10006	
3.	Self	Virginia M.K. Stanley, CPA 1201 Eubank NE, Suite 2 Albuquerque, NM 87112	
4.	Self	Frank M. Lusebrink Rehmann Robson & Co., CPAs 105 E. Michigan P.O. Box 449 Jackson, MI 49204	
5.	Self	H. K. Dick Dameron, CPA/PFS Poore, Dameron & Plopa, CPAs 820 North Main Wichita, KS 67203	
6.	Self	Ronald H. Holm, CPA 4 North Minnesota Street New Ulm, MN 56073-1728	10

<u>Number</u>	<u>Organization</u>	<u>Name/Address</u>	<u>Para. No.</u>
7.	Self	Thomas P. Machuga, CLU 418 New London Turnpike Glastonbury, CT 06033	
8.	Self	Houston D. Smith, Jr., CPA/PFS Smith and Raab, P.C. 400 First Union Building 250 East Ponce de Leon Avenue Decatur, GA 30030	9
9.	Self	J. Ben Vernazza, CPA/PFS	Add. to 9
10.	Self, PCPS Technical Issues Cmte.	Judith H. O'Dell, Chair PCPS Technical Issues Cmte. 1211 Ave. of the Americas New York, NY 10036-8775	
11.	Chairman, New Hampshire Society of CPAs, PFP Committee	Stephen J. Ferrari, CPA Smith, Batchelder & Rugg, CPAs 77 Pearl Street Manchester, NH 03101-1464 (Member Comment: Robt. Hodge)	11
12.	PFP Committee, Indiana CPA Society	Anthony C. Wrobel, CPA Price Waterhouse 202 South Michigan Street South Bend, IN 46601	6, 7, 10
13.	Self	Texas Society of Certified Public Accountants PFP Committee, Ste. 100 1421 W. Mockingbird Lane Dallas, TX 75247-4957	1(b)
14.	Self	Hulene Dian Hill, CPA Hodge, Steward & Company, P.A. P.O. Box 41168 Raleigh, NC 27629	8 9c 12

<u>Number</u>	<u>Organization</u>	<u>Name/Address</u>	<u>Para. No.</u>
15.	Self	Mitchell Freedman, CPA Mitchell Freedman Accountancy Corp. 15260 Ventura Boulevard Ste. 940 Sherman Oaks, CA 91403	8, 9c 12
16.	D.C. Institute of CPA's; Chair, PFP Cmtc.	Lisa G. Rudolph, CPA Arthur Andersen & Co. 8251 Greensboro Dr., Ste. 400 McLean, VA 22102	
17.	Self	Loretta McClary Feeley & Driscoll, P.C. 100 North Washington St. Boston, MA 02114	14
18.	Chair, Accting & Auditing Standards Cmtc., LA Society of CPAs	Glenn J. Vice, CPA Kelton & Company P.O. Box 4053 Houma, LA 70361	
19.	Chairman, MACPA PFP Cmtc.	Michael C. Palazzola, CPA Derderian, Kann, Seyferth & Salucci, PC Ste. 520 3001 W. Big Beaver Road Troy, MI 48084-3146 Comm: Richard Connell	9, 12 B 7, C5
20.	Coopers & Lybrand, CPAs	A. J. Lorie Coopers & Lybrand, CPAs 1251 Ave. of the Americas New York, NY 10020-1157	9, 14 B 7, Gen.

* 21. Louisiana Institute
Financial Planning Committee

Joseph C. Montz
(see letter)

* 22 self

Michael D. Targem
(see letter)

* received after comment period

**PROPOSED STATEMENT ON RESPONSIBILITIES IN PFP PRACTICE NO. 2
WORKING WITH OTHER ADVISERS**

SUMMARY OF COMMENT LETTERS RECEIVED

<u>¶1</u>	<u>¶2</u>	<u>¶3</u>	<u>¶4</u>	<u>¶5</u>	<u>¶6</u>
ltr 6, 13					ltr 10, 12
<u>¶7</u>	<u>¶8</u>	<u>¶9</u>	<u>¶10</u>	<u>¶11</u>	<u>¶12</u>
ltr 12	ltr 15	ltr 1, 6, 7, 8, 9 10, 15, 19, 20	ltr 4, 6, 12, 17	ltr 11	ltr 5, 15
<u>¶13</u>	<u>¶14</u>				
ltr 6	ltr 17(?), 20				

Miscellaneous

liability issues	ltr 1, 2
disclosing relationship to other advisers/objectivity	ltr 3, 9
standards burden	ltr 10, 14
addressing dissatisfaction/disagreement w/other adviser	ltr 4, 6, 8, 10
appearance as an attest function standard	ltr 12, 14
registration as an investment adviser	ltr 13
responsibility for determining assumptions	ltr 16

EXPOSURE DRAFT

FILE 1093 II-1 1/2

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: BENJAMIN PODGOR, MASSAPEQUA PARK, NY

Comments: Many advisors have letters following

their names that have not been awarded by a
university or the Regents of the State of New York.

This may be a misdemeanor if used in New York
State.

The proposed statements present an
area for exposure to liability on the part of the
CPA's.

CPA's are trained to do Personal Financial
Planning. If they believe they are not prepared to

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

Comments (continued): accept a particular engagement,
they should so advise the potential client. They
should refrain from passing upon the qualifications
of another professional.

**Return responses to:
AICPA
Stephen J. Rojas, Senior Technical Manager
PFP Division, File 1093
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881**

EXPOSURE DRAFT

FILE 1093 II-2
1/2

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: Paul C. Young, CPA; Member NJSCPA; AICPA; NJSCPA
Quality Control Committee

Comments:

There does not appear to be an answer
to the following scenario:

Client X, agrees with his CPA to obtain
advise from Y, insurance agent. The CPA notifies
Client X that no evaluation or responsibility for
Y's recommendation is taken since the CPA has
not evaluated Y's opinions, et al. Later on,
problems ensue and X asserts that the CPA
should have evaluated. The CPA refers X
to his disclaimer. The insurance agent, Y,
did not have any specific agreement pertaining
to responsibility with the CPA or the Client, and
denies responsibility.

It is conceivable that the CPA and
insurance agent should have had an agree-
ment between them for purposes of delineating
responsibility. It seems that the client looks
to both to no avail.

Instructions for Response Form

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the exposure draft that is of concern or interest to you. Return this response form to
the address indicated on the reverse side by the comment date.

CUT ALONG LINE

Comments (continued):

Perhaps, while advising the CPA's client of the fact that responsibility is not taken for another's work, it would be a good idea to advise the client to obtain a letter from the recommended advisor acknowledging that fact, rather than merely writing about 'any advice they may render'; since such language is somewhat obscure, why not be more explicit?

Return responses to:
AICPA

Stephen J. Rojas, Senior Technical Manager
PFP Division, File 1093
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

EXPOSURE DRAFT

FILE 1093 ¹⁰⁹² II-3

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

VIRGINIA M.K. STANLEY, CPA
1201 EUBANK NE SUITE 2
ALBUQUERQUE, NM 87112

Name and Affiliation:

Comments:

① ABSENT IS ANY MENTION OF REQUIRING THE CPA TO DISCLOSE PERSONAL AND/OR BUSINESS RELATIONSHIPS, WITH ADVISORS RECOMMENDED BY CPAS. I STRONGLY URGE THE COMMITTEE TO CONSIDER THIS AS A REQUIREMENT. I AM AWARE OF CPAS WHO DO PLANNING ENGAGEMENTS REFERRING CLIENTS TO SPOUSES, SIGNIFICANT OTHERS, AND OTHER UNRELATED BUSINESS PARTNERS - COMMISSIONS AND OTHER FEES THEREBY INDIRECTLY BEING RECEIVED ... OBVIOUSLY A CONFLICT OF INTEREST EXISTS IN THESE CIRCUMSTANCES AND I BELIEVE THE CLIENT SHOULD BE MADE AWARE.

Instructions for Response Form

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EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: Ronald H. Holm CPA, own account

Comments: _____

Paragraph 10 is not entirely clear

What about the situation where the CPA does not concur with another advisor?

Should paragraph 10 also say, ~~that~~ specifically, that the other advisor's opinions should not be used in the personal financial unless the CPA concurs with them?

Instructions for Response Form

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EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

Francis M. Luschbrink Rehman Robson & Co

Comments:

Tadouson, MI

The phrase "...and do not accept responsibility for it." is redundant and in context reads in a very negative way. Find a way to say essentially the same thing in a more positive manner.

per 12

Instructions for Response Form

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EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: H.K. DICK DAMERON CPA/PFS *POOR, DAMERON: PLOP CHLD 820 N MAIN WICHITA KS 67201*

Comments:

INTRODUCTION: you did NOT touch on the possibility of a CPA ASSISTING ANOTHER PLANNER.

SELECTING OTHER ADVISERS: what about THE CLIENTS existing advisers who you feel are incompetent and are in fact incompetent.

RECOMMENDING OTHER ADVISERS: PRACTICALLY speaking I work with one or two attorneys, my implementation schedule generally recommends an attorney not by name, ~~but~~ should I INCORPORATE this in my implementation schedule. How does the "our referral does NOT constitute an endorsement of any advice they may render" ~~keep you help,~~ ~~or~~ will you not see the estate plan and have numerous conversations about it with the client and lawyer prior to implementation; won't you be endorse it?

Instructions for Response Form

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UNIT PLANNING LINE

Comments (continued):

OTHER: I don't know what you mean when you say the ~~cert~~ CRA "has NOT EVALUATED the recommendations" How can a CPA who is NOT AN insurance professional evaluate a product? I UNDERSTAND THE example of AN Appraisal of a closely held business.

QUESTION

Doesn't our standard PFP manual cover these areas when we say you should contact a Licensed investment advisor, AN insurance professional ~~or~~ A Lawyer in our report and engagement letter. Where do the letters you are writing in #13 fall in the scheme of the plan?

Return responses to:
AICPA

Stephen J. Rojas, Senior Technical Manager
PFP Division, File 1093
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: *Thomas P. Machuga, Connecticut Society of CPAs.*

Comments:

Under the heading, "Selecting other advisors", not only should the CPA be concerned with the qualifications and reputation of the advisor but also with the strength and reputation of the company the advisor represents. A highly qualified insurance agent who represents a financially troubled company or one that offers non competitive products would not be as good a selection as a qualified agent representing a very strong, competitive company. The financial strength can be easily ascertained by obtaining the company's ratings from Moody's or Standard & Poor's. With the ever increasing emphasis on due diligence, it would be considered negligent to refer a client to an advisor without becoming satisfied with the advisors company. (Many times, an advisor is bound to a particular company, especially in the insurance industry)

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

Smith and Raab
CPA Financial Planners, P.C.

400 First Union Building
250 East Ponce de Leon Avenue
Decatur, Georgia 30030
Telephone (404) 377-9500
Facsimile (404) 377-5501

II-8
1/2
RECEIVED JUL 01 1993

June 28, 1993

American Institute of Certified Public Accountants
Stephen J. Rojas, Senior Technical Manager
PFP Division, File 1093
Harborside Financial Center
201 Plaza Three
Jersey City, New Jersey 07311-3881

Re: Proposed Statement of Responsibilities in
Personal Financial Planning Practice #2
"Working With Other Advisers"

Dear Mr. Rojas:

Paragraph 9, titled "Selecting other Advisers", says that the CPA financial planner has the responsibility of becoming satisfied concerning the professional qualifications of another adviser before using that adviser's work (emphasis supplied).

I suggest there will be instances in which the CPA financial planner will not be able to become satisfied about another adviser. In those instances, the CPA needs advice and guidance beyond paragraph 9.

Consider the following instance: A client seeks our advice who uses a stockbroker back in their home town (say, a resident of Atlanta using their long time stockbroker in Albany, N. Y., where the client lived for twenty years before moving to Atlanta). The CPA planner cannot use the techniques in paragraph 9 to satisfy himself that the broker is competent; all the CPA financial planner knows is that the client has confidence in the stockbroker.

In a case of this type there should be some wording in an appropriate communication that could be used to indicate that the CPA financial planner has no practicable way of becoming satisfied concerning the qualifications and reputation of the other adviser.

The Proposed Statement would serve the user well if this

AICPA (Stephen J. Rojas)

-2-

June 28, 1993

suggested phraseology were added as an addendum to paragraph 9, in a manner similar to Paragraph 8.

Thank you for the opportunity to comment.

Yours very truly,

Smith and Raab
CPA Financial Planners, P.C.

By: *Houston D. Smith, Jr.* CPA/PFS
Houston D. Smith, Jr., CPA/PFS

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EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

J. Ben Vermazza CPA, PFS

Comments:

See attached comments and recommendations.

CUT ALONG LINE

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

Comments and Recommendations on the Exposure Draft
SRPFP No. 2 -- "Working With Other Advisers"
AICPA, PFP Division, File 1093
by j. ben vernazza, cpa, pfs -- July 1, 1993

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The exposure draft does not address the issue of objectivity of a specialist being used by a CPA in a PFP engagement.

There currently is a exposure draft revision proposed by the AICPA Auditing Standards Board entitled "Using the Work of a Specialist" (superseding SAS No. 11, Using the Work of a Specialist). This is attached. One of the major proposed revisions concerns itself with the "Relationship of the Specialist to the [Audit] Client." (See attached Exhibit A)

In auditing, a CPA is concerned about the objectivity and independence of a specialist since third parties rely on the auditors opinions. You might say the CPA's responsibility is to third parties more than their client. This is entirely reversed when a CPA does PFP work for their client -- in this instance the CPA's responsibility is to their client rather than third parties.

I have used the Auditing Standards revision as shown in Exhibit A to provide a proposed new section in the PFP Division's "Working With Other Adviser" draft following paragraph #9 as follows:

RELATIONSHIP OF THE SPECIALIST TO THIRD PARTIES

10. The CPA should evaluate the financial interest, if any, that the specialist has in any transactions recommended, including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the specialist, either directly, or indirectly receives remuneration, commissions, kickbacks, etc. from third party vendors or their representatives that could significantly influence recommendations made by the specialist.

11. When a specialist does not have a financial relationship with a product vendor, the specialist's work will usually provide the CPA with greater assurance of objectivity. However, the work of a specialist who has a relationship with a product vendor may be acceptable under circumstances where the specialist fully discloses to the CPA, and the CPA to their client, the specialist's financial interest in their recommendation(s).

12. If the specialist has a relationship with a product vendor, the CPA should assess the risk that the specialist's objectivity might be impaired. If the CPA believes the relationship might impair the specialist's objectivity, the CPA should suggest additional alternatives to determine that the recommendations are not unreasonable or should engage another specialist for that purpose.

Exhibit B takes Exhibit A and shows the changes made in order to come up with the above recommended insertion.

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Exhibit A

Relationship of the Specialist to the Client

6. The auditor should evaluate the relationship of the specialist to the client, including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the client has the ability -- through employment, ownership, contractual right, family relationship, or otherwise -- to directly, or indirectly control or significantly influence the specialist.

7. When a specialist does not have a relationship with the client, the specialist's work will usually provide the auditor with greater assurance of reliability. However, the work of a specialist who has a relationship with the client may be acceptable under certain circumstances.

8. If the specialist has a relationship to the client, the auditor should assess the risk that the specialist's objectivity might be impaired. If the auditor believes the relationship might impair the specialist's objectivity, the auditor should perform additional procedures with respect to some or all of the specialist's assumptions, methods, or findings to determine that the findings are not unreasonable or should engage another specialist for that purpose.

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4/8

Exhibit B

Relationship of the Specialist to ~~the Client~~ *Third Parties*

6. The ~~auditor~~ *CPA* should evaluate the ~~relationship of the financial interest, if any, that the specialist has to the client in any transactions recommended,~~ including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the ~~client specialist has the ability through employment, ownership, contractual right, family relationship, or otherwise to either~~ directly, or indirectly ~~control or receives~~ *remuneration, commissions, kickbacks, etc. from third party vendors or their representatives that could significantly influence recommendations made by the specialist.*

7. When a specialist does not have a *financial* relationship with ~~the client~~ *a product vendor*, the specialist's work will usually provide the ~~auditor~~ *CPA* with greater assurance of ~~reliability~~ *objectivity*. However, the work of a specialist who has a relationship with ~~the client~~ *a product vendor* may be acceptable under ~~certain~~ circumstances *where the specialist fully discloses to the CPA, and the CPA to their client, the specialist's financial interest in their recommendation(s).*

8. If the specialist has a relationship ~~to the client~~ *with a product vendor*, the ~~auditor~~ *CPA* should assess the risk that the specialist's objectivity might be impaired. If the ~~auditor~~ *CPA* believes the relationship might impair the specialist's objectivity, the ~~auditor~~ *CPA* should ~~perform suggest~~ additional ~~procedures alternatives with respect to some or all of the specialist's assumptions, methods, or findings to~~ determine that the ~~findings recommendations~~ are not unreasonable or should engage another specialist for that purpose.

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5/8

PROPOSED STATEMENT ON AUDITING STANDARDS USING THE WORK OF A SPECIALIST

INTRODUCTION AND APPLICABILITY

1. The purpose of this Statement is to provide guidance to the auditor who uses the work of a specialist in performing an audit of financial statements in accordance with generally accepted auditing standards. For purposes of this Statement, a specialist is a person (or firm) possessing special skill or knowledge in a particular field other than accounting or auditing.¹ Examples of such specialists include, but are not limited to, actuaries, appraisers, attorneys,² engineers, environmental consultants, and geologists. The guidance in this Statement is applicable when³—

- a. Management engages or employs a specialist to prepare, or assist in the preparation of, amounts or disclosures in the financial statements, and the auditor intends to use that specialist's work as evidential matter.
- b. Management engages a specialist employed by the auditor's firm to provide advisory services⁴ and the auditor intends to use that specialist's work as evidential matter.

¹ In general, the auditor's education, training, and experience enable him or her to be knowledgeable concerning income tax matters and competent to assess their presentation in the financial statements.

² Attorneys may be engaged as specialists in a variety of circumstances, such as interpreting the provisions of a contractual agreement; however, this Statement does not apply to the form or content of standard letters of audit inquiry concerning litigation, claims, or assessments and lawyers' responses thereto. (See Statement on Auditing Standards [SAS] No. 12, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments* [AICPA, *Professional Standards*, vol. 1, AU sec. 337].)

³ This Statement does not apply to situations in which the specialist is employed by the auditor's firm and participates in the audit. (See SAS No. 22, *Planning and Supervision* [AICPA, *Professional Standards*, vol. 1, AU sec. 311].)

⁴ The auditor should consider the effect, if any, that using the work of a specialist employed by the auditor's firm has on independence.

- c. The auditor engages a specialist and intends to use that specialist's work as evidential matter.

DECISION TO USE THE WORK OF A SPECIALIST

2. The auditor's education and experience enable him or her to be knowledgeable about business matters in general, but the auditor is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. During the audit, however, an auditor may encounter matters potentially material to the fair presentation of financial statements in conformity with generally accepted accounting principles⁵ that require special knowledge and that in the auditor's judgment require using the work of a specialist to obtain competent evidential matter.

3. Examples of situations that might require special skill or knowledge include, but are not limited to, the following:

- a. Valuation (for example, special-purpose inventories, high-technology materials or equipment, pharmaceutical products, complex financial instruments, real estate, restricted securities, and works of art)
- b. Determination of physical characteristics relating to quantity on hand or condition (for example, quantity or condition of minerals, mineral reserves, or materials stored in stockpiles)

⁵ The guidance provided in this Statement applies to audits of financial statements prepared either in accordance with generally accepted accounting principles or in accordance with a comprehensive basis of accounting other than generally accepted accounting principles. References in this Statement to generally accepted accounting principles are intended to include a comprehensive basis of accounting other than generally accepted accounting principles.

- c. Determination of amounts derived by using specialized techniques or methods (for example, actuarial determinations for employee benefits obligations and disclosures, and determinations for insurance loss reserves)
- d. Interpretation of technical requirements, regulations, or agreements (for example, the potential significance of contracts or other legal documents, or legal title to property)

QUALIFICATIONS AND WORK OF A SPECIALIST

4. To determine that the specialist possesses the necessary skill or knowledge in the particular field, the auditor should evaluate the professional qualifications of the specialist. The auditor should consider the following:

- a. The professional certification, license, or other recognition of the competence of the specialist in his or her field, as appropriate
- b. The reputation and standing of the specialist in the views of peers and others familiar with the specialist's capability or performance
- c. The specialist's experience in the type of work under consideration

5. An understanding should exist among the auditor, the client, and the specialist as to the nature of the work performed or to be performed by the specialist. This understanding⁶ should cover the following:

- a. The objectives and scope of the specialist's work
- b. The specialist's representations as to his or her relationship to the client (see paragraphs 6-8)
- c. The methods or assumptions used

⁶ This understanding may be documented in various ways, including in a letter or in the specialist's report.

II-9 6/8

4. In performing an audit of financial statements in accordance with generally accepted auditing standards, the auditor may use the work of a specialist as an audit procedure to obtain competent evidential matter. The circumstances surrounding the use of a specialist differ. Although the familiarity of individual auditors with the work performed by certain types of specialists may differ, the auditing procedures necessary to comply with generally accepted auditing standards need not vary as a result of the extent of the auditor's knowledge.

SELECTING QUALIFICATIONS AND WORK OF A SPECIALIST

5. 4. To determine that the specialist possesses the necessary skill or knowledge in the particular field, the auditor should evaluate ~~satisfy himself concerning~~ the professional qualifications and reputation of the specialist by inquiry or other procedures, as appropriate. The auditor should consider the following:

- a. The professional certification, license, or other recognition of the competence of the specialist in his or her field, as appropriate
- b. The reputation and standing of the specialist in the views of his peers and others familiar with his the specialist's capability or performance
- c. ~~The relationship, if any, of the specialist to the client~~
- c. The specialist's experience in the type of work under consideration

6. Ordinarily, the auditor should attempt to obtain a specialist who is unrelated to the client. However, when the circumstances so warrant, work of a specialist having a relationship to the client may be acceptable (see paragraph 8). Work of a specialist unrelated to the client will usually provide the auditor with greater assurance of reliability because of the absence of a relationship that might impair objectivity.

7. 5. An understanding should exist among the auditor, the client, and the specialist as to the nature of the work performed or to be

performed by the specialist. Preferably, the ~~This~~ understanding⁶ should be documented and should cover the following:

- a. The objectives and scope of the specialist's work
- b. The specialist's representations as to his or her relationship, if any, to the client (see paragraphs 6-8)
- c. The methods or assumptions to be used
- d. A comparison of the methods or assumptions to be used with those used in the preceding period
- e. The specialist's understanding of the auditor's corroborative use of the specialist's findings in relation to the representations in the financial statements
- f. The form and content of the specialist's report findings that would enable the auditor to make the evaluation described in paragraph 8 9

RELATIONSHIP OF THE SPECIALIST TO THE CLIENT

6. The auditor should evaluate the relationship⁷ of the specialist to the client, including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the client has the ability—through employment, ownership, contractual right, family relationship, or otherwise—to directly or indirectly control or significantly influence the specialist.

7. When a specialist does not have a relationship with the client, the specialist's work will usually provide the auditor with greater assurance of reliability. However, the work of a specialist who has a relationship with the client may be acceptable under certain circumstances.

⁶ This understanding may be documented in various ways, including in a letter or in the specialist's report.

⁷ The term "relationship" includes, but is not limited to, those situations discussed in footnote 1 of SAS No. 45, *Omnibus Statement on Auditing Standards—1983* (AICPA, *Professional Standards*, vol. 1, AU sec. 334).

8. If the specialist has a relationship to the client, the auditor should assess the risk that the specialist's objectivity might be impaired. If the auditor believes the relationship might impair the specialist's objectivity, the auditor should perform additional procedures with respect to some or all of the specialist's assumptions, methods, or findings to determine that the findings are not unreasonable or should engage another specialist for that purpose.⁸

USING THE FINDINGS OF THE SPECIALIST

8. 9. Although the appropriateness and reasonableness of methods or and assumptions used and their application are the responsibility of the specialist, the auditor should obtain an understanding of the methods or and assumptions used by the specialist to determine whether the findings are suitable for corroborating the representations in the financial statements. The auditor should consider whether the specialist's findings support the related representations in the financial statements and, depending on the auditor's assessment of control risk, make appropriate tests of accounting data provided by the client to the specialist. Ordinarily, the auditor would use the work of the specialist unless his the auditor's procedures lead him or her to believe that the findings are unreasonable in the circumstances. If the auditor believes the findings are unreasonable, he or she should apply additional procedures, which may include obtaining the opinion of another specialist. If the specialist is related to the client (see paragraph 6), the auditor should consider performing additional procedures with respect to some or all of the related specialist's assumptions, methods, or findings to determine that the findings are not unreasonable or engage an outside specialist for that purpose.

⁸ In the specific situation involving the audit of insurance entities' loss reserves, *Statement of Position 92-4* requires the use of an outside loss reserve specialist, that is, one who is not an employee or officer of the company.

EFFECT OF THE SPECIALIST'S WORK ON THE AUDITOR'S REPORT

9. 10. If the auditor determines that the specialist's findings support the related representations in the financial statements, he or she may reasonably conclude that he has obtained sufficient competent evidential matter *has been obtained*. If there is a material difference between the specialist's findings and the representations in the financial statements, or if the auditor believes that the determinations made by the specialist are unreasonable, he or she should apply additional procedures. If after applying any additional procedures that might be appropriate he the auditor is unable to resolve the matter, the auditor should obtain the opinion of another specialist, unless it appears to the auditor that the matter cannot be resolved. A matter that has not been resolved will ordinarily cause the auditor to conclude that he or she should qualify his the opinion or disclaim an opinion because the inability to obtain sufficient competent evidential matter as to an assertion of material significance in the financial statements constitutes a scope limitation. ([S]ee section 508.40-41.)

SAS No. 58, *Reports on Audited Financial Statements* [AICPA, *Professional Standards*, vol. 1, AU sec. 508.40-41].)

10. 11. The auditor may conclude after performing additional procedures, including possibly obtaining the opinion of another specialist, that the representations in the financial statements are not in conformity with generally accepted accounting principles. In that event, he the auditor should express a qualified or adverse opinion. ([S]ee section 508.49-50 and 55 SAS No. 58, *Reports on Audited Financial Statements* [AICPA, *Professional Standards*, vol. 1, AU secs. 508.49-50, 55].)

REFERENCE TO THE SPECIALIST IN THE AUDITOR'S REPORT

11. 12. When expressing an unqualified opinion, Except as discussed in paragraph 13, the auditor should not refer to the work or findings of the specialist. Such a reference in an unqualified opinion might be misunderstood to be a qualification of the auditor's opinion or a division of responsibility, neither of which is intended. Further, there may be an inference that the auditor making such reference performed a more

thorough audit than an auditor not making such reference.

12. 13. If the The auditor may, as a result of the report or findings of the specialist (see paragraphs 9 and 10), decides decide to add explanatory language to his or her standard report (1) add an explanatory paragraph describing an uncertainty; (2) add an explanatory paragraph describing his or her substantial doubt about the entity's ability to continue as a going concern; (3) add an explanatory paragraph to emphasize a matter regarding the financial statements; or (4) depart from an unqualified opinion. Reference to and identification of the specialist may be made in the auditor's report if the auditor believes such reference will facilitate an understanding of the reason for the explanatory paragraph or the departure from the unqualified opinion. [Paragraph amended to reflect the conforming changes necessary due to the issuance of SAS Nos. 53 through 62.]

EFFECTIVE DATE

14. This Statement is effective for audits of financial statements for periods ending on or after June 15, 1994. Early application of the provisions of this Statement is encouraged.

USING THE WORK OF A SPECIALIST: AUDITING INTERPRETATIONS OF SECTION 336

1. APPLICABILITY OF GUIDANCE ON THE USE OF SPECIALISTS

01. Question—Management may engage or employ a specialist to prepare, or assist in the preparation of, amounts or disclosures in the financial statements. If that amount or disclosure is material to the financial statements, is the guidance in section 336, "Using the Work of a Specialist," applicable when performing an audit of the financial statements in accordance with generally accepted auditing standards?

02. Interpretation—Yes. Section 336 states, "During his audit, an auditor may encounter matters

potentially material to the fair presentation of financial statements in conformity with generally accepted accounting principles that require special knowledge and that in his judgment require using the work of a specialist." When a specialist has prepared, or assisted in the preparation of, a matter that is potentially material to the financial statements, if the auditor intends to use that specialist's work as evidential matter, he should follow the guidance in section 336.

03. Thus, as with any specialist whose work the auditor uses, the auditor should satisfy himself as to the professional qualifications and reputation of the specialist, obtain an

understanding of the specialist's methods and assumptions, test accounting data provided to the specialist, and consider whether the specialist's findings support the related representations in the financial statements.

[Issue Date: October 1979.]

2. EXCLUSION OF SPECIALISTS ON THE AUDIT STAFF

04. Question—Section 336, "Using the Work of a Specialist," in footnote 1 states, "This statement does not apply to using the work of a specialist who is a member of the auditor's staff..." Does this mean

II-9 8/8

that section 336 does not apply when a specialist with an auditor's firm provides advisory services to a client?

.05. *Interpretation*—No. The exclusion in section 336 only relates to specialists serving as members of the audit staff, that is, those who participate in the audit. For example,

~~statisticians may assist in the execution of audit sampling plans or computer specialists may assist in the audits of financial statements of clients with complex EDP operations. However, some CPA firms have specialists who provide advisory services in addition to participating in an audit. The exclusion applies~~

~~only to a specialist's participation in the audit. When a specialist with the auditor's firm provides advisory services to a client and the auditor decides to use that specialist's work as evidential matter, he should follow the guidance in section 336.~~

{Issue Date: October 1979.}

AICPA

American
Institute of
Certified
Public
Accountants

II-10 1/3
Division for CPA Firms

1211 Avenue of the Americas
New York, NY 10036-8775
(212) 596-6200
Fax (212) 596-6213



RECEIVED JUL 07 1993

July 7, 1993

Stephen J. Rojas, Senior Technical Manager
Personal Financial Planning Division, File 1093
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Re: Exposure Drafts on Proposed Statements on Responsibilities
in Personal Financial Planning Practice "Working with
Other Advisers" and "Implementation Engagement Functions
and Responsibilities"

Dear Mr. Rojas:

One of the objectives that Council of the American Institute of CPAs established for the Private Companies Practice Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

We have reviewed the above reference exposure draft containing two proposed statements providing guidance to CPAs who perform personal financial planning services. We recognize the need for practical guidance in these areas and concur that the statements do not constitute enforceable technical standards. We believe, however, that such guidance should be provided through other mediums (e.g., practice aids, manuals, articles, etc.). Because of the apparent authoritative nature of a statement on responsibilities, CPAs that do not elect to follow the guidance therein may have difficulty justifying their noncompliance to third parties and, as a consequence, face professional criticism, as well as possible legal challenge or even liability. Further, although it has been stated that these statements on responsibilities do not represent enforceable standards, CPAs may still believe they must follow this guidance. From a cost perspective, this would further place CPAs at a competitive disadvantage with non-CPAs.

Notwithstanding our aforementioned concerns, we are providing comments and suggestions on certain aspects of the statements in the event their issuance is unavoidable.

Working with Other Advisers

Paragraph six refers the CPA to other Statements on Responsibilities in Personal Financial Planning Practice for further guidance when he or she needs to communicate limitations on the scope of the engagement to the client. Perhaps the final statement could also refer CPAs to other relevant professional standards to gain a more comprehensive understanding of how a scope limitation could affect the engagement.

Guidance on selecting other advisers is discussed in paragraph nine of the proposed statement. Occasionally, a client will insist that the CPA use a particular adviser to assist in the engagement. Although the CPA can become satisfied with the professional qualifications and reputation of that adviser, such a situation may need to be approached with a heightened sense of awareness. We believe the final statement should discuss this issue and inform practitioners that under such circumstances the engagement may need to be performed with an increased level of professional skepticism. Moreover, the statement should provide guidance on CPA's responsibilities when he or she is dissatisfied with the professional qualifications and/or reputation of the client selected adviser.

Implementation Engagement Functions and Responsibilities

Paragraph two states that the proposed statement "... does not extend to situations in which the CPA is functioning in a fiduciary or an agency relationship." However, item c(ii) in paragraph three states that a CPA may be engaged to assist the client in certain planning decisions, including participation "... in the selection and acquisition of products and/or the selection of service providers." A broad interpretation of this provision could suggest to some practitioners that a client can grant authorization to the CPA to acquire products and services on behalf of the client, effectively creating a fiduciary or agency relationship. To avoid confusion, we believe these seemingly contradictory provisions should be reconciled.

Paragraph six states the complexity and scope of implementation engagements vary, as well as the level of assistance provided by the CPA. Therefore, the CPA and client should identify and agree on the level of implementation assistance to be provided. It may be helpful to include examples to assist practitioners in gaining a better understanding of this provision.

The foregoing paragraph also discusses the need to have the client, not the CPA, make implementation decisions. Perhaps the final statement could refer the CPA to Professional Ethics Ruling No. 55, "Independence During Systems Implementation," which elaborates further on this issue.

The icon, "Assist in Implementation," in the flowchart in appendix A does not indicate whether the accountant is assisting a client or another adviser. To clearly communicate which party

the accountant is assisting, we believe the title of this symbol should be changed to "Assist the Client in Implementation."

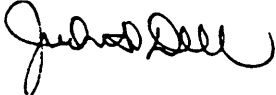
*

*

*

We appreciate the opportunity to present these comments on behalf of all local and regional firms. We would be pleased to discuss our comments with you or representatives of the Personal Financial Planning Executive Committee at your convenience.

Sincerely,



Judith H. O'Dell, Chair
PCPS Technical Issues Committee

JHO:al
File 2220

cc: PCP Executive and Technical Issues Committees

SMITH, **S** **B** **R** **A** **T** **C** **H** **E** **L** **D** **E** **R** **&** **R** **U** **G** **G**
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

□ 77 PEARL ST. MANCHESTER, NH 03101-1464 603/669-7337 FAX 603/666-4755
□ 154 MAPLEWOOD AVE. PORTSMOUTH, NH 03801-3713 603/431-8092 FAX 603/431-0795

II-11
1/2

July 1, 1993

RECEIVED JUL 07 1993

AICPA - PFP Division, File 1093
Stephen J. Rojas, Sr. Tech. Manager
Harborside Financial Center
201 Plaza Three
Jersey City NJ 07311-3881

Dear Mr. Rojas:

As chairman of the Personal Financial Planning Committee of the New Hampshire Society of Certified Public Accountants I am enclosing the Committee's comments with regards to the enclosed referenced Exposure Draft.

Sincerely,



Stephen J. Ferrari, CPA

SJF:mlg

EXPOSURE DRAFT

II-11
FILE 1093 2/2

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993
Comment Date: July 9, 1993

Name and Affiliation: Robert H. Hodge, CPA
Member-New Hampshire Society of CPA's-PFP Committee

Comments: PARAGRAPH-11

As a practicing PFP specialist, I believe that it is inappropriate to include the recommendation of another adviser in a PFP report without evaluating the recommendation as to whether it is appropriate to the client's particular situation. By including the recommendation of another adviser in the CPA's PFP report the client (and in all likelihood the courts) will deem the CPA to be associated with the recommendation despite the disclaimer to the contrary. If the CPA feels that he/she does not have the competence to evaluate the other adviser's recommendation, then the recommendation should be excluded from the report and the scope of the PFP engagement should be limited.

In conclusion, I believe that it is appropriate to include another adviser's estimate of value as part of a CPA's report however, I do not believe it is appropriate to include another adviser's recommendation without the CPA evaluating the appropriateness of the recommendation.

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

EXPOSURE DRAFT
PROPOSED STATEMENT ON RESPONSIBILITIES IN
PERSONAL FINANCIAL PLANNING PRACTICE

II-12
2/2

WORKING WITH OTHER ADVISERS

Comments on draft

General:

There appears to be an overall context problem with the proposed statement as it is written similar to auditing and accounting standards versus personal financial planning. The standards are written more as an attest function versus an action function.

There is no guidance to follow-up procedures upon referral. Who is responsible, the CPA or the other adviser for the follow-up.

Paragraphs 6&7:

There is concern as to whether or not the written communication or "disclaimer" between the client and the CPA on scope limitations is valid. Where is the basis of knowledge as CPA's are called upon to value estates, etc.

Paragraph 10:

In line number 5, the word evaluate should be removed as it implies a seemingly unintentional degree of responsibility. This paragraph also seems to imply that a lesser degree of documentation is acceptable if the CPA should concur with the other advisers recommendation. It is suggested that the CPA disclose the other advisers that are part of the financial planning process or are consulted even incidentally in creating the financial plan.

These comments are submitted by the Personal Financial Planning Committee of the Indiana CPA Society. However, the comments have no official status and do not represent the approval or the disapproval of the Exposure Drafts by the Society or its Board of Directors.

II-13
EXPOSURE DRAFT
MAY 1993

PROPOSED STATEMENT ON RESPONSIBILITIES IN
PERSONAL FINANCIAL PLANNING PRACTICE

WORKING WITH OTHER ADVISERS

May 10, 1993
Comment Date: July 9, 1993

Name and Affiliation: Texas Society of CPAs' Personal Financial Planning Committee

Comments: Paragraph 1 (b):

Change "securing products or services" to "securing the types
of products" or services.

This is needed to avoid the implication that specific
(investment) products were identified by the CPA who is likely
not a registered investment advisor.

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of
the exposure draft that is of concern or interest to you. Return this response form to
the address indicated on the reverse side by the comment date.

EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

II-14
1/2

WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: HULENE DIAN HILL, CPA
HODGE, STEWARD & COMPANY, P.A.

Comments:

P.O. BOX 41168

RALEIGH, NC 27629

(919) 872-0866

SEE ATTACHED

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

II-14 2/2

Comments: I am a CPA with 22 years experience in public accounting - 18 of those years in the Big 6 (Big 8). I was an auditor for the first 2 years of my career, then changed to tax and worked my way up to be a tax partner in one of the Big 6 firms for 9 years. I am currently with the accounting firm of Hodge, Steward and Company, P.A. working almost exclusively in the tax area. This information was to provide a background from which I make these comments.

I have read both exposure drafts, SRPFP No. 2 and 3. My reaction to both was surprise. I am struck continually by the reality of litigation and the apparent safeguards our profession is trying to implement to protect our actions. Regretably, the cost to perform such work escalates with each such pronouncement. I believe the work product then becomes something the client does not see the benefit of and does not want to pay for.

Those "other advisers" we work with (attorneys excluded) do not have the same professional and performance standards, i.e., insurance and other financial product salespeople, investment advisors, etc. I suppose the real purpose of these two statements is to assure that CPA's continually act professionally.

Unfortunately, CPA's do not have guaranteed job security like an attorney is thought of as having for the drafting of wills, trusts, etc. There is nothing in the Personal Financial Planning Practice that a client has to use our services for - we are in competition with all these other service providers. Yet we appear to be making our standards in this area much like the attest function. But where is the public good to be served? We are dealing one on one with our client. It is as if we are saying - we do personal financial planning better than anyone else because we write down what we are not responsible for and we attempt to charge the client for this notification. Is the client better served by all this?

I submit that these two statements appear to be attempting to protect CPA's from the client and themselves. If CPAs perform personal financial planning engagements ethically these "rules" should be unnecessary. The cost of compliance will not be readily borne by the client.

It seems we are concerned more with documenting what we are not responsible for to protect ourselves from litigation than we are in making appropriate recommendations to help the client. This looks like we are indecisive and as many of the jokes go about accountants - totally accurate information is provided but it is totally worthless to the user.

COMMENTS ON EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL
PLANNING PRACTICE NO. 2

WORKING WITH OTHER ADVISERS

Paragraph 8., 4th line-The term "...scope of information..." is unclear. I suggest that you replace it with the term "...scope of engagement." The balance of the sentence could then be eliminated.

Paragraph 9.c.-This language may create a standard that is difficult to comply with, as worded. I suggest that you replace with "The professional reputation and references of such other adviser."

Paragraph 12., 2nd line-The word communication should be plural.

To: AICPA

From: Lisa G. Rudolph
Chair, Personal Financial Planning Committee
D.C. Institute of CPA's
(703)734-7324

Re: Exposure Draft
Proposed Statement on Responsibilities in
Personal Financial Planning Practice

Working with other Advisers

Comments:

The proposed Statement addresses one of the key issues facing CPA's practicing in the field of personal financial planning. The proposed Statement appears to be well written and addresses many of the issues involved with working with outside advisers. Two other issues should be addressed which relate to recommending other advisers and using advice provided by other advisers.

Par 13

Outside advisers will often work with the CPA in a comprehensive financial planning engagement. Often the client will request that the CPA make referrals for other advisers who may complete the engagement team. For example, attorneys and insurance professionals are often introduced in a comprehensive engagement. If the client does not have these relationships in place, we will provide referrals. The question is, how many referrals for a specific adviser (e.g., estate attorney or insurance professional) should we make?

kw

Often when outside advisers are part of the engagement team, the CPA will review their recommendations. This includes reviewing insurance policy illustrations, estate plan documents or investment recommendations. The scope of our work should be defined as it relates to the review of the work of other advisers. Several of the review issues are addressed in the appendices to proposed SRPFP, Implementation Engagement Functions and Responsibilities. However, the responsibility for determining assumptions used by insurance or investment professionals in their analyses should also be addressed in one of these Statements.

II-18
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Exposure Draft

Proposed Statement on Responsibilities In
Personal Financial Planning Practice

Working With Other Advisors

May 10, 1993

Comment Date: July 9, 1993

No. 800053

Name and Affiliation: Glenn J. Vice, Chairman
Joseph Akanji, Member
John Cameron, Member
Jon Flair, Member
Raymond P. Prince, Technical Consultant
Jimmie Self, Member
Lyn Tew

Accounting and Auditing Standards
Committee, Louisiana Society of Certified
Public Accountants

Comments:

The exposure draft is well written. The committee members have no specific objections to the draft. One committee member expressed a concern over the recoverability of the costs associated with the use of advisors.

July 8, 1993

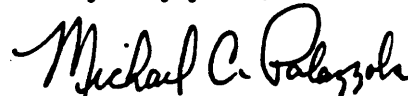
Stephen J Rojas
Senior Technical Manager
PFP Division, File 1093
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Mr. Rojas:

Enclosed please find letter of comments from one of our PFP division members related to the Exposure Drafts dated May 10, 1993.

Please consider these comments when issuing the final statements on responsibility in Personal Financial Planning practice.

Very truly yours,



Michael C. Palazzola, CPA, CFP
Chairman, MACPA PFP Committee

MCP:mak

Enclosure

II-19 2/3



Price Waterhouse
Personal Financial Services

June 21, 1993

Mr. Michael C. Palazzola, CPA
Derderian, Kann, Seyferth & Salucci, PC
Suite 520
3001 W. Big Beaver Road
Troy, Michigan 48084-3146

Dear Mr. Palazzola:

Below are my comments on *Proposed Statements on Responsibilities in Personal Financial Planning Practice, Working with Other Advisers, and Implementation Engagement Functions and Responsibilities.*

I. Advisors

1. Paragraph 9 - Will file documentation be an implicit requirement of paragraph 9? i.e., will each client file require a formal write-up for each referral, exploring and answering each of subparagraphs (a.) through (d.)? Perhaps this should be addressed in the "statement."
2. Paragraph 9 - Presumably, subparagraph (d.) refers to the use of an existing client adviser's work in the course of an engagement (as opposed to a referral situation). In this regard, is it appropriate to state that we will apply a different standard of diligence or acceptability because of the relationship the client may have with the adviser as is implied.

II. Implementation

1. Paragraph 12 - grammatical:
"The CPA might also be asked to assist the client develop more specific..."
"Assist" should be replaced by "help."
2. Appendix B
Paragraph 7 - grammatical; typos:
 - Second line - contracts should be contacts.
 - Tenth and eleventh line - either add "was" between "coverage" and "bound" or eliminate "was" between "policy" and "issued."

SRAFP 3

II-193/3

June 21, 1993
Mr. Michael C. Palazzola, CPA
Page 2



- 3. Appendix C
Paragraph 5 - consider the more frequently used terminology "investment policy statement" as a replacement for "investment strategy statement."

Sincerely,

Richard Connell

Richard Connell

RC/maf

II-20 1/2

July 7, 1993

RECEIVED JUL 13 1993

Mr. Stephen J. Rojas
Senior Technical Manager
American Institute of Certified
Public Accountants
PFP Division
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Mr. Rojas:

We submit the following comments on the proposed Statement on Responsibilities in Personal Financial Planning Practice (SRPFP), Working With Other Advisors:

Paragraph 9

Consistent with proposed revisions to Statement on Auditing Standards No. 11, Using the Work of a Specialist, we suggest that the first sentence be modified to read, "To determine that the other advisor possesses the necessary skill or knowledge, the CPA should evaluate the professional qualifications of the advisor before referring . . . "

Paragraph 14

In the second line of the illustration, "for drafting" should be replaced by "to prepare."

We submit the following comments on the proposed SRPFP, Implementation Engagement Functions and Responsibilities:

Appendix B, paragraph 7

SRPFP 3

In the first sentence, "contracts" should be replaced by "contacts."

II-2042

General

The exposure draft seems to indicate the need for detailed reporting. We suggest that the relationship between the cost imposed and the benefits reasonably expected to be derived from detailed reporting be considered.

If you have any questions regarding our comments, please contact A.J. Lorie (212-536-2119) in our National office.

Very truly yours,

Cosgraves + Lybrand



RECEIVED JUL 22 1993

II-21 1/2

JOSEPH C. MONTZ, CPA
Director of Financial Planning

MEMORANDUM

TO: STEPHEN J. ROJAS
SENIOR TECHNICAL MANAGER, PFP DIVISION

FROM: JOSEPH C. MONTZ
CHAIRMAN - LOUISIANA ESTATE AND FINANCIAL
PLANNING COMMITTEE

DATE: JULY 19, 1993

The following is a summary of the comments received from the exposure draft of proposed statement on Responsibilities in Personal Financial Planning Practice. The Louisiana Estate and Financial Planning Committee hopes this proves helpful for the final document. If any of our comments are inaccurate please let us know.

IMPLEMENTATION

1. Implementation does not include "Selecting Investment Advisers" - that falls under "Working With Other Advisers." Selecting specific investments subjects the CPA to registration as an investment advisor.
3. The CPA can actually assist the client by helping fill out necessary paper work to establish accounts as called for under the financial plan.
9. The example here will cause the CPA to be considered as giving investment advise and subject them to registration requirements.

APP B

6c - Seems like this should be in Section 4 under "Establishing Selection Criteria." CPA should then discuss in C all the Selection Criteria.

Continued Page 2

II-21 2/2

APP C

1. It would appear this would subject the CPA to investment advisor registration requirements.

Working With Other Advisers

1. The Investment Advisers Act of 1940 indicates that a referral to a client of a person or firm that gives specific investment advice is held to be investment advice and subjects the referrer to registration requirements.
2. Our referrals should be written to delineate our actual recommendation since verbal referrals do not reduce liability.

When a CPA prepares any analysis for the client he/she should document which sources were relied upon for this information. Example: A.M. Best's, Standard and Poor's, etc. and further documents that he/she has no responsibility for the accuracy of such ratings.

Certified Public
Accountants

1845 Walnut Street
Philadelphia, PA 19103-4755

(215) 564-1900
(215) 564-3940 fax

Asher & Company, Ltd.

RECEIVED JUL 23 1993

Members of
American and Pennsylvania
Institutes of Certified Public
Accountants
Associated Accounting
Firms International
Moore Stephens International

July 21, 1993

II-22 1/2

Mr. Stephen J. Rojas
Senior Technical Manager
PFP Division, File 1903
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Mr. Rojas:

In response to the AICPA's May 10, 1993 request for comments on the exposure drafts related to SRPFP No. 2 and SRPFP No. 3, I have the following comments. I believe that the drafts provide, for the most part, excellent guidance for the subject matter that they encompass. I hope that the AICPA continues to provide more guidance in the area of PFP work so that CPA can continue to develop this practice area and maintain the high standards that are required of other practice areas.

In the discussion of SRPFP No. 3, "Implementation Engagement Functions and Responsibilities", paragraph 8, stipulates that the client has to be made aware that we do not guarantee "the client's expected results or benefits". I believe that it should be communicated to the client that decisions made in the implementation process may positively or negatively affect the plan. Only communicating to the client that we do not guarantee the expected results or benefits does not impart to the client the possible ramifications of the decisions made during the implementation process. Disclosing the possible effects of the decisions made during the implementation process may encourage the client to be more attentive and thoughtful when making the decisions.

Paragraph 8c. of SRPFP No. 3 states that we must communicate that we have not considered all relevant information. It should be communicated to the client that we have considered all information provided to us at the time the decisions were made. Paragraph 8c conveys that we have not done what we are being paid to do. Our job is to consider all relevant information that has been provided to us.

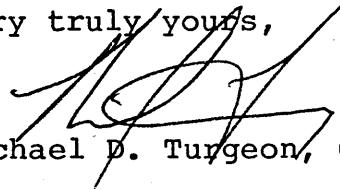
Mr. Stephen J. Rojas
July 19, 1993
Page 2

II-22 2/2

It appears that paragraph 8c (as written) is trying to communicate that there are other factors which may affect our decision making process; but this fact can be incorporated into a scope limitation statement. If this statement is meant to limit the number of sources of information that we must consider, disclosing the sources of information that we use when making our decisions (i.e. Morningstar, Standard & Poors, etc.) may be appropriate.

I appreciate the time that you have taken to consider my comments. If you would like to discuss them further, please do not hesitate to call.

Very truly yours,



Michael D. Turgeon, CPA

MDT:bsf

July 14, 1993

PROPOSED STATEMENT ON RESPONSIBILITIES IN
PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

SUMMARY STATEMENTS

<u>Number</u>	<u>Organization</u>	<u>Name/Address</u>	<u>Para. No.</u>
1.	Self	Paul F. Demgen, CPA/CFP Causey Demgen & Moore, Inc., 1801 California Street Ste. 4650 Denver, CO 80202	5, 6c
2.	Self	Benjamin Podgor Attorney & Counsellor at Law 32 Abbey Street Massapequa Park, NY 11762	
3.	Self	Brian K. Pearson, CPA Deloitte & Touche Key Bank Tower, Ste. 250 50 Fountain, Plaza Buffalo, NY 14202	
4.	Self	Ronald H. Holm, CPA 4 North Minnesota Street New Ulm, MN 56073-1728	App.A
5.	Self	Houston D. Smith, Jr., CPA/PFS Smith and Raab, P.C. 400 First Union Building 250 East Ponce de Leon Avenue Decatur, GA 30030	8, 9, 10, 11, A, C3

<u>Number</u>	<u>Organization</u>	<u>Name/Address</u>	<u>Para No.</u>
6.	Self	J. Ben Vernazza, CPA/PFS	
7.	Self, PCPS Technical Issues Cmte.	Judith H. O'Dell, Chair PCPS Technical Issues Cmte. 1211 Ave. of the Americas New York, NY 10036-8775	2, 3, 6
8.	PFP Cmte. of the Indiana CPA Society	Anthony C. Wrobel, CPA Price Waterhouse 202 South Michigan Street South Bend, IN 46601	1 2 , 13
9.	Self	Texas Society of Certified Public Accountants PFP Committee, Ste. 100 1421 W. Mockingbird Lane Dallas, TX 75247-4957	App. C
10.	Self	Hulene Dian Hill, CPA Hodge, Steward & Company, P.A. P.O. Box 41168 Raleigh, NC 27629	
11.	Self	Mitchell Freedman, CPA Mitchell Freedman Accountancy Corp. 15260 Ventura Boulevard Ste. 940 Sherman Oaks, CA 91403	B - 2,4c, 6,6c, 7-C1 2,6a- c, 7, 10-14

<u>Number</u>	<u>Organization</u>	<u>Name/Address</u>	<u>Para No.</u>
12.	A u d i t i n g Services Cmte. Illinois CPA Society	Michael Pierce Chairman, Auditing Services Committee Illinois CPA Society 222 South Riverside Plaza Chicago, IL 60606-6098	3 c , B6
13.	Chair, PFP Cmte., DC Institute of CPAs	Lisa G. Rudolph, CPA Arthur Andersen & Co. 8251 Greensboro Dr., Ste. 400 McLean, VA 22102	
14.	Self	Loretta McClary Feeley & Driscoll, P.C. 100 North Washington St. Boston, MA 02114	
15.	Chair, Accting & Auditing Standards Cmte., LA Society of CPAs	Glenn J. Vice, CPA Kelton & Company P.O. Box 4053 Houma, LA 70361	
16.	Chairman, MACPA PFP Cmte.	Michael C. Palazzola, CPA Derderian, Kann, Seyferth & Salucci, PC Ste. 520 3001 W. Big Beaver Road Troy, MI 48084-3146 Comm: Richard Connell	9, 12 B 7 , C5
17.	Coopers & Lybrand, CPAs	A. J. Lorie Coopers & Lybrand, CPAs 1251 Ave. of the Americas New York, NY 10020-1157	9, 14 B 7 , Gen.

* 18. Louisiana Estate &
Financial Planning
Committee

Joseph C. Montz, CPA
Chairman
(see letter)

* 19. self

Michael D. Targson, CPA
(see letter)

* received after close of comment period

**PROPOSED STATEMENT ON RESPONSIBILITIES IN PFP PRACTICE NO. 3
IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES**

SUMMARY OF COMMENT LETTERS RECEIVED

<u>¶ 1</u>	<u>¶ 2</u>	<u>¶ 3</u>	<u>¶ 4</u>	<u>¶ 5</u>	<u>¶ 6</u>
ltr 7, 11	ltr 12	ltr 6			ltr 6, 7
<u>¶ 7</u>	<u>¶ 8</u>	<u>¶ 9</u>	<u>¶ 10</u>	<u>¶ 11</u>	<u>¶ 12</u>
ltr 5, 11, 15	ltr 5	ltr 5, 11		ltr 5, 11	ltr 8, 11, 16
<u>¶ 13</u>	<u>¶ 14</u>	<u>Appendix A</u>	<u>Appendix B</u>	<u>Appendix C</u>	
ltr 8, 11	ltr 11	ltr 4, 5, 7	¶ 2: ltr 11 ¶ 3: ltr 6 ¶ 4: ltr 11 ¶ 6: ltr 11, 12 ¶ 7: ltr 11, 16, 17	¶ 1: ltr 11 ¶ 2: ltr 11 ¶ 3: ltr 5, 6 ¶ 4: ltr 4 ¶ 5: ltr 1, 16 ¶ 6: ltr 1, 11 ¶ 7: ltr 11	

Miscellaneous

registration as investment adviser/giving specific advice ltr 3, 9, 14
standards burden ltr 7
appearance as an attest function standard ltr 8
reviewing the work of others ltr 13
understanding/identifying client's goals/constraints ltr 13
need for detailed reporting ltr 17

EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: PAUL F. DEMGEN CPA, CFP

Comments: _____

Page 13 ¶ 5 THE TYPICAL TERMINOLOGY IS "INVESTMENT
POLICY" NOT INVESTMENT STRATEGY THAT
STRATEGIES MAY BE A PART OR SUBSET OF
STRATEGIES

Page 13 ¶ 6(c) SAME COMMENT - THE PROPER TERM IS POLICY

PAUL F. DEMGEN, CPA CFP

1801 California Street
Suite 4650
Denver, CO 80202
(303) 296-2229
Fax: (303) 296-3731

CAUSEY DEMGEN & MOORE INC.
Certified Public Accountants and Consultants

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

CUT ALONG LINE

EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: BENJAMIN PODGOR, MASSAPEQUA PARK, NY

Comments: The proposed statements present an area for exposure to liability on the part of the CPA's.

CPA's are trained to do Personal Financial Planning. If they believe they are not prepared to accept an engagement, they should so advise the potential client. They should refrain from passing upon the qualifications of another professional.

Instructions for Response Form

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EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN
PERSONAL FINANCIAL PLANNING PRACTICEIMPLEMENTATION ENGAGEMENT FUNCTIONS AND
RESPONSIBILITIES

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

Brian K. Pearson Helovette & Touche

Comments:

Appendix C: Participatory in the Selection
Process

It seems to imply that we are allowed to assist the client in selecting individual securities, not just mutual funds. If this is the case, maybe it should be directly addressed, or, a list of investment vehicles that can be recommended (e.g. Mutual Funds, Stocks, Bonds, Partnerships etc.) should be included.

There is some disagreement amongst my colleagues and peers as to how specific our investment advice can be. Frankly, this language does not seem to clear up that disagreement.

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

EXPOSURE DRAFT

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FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

Ronald H. Holm, CPA, own account.

Comments:

Paragraph #1 should be expanded to cover those situations where an implementation engagement does not follow a personal financial planning engagement. For example, a situation where a client requests assistance in selecting a growth mutual fund for a child or grandchild.

Appendix A - Implementation Decision Tree
The box containing the text Assist in Implementation should be changed to Participate in Implementation. This makes the decision tree language consistent with the language in paragraph 3 c.

I find the Appendix A - Implementation Decision Tree to be confusing. For example, it would be helpful to show a "yes" arrow (with appropriate information) coming

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Comments (continued):

from the box entitled Participate in Selection Process. Also, show a "no" arrow coming from the box entitled Refer Implementation. Also, the decision tree ends with the box Disclaimer/Scope Limitation. I believe there should be more discussion in the text, regarding the Disclaimer/Scope Limitations.

Appendix C, paragraph 4 b.

More discussion of the term "subclass" is desirable

Return responses to:
AICPA

Stephen J. Rojas, Senior Technical Manager
PFP Division, File 1093
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Smith and Raab
CPA Financial Planners, P.C.

III-5
112

RECEIVED JUL 01 1993

400 First Union Building
250 East Ponce de Leon Avenue
Decatur, Georgia 30030
Telephone (404) 377-9500
Facsimile (404) 377-5501

June 28, 1993

American Institute of Certified Public Accountants
Stephen J. Rojas, Senior Technical Manager
PFP Division, File 1093
Harborside Financial Center
201 Plaza Three
Jersey City, New Jersey 07311-3881

Re: Proposed Statement of Responsibilities in
Personal Financial Planning Practice #3
"Implementation Engagement Functions and
Responsibilities"

Dear Mr. Rojas:

1. Paragraph 8 would be of enhanced practical value if it contained an example of proposed wording incorporating the ideas expressed in subparagraphs a, b and c (all in one example.)

2. Paragraph 9 should follow paragraph 10, in my opinion, since the illustration in paragraph 9 deals with selection criteria (client's instruction not to consider corporate stock as an investment alternative).

3. Paragraph 10 reads, in part, "...to accomplish the client's objectives, subject to any constraints that result from the client's circumstances". I suggest this be changed to read, "...to accomplish the client's objectives, subject to any constraints imposed by the client." (The underlined portion is the proposed change in wording.)

My reason for this change is that it does not matter why the client imposes constraints. Whether those constraints are a function of circumstances or, perhaps, merely the client's whim, the constraint is just as real. The Proposed Statement deals seems to address only those constraints that are imposed by circumstances.

4. Paragraph 11 says, in part, "...the CPA may communicate to his client..." (emphasis supplied).

What does "may" mean in this context? In general, "may"

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2/2

AICPA (Stephen J. Rojas)

-2-

June 28, 1993

permits a choice to the CPA financial planner. Do you really mean that this is optional? If the CPA financial planner opts not to communicate these evaluation of alternatives to the client should they be entered in the work papers? Would it be appropriate for the CPA to neither notify the client nor make work paper notations? Etc., etc.? This paragraph leaves some questions unanswered.

5. Appendix A, the "Implementation Decision Tree", would be strengthened by including a box beneath "Participate in the Selection Process" with the arrow having a "Yes" answer (to complement the "No" answer that leads to the box entitled "Coordinate/Review Other Advice"). This box would be the final step in the decision tree.

6. Appendix C, Paragraph 3, indicates there should be a schedule of required actions, including how, when, and where these actions will take place (emphasis supplied). The word "how" is indecisive, in my opinion. How does one invest in a mutual fund? Place a call to the 800 number? Write the fund? Look for an advertisement in a magazine? Etc.?

I favor deleting "how" and replacing it with "who". The combination of a strong narrative explaining the recommendations and implementation schedule (emphasizing when, where, and who) provides the proper balance to a PFP report.

Thank you for the opportunity to comment.

Yours very truly,

Smith and Raab

CPA Financial Planners, P.C.

By: *Houston D. Smith, Jr.* CPA/PFS
Houston D. Smith, Jr., CPA/PFS

III-61/3
FILE 1093

EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

J. Ben Vermazza CPA, APFS

Comments:

See attached comments & recommendations

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

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2/3

Comments and Recommendations on the Exposure Draft
SRPFP No. 3-- "*Implementation Engagement
Functions and Responsibilities*

AICPA, PFP Division, File 1093
by j. ben vernazza, cpa, pfs -- July 1, 1993

Comments Paragraph 4.

A CPA should not give the impression to clients that the engagement ends with implementation lest he be subject to liability in the future when substantial changes have taken place in the economy, taxes and all kinds of worldwide events. On-going reviews and monitoring are necessary. It is suggested that the importance of this be highlighted in written reports such as the following caveat:

Changes in your personal circumstances, tax laws, the investment environment, the economic cycle and similar unforeseeable events could modify the appropriateness of the advice of this plan. Therefore, it is recommended that you either have a program of on-going financial management, monitoring and review or a periodic review to make sure you are progressing toward the attainment of your financial goals and objectives.

Comments on Paragraph 6

The last sentence needs to be revised; if it is not I will be in violation of the statement on responsibilities because I have either limited power of attorney or full discretion on trading my clients' accounts. I am also aware of other CPAs (that hold themselves out as CPAs) that have discretionary authority and would be in violation. Therefore, I suggest the following modification:

6. Regardless of the level of assistance, implementation decisions are made by the client, not by the CPA, *unless the client has given the CPA discretionary authority or limited power to trade the clients account.*

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3/3

Comments on Appendix B (3)(a)

I have made certain suggested changes to SRPFP #2 regarding the "Relationship of the Specialist to Third Parties." If this is adapted the important disclosure of commissions and other remuneration by insurance agents should be covered in this example. See the attached example disclosure statement.

Comments on Appendix C (3)(a)

Your example of "general partners of partnerships, investment bankers, and stockbrokers" are, in my opinion, three examples of very non-objective third parties. I would rather see you add some more objective third parties such as CPA/PFS, CFA's (Chartered Financial Analysts), CFP's that belong to the Registry®, etc.

I have made certain suggested changes to SRPFP #2 regarding the "Relationship of the Specialist to Third Parties." If this is adapted the important disclosure of commissions and other remuneration by investment advisers, stockbrokers, certified financial planners, etc. should be covered in this example. See the attached example disclosure statement.

AICPA

American
Institute of
Certified
Public
Accountants

III-7
1/3
Division for CPA Firms

1211 Avenue of the Americas
New York, NY 10036-8775
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Fax (212) 596-6213



RECEIVED JUL 07 1993

July 7, 1993

Stephen J. Rojas, Senior Technical Manager
Personal Financial Planning Division, File 1093
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Re: Exposure Drafts on Proposed Statements on Responsibilities
in Personal Financial Planning Practice "Working with
Other Advisers" and "Implementation Engagement Functions
and Responsibilities"

Dear Mr. Rojas:

One of the objectives that Council of the American Institute of CPAs established for the Private Companies Practice Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

We have reviewed the above reference exposure draft containing two proposed statements providing guidance to CPAs who perform personal financial planning services. We recognize the need for practical guidance in these areas and concur that the statements do not constitute enforceable technical standards. We believe, however, that such guidance should be provided through other mediums (e.g., practice aids, manuals, articles, etc.). Because of the apparent authoritative nature of a statement on responsibilities, CPAs that do not elect to follow the guidance therein may have difficulty justifying their noncompliance to third parties and, as a consequence, face professional criticism, as well as possible legal challenge or even liability. Further, although it has been stated that these statements on responsibilities do not represent enforceable standards, CPAs may still believe they must follow this guidance. From a cost perspective, this would further place CPAs at a competitive disadvantage with non-CPAs.

Notwithstanding our aforementioned concerns, we are providing comments and suggestions on certain aspects of the statements in the event their issuance is unavoidable.

Working with Other Advisers

~~Paragraph six refers the CPA to other Statements on Responsibilities in Personal Financial Planning Practice for further guidance when he or she needs to communicate limitations on the scope of the engagement to the client. Perhaps the final statement could also refer CPAs to other relevant professional standards to gain a more comprehensive understanding of how a scope limitation could affect the engagement.~~

~~Guidance on selecting other advisers is discussed in paragraph nine of the proposed statement. Occasionally, a client will insist that the CPA use a particular adviser to assist in the engagement. Although the CPA can become satisfied with the professional qualifications and reputation of that adviser, such a situation may need to be approached with a heightened sense of awareness. We believe the final statement should discuss this issue and inform practitioners that under such circumstances the engagement may need to be performed with an increased level of professional skepticism. Moreover, the statement should provide guidance on CPA's responsibilities when he or she is dissatisfied with the professional qualifications and/or reputation of the client selected adviser.~~

SRAFP #2
←

Implementation Engagement Functions and Responsibilities

Paragraph two states that the proposed statement "... does not extend to situations in which the CPA is functioning in a fiduciary or an agency relationship." However, item c(ii) in paragraph three states that a CPA may be engaged to assist the client in certain planning decisions, including participation "... in the selection and acquisition of products and/or the selection of service providers." A broad interpretation of this provision could suggest to some practitioners that a client can grant authorization to the CPA to acquire products and services on behalf of the client, effectively creating a fiduciary or agency relationship. To avoid confusion, we believe these seemingly contradictory provisions should be reconciled.

Paragraph six states the complexity and scope of implementation engagements vary, as well as the level of assistance provided by the CPA. Therefore, the CPA and client should identify and agree on the level of implementation assistance to be provided. It may be helpful to include examples to assist practitioners in gaining a better understanding of this provision.

The foregoing paragraph also discusses the need to have the client, not the CPA, make implementation decisions. Perhaps the final statement could refer the CPA to Professional Ethics Ruling No. 55, "Independence During Systems Implementation," which elaborates further on this issue. *

The icon, "Assist in Implementation," in the flowchart in appendix A does not indicate whether the accountant is assisting a client or another adviser. To clearly communicate which party

* I attached a copy of

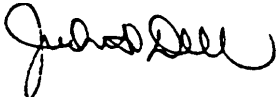
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the accountant is assisting, we believe the title of this symbol should be changed to "Assist the Client in Implementation."

* * *

We appreciate the opportunity to present these comments on behalf of all local and regional firms. We would be pleased to discuss our comments with you or representatives of the Personal Financial Planning Executive Committee at your convenience.

Sincerely,



Judith H. O'Dell, Chair
PCPS Technical Issues Committee

JHO:al
File 2220

cc: PCP Executive and Technical Issues Committees

52. Unpaid Fees

.103 *Question*—A member's client has not paid fees for previously rendered professional services. Would the independence of the member's firm be considered to be impaired with respect to the client for the current year?

.104 *Answer*—Independence of the member's firm is considered to be impaired if, when the report on the client's current year is issued, fees remain unpaid, whether billed or unbilled, for professional services provided more than one year prior to the date of the report. Such amounts assume the characteristics of a loan within the meaning of Rule 101 and its interpretations.

This ruling does not apply to fees outstanding from a client in bankruptcy.

[Replaces previous Ruling No. 52, *Past Due Fees*, November, 1990.]

[53.]

[.105-.106] [Deleted]

54. Member Providing Appraisal, Valuation, or Actuarial Services

.107 *Question*—Would the performance by a member of appraisal, valuation, or actuarial services for a client impair the independence of that member?

.108 *Answer*—Performance by a member of appraisal, valuation, or actuarial services, the results of which may be incorporated in the client's financial statements, would not impair a member's independence if all of the significant matters of judgment involved are determined or approved by the client and the client is in a position to have an informed judgment on the results of those services.

[Replaces previous Ruling No. 54, *Member Providing Actuarial Services*, November, 1990.]

55. Independence During Systems Implementation

.109 *Question*—A member has been requested by a client to perform an engagement involving the implementation of an information and control system. As part of this implementation, the member will arrange interviews for client's hiring of new personnel, and instruct and oversee the training of current client personnel. Would the independence of the member be considered to be impaired with respect to the client if the member performs this engagement?

.110 *Answer*—Independence of the member would not be considered impaired under these circumstances provided the client makes all significant management decisions related to the hiring of new personnel and the implementation of the system. The member also must limit his or her supervisory activities to initial instruction and training of personnel and should avoid direct supervision of the actual operation of the system or any related activities that would constitute undue involvement in or identification with management functions.

[Revised, effective June 30, 1990, by the Professional Ethics Executive Committee.]

56. Executive Search

.111 *Question*—A member's client is establishing a new operation in another locality. The client has asked the member to recruit and hire for the company a controller and a cost accountant for its new operation. Would the

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**EXPOSURE DRAFT
PROPOSED STATEMENT ON RESPONSIBILITIES IN
PERSONAL FINANCIAL PLANNING PRACTICE
IMPLEMENTATION ENGAGEMENT FUNCTIONS AND
RESPONSIBILITIES**

Comments on draft

General: There appears to be an overall context problem with the proposed statement as it is written similar to auditing and accounting standards versus personal financial planning. The standards are written more as an attest function versus an action function.

Paragraphs 12: Line 10 add "to" after the word client.

Paragraph 13: It is recommended that the word "should" in Line two be replaced to read "needs". This emphasizes that fact that a financial planner has a responsibility to fully understand the total financial plan

These comments are submitted by the Personal Financial Planning Committee of the Indiana CPA Society. However, the comments have no official status and do not represent either the approval or the disapproval of the Exposure Drafts by the Society or its Board of Directors.

III-9

FILE 1093

EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation: Texas Society of CPAs' Personal Financial Planning Committee

Comments: Nothing was said about legal qualification of the CPA as an investment advisor. Illustration (Appendix C) clearly implies the CPA can choose specific investments to include in a plan. The client then might implement the plan (purchase the specific securities) without review by any registered investment advisor.

Instructions for Response Form

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EXPOSURE DRAFT

FILE 1093

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

III-10

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

1/2

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

Comments:

SEE ATTACHED

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

Comments: I am a CPA with 22 years experience in public accounting - 18 of those years in the Big 6 (Big 8). I was an auditor for the first 2 years of my career, then changed to tax and worked my way up to be a tax partner in one of the Big 6 firms for 9 years. I am currently with the accounting firm of Hodge, Steward and Company, P.A. working almost exclusively in the tax area. This information was to provide a background from which I make these comments.

I have read both exposure drafts, SRPFP No. 2 and 3. My reaction to both was surprise. I am struck continually by the reality of litigation and the apparent safeguards our profession is trying to implement to protect our actions. Regretably, the cost to perform such work escalates with each such pronouncement. I believe the work product then becomes something the client does not see the benefit of and does not want to pay for.

Those "other advisers" we work with (attorneys excluded) do not have the same professional and performance standards, i.e., insurance and other financial product salespeople, investment advisors, etc. I suppose the real purpose of these two statements is to assure that CPA's continually act professionally.

Unfortunately, CPA's do not have guaranteed job security like an attorney is thought of as having for the drafting of wills, trusts, etc. There is nothing in the Personal Financial Planning Practice that a client has to use our services for - we are in competition with all these other service providers. Yet we appear to be making our standards in this area much like the attest function. But where is the public good to be served? We are dealing one on one with our client. It is as if we are saying - we do personal financial planning better than anyone else because we write down what we are not responsible for and we attempt to charge the client for this notification. Is the client better served by all this?

I submit that these two statements appear to be attempting to protect CPA's from the client and themselves. If CPAs perform personal financial planning engagements ethically these "rules" should be unnecessary. The cost of compliance will not be readily borne by the client.

It seems we are concerned more with documenting what we are not responsible for to protect ourselves from litigation than we are in making appropriate recommendations to help the client. This looks like we are indecisive and as many of the jokes go about accountants - totally accurate information is provided but it is totally worthless to the user.

COMMENTS ON EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL
PLANNING PRACTICE NO. 3

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

Paragraph 2., 1st sentence-Eliminate the words "...is usually..." and replace with "...may be..." in the 2nd line.

Paragraph 2., 2nd sentence-Eliminate the words "...only..." (in the 2nd line of the sentence) and "...activities." (last word of the sentence). These words do not add anything to the sentence and the word "only" is too limiting.

Paragraph 8.-This sentence is awkward as structured. I suggest that the sentence start with the last 4 words ("In an implementation engagement") and end after the 2nd "CPA."

Paragraph 8.c.-This sub-paragraph is unclear. What are you trying to say?

Paragraph 8.-How about an example of the written communication referred to in Paragraphs 8.a. through 8c. After all there is an example in Paragraph 9.

Paragraph 10.-I believe that an example of how the CPA would assist the client to prioritize attributes would be helpful if you are making this a Standard.

Paragraph 11.-While the last sentence of this Paragraph does not seem to be creating a Standard (because it says "...the CPA may..."), it would be a good idea to give an example of the communication addressed.

Paragraph 12., 10th line-I believe that the word "to" should be inserted between the words "client" and "develop" in order for the sentence to be clearer.

Paragraph 13., 9th line-I believe that the word "investment" should be replaced by the word "product" in order to be more accurate and less limiting.

Paragraph 13., 11th line-I do not understand what the term "family situation" means.

Paragraph 14., lines 3 & 4-The word "specifically" should be eliminated as it does not add to the description.

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COMMENTS ON EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL
PLANNING PRACTICE NO. 3 (Continued)

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

APPENDIX B.

Paragraph 2.-The words "his or her" on the 4th and 5th lines are ambiguous. Is it the CPA's or client's understanding?

Paragraph 4.c.-Elaborate on what you mean by "ratings."

Paragraph 6.-Same comment as for Paragraph 4.c.

Paragraph 6.c.-How would the CPA be able to determine this? By putting this example in the Statement you may be creating a standard that cannot be reasonably met.

Paragraph 7.-The last sentence of this Paragraph seems to be thrown-in. However, this issue is of extreme importance. Consider developing this under the section Establishing Selection Criteria.

APPENDIX C.

Paragraph 1., 5th line-Should the word postretirement be hyphenated?

Paragraph 2.-See same comment as in Appendix A.

Paragraph 6.a.-Start the sentence with "Satisfaction of..." and end it after the word "engagement."

Paragraph 6.b.-Start the sentence with "Adherence to..." and end it with "...engagement."

Paragraph 6.c.-Start the sentence with "Achievement of..." and end it with "...strategy."

Paragraph 7., 1st line-Eliminate the word "all."

Paragraph 7., last sentence-It is unclear as to why this is included in the Statement.



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July 3, 1993

Stephen J. Rojas
Senior Technical Manager,
PFP Division
File 1093
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

RE: File 1093, Proposed Statements on Responsibilities in Personal Financial Planning Practice - Implementation Engagement Functions and Responsibilities

Dear Mr Rojas:

The Auditing Services Committee, on behalf of itself and the Personal Financial Planning subcommittee of the Taxation Committee, of the Illinois CPA Society is pleased to submit its response to the request for comments on the above Exposure Draft, as follows:

Paragraph 3 c. ii refers to the CPA's participation in the selection and acquisition of products. This raises the implication that the CPA should probably be a registered investment advisor. We believe that a comment (or footnote) should be added with reference to situations calling for the CPA to be licensed with the appropriate securities, real estate, or insurance regulatory authorities in order to accomplish the activity referred to in this section.

Paragraph 6 of Appendix B, referring to the selection of specific product, should contain a requirement that the CPA provide to his or her client, in writing, his or her credentials and licenses that underlie the CPA's advice that is being given to the client.

The above represents the views of the Illinois CPA Society rather than that of any of the individual members of the committee or any of the firms or organizations with which they are associated.

Very truly yours,

Michael Pierce
Chairman, Auditing Services Committee

2
2 2
SOUTH
RIVER -
SIDE PLAZA
CHICAGO, IL.
60606-6098
312-993-0393
FAX: 312-993-9954

To: AICPA

From: Lisa G. Rudolph
Chair, Personal Financial Planning Committee
D.C. Institute of CPA's
(703)734-7324

Re: Exposure Draft
Proposed Statement on Responsibilities in
Personal Financial Planning Practice

Implementation Engagement Functions and Responsibilities

Comments:

The issue raised regarding proposed SRPFP, Working With Outside Advisers, regarding scope of responsibility for reviewing work of outside advisers applies to this proposed SRPFP as well. The appendices outline the responsibility of the CPA for establishing selection criteria for disability or investment products, however, the SRPFP does not address the CPA's responsibility to review the recommendations provided by other professionals.

The only other issue which should be addressed is the CPA's responsibility to understand and delineate the client's goals, objectives and constraints when the CPA is engaged to assist with implementation. For example, the CPA may be engaged to assist with a search for professional money managers. In this case, the CPA should communicate the client's goals, objectives and constraints when outlining selection criteria.

EXPOSURE DRAFT

PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

IMPLEMENTATION ENGAGEMENT FUNCTIONS AND RESPONSIBILITIES

May 10, 1993
Comment Date: July 9, 1993

Name and Affiliation: LORETTA MCCLARY, FEELEY & DRISCOLL, P.C.

Comments: Should the statement include information regarding a CPA's responsibilities
when (s)he is a Registered Investment Advisor. This is an issue that is
coming to the forefront as CPA's begin to dispense advice and possibly
receive commissions.

Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

III-15

Exposure Draft

Proposed Statement on Responsibilities In
Personal Financial Planning Practice

Implementation Engagement Functions and Responsibilities

May 10, 1993

Comment Date: July 9, 1993

No. 800053

Name and Affiliation: Glenn J. Vice, Chairman
Joseph Akanji, Member
John Cameron, Member
Jon Flair, Member
Raymond P. Prince, Technical Consultant
Jimmie Self, Member
Lyn Tew
Deborah Zundel

Accounting and Auditing Standards
Committee, Louisiana Society of Certified
Public Accountants

Comments:

The exposure draft is complete and well written. The committee members have no specific objection to anything contained in the exposure draft. However, some members believe that some additional guidance would be helpful in the area of assisting the client in the selection of products. The CPA should communicate to the client that he is not responsible for the performance of the product selected.

par 8



**DERDERIAN
KANN
SEYFERTH &
SALUCCI, P.C.**

III-16 1/3

*Certified Public Accountants
Management Consultants*

July 8, 1993

Stephen J Rojas
Senior Technical Manager
PFP Division, File 1093
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Mr. Rojas:

Enclosed please find letter of comments from one of our PFP division members related to the Exposure Drafts dated May 10, 1993.

Please consider these comments when issuing the final statements on responsibility in Personal Financial Planning practice.

Very truly yours,

Michael C. Palazzola, CPA, CFP
Chairman, MACPA PFP Committee

MCP:mak

Enclosure



Price Waterhouse
Personal Financial Services

June 21, 1993

Mr. Michael C. Palazzola, CPA
Derderian, Kann, Seyferth & Salucci, PC
Suite 520
3001 W. Big Beaver Road
Troy, Michigan 48084-3146

Dear Mr. Palazzola:

Below are my comments on *Proposed Statements on Responsibilities in Personal Financial Planning Practice, Working with Other Advisers, and Implementation Engagement Functions and Responsibilities.*

I. Advisors

- SRAPP # 2
1. Paragraph 9 - Will file documentation be an implicit requirement of paragraph 9? i.e., will each client file require a formal write-up for each referral, exploring and answering each of subparagraphs (a.) through (d.)? Perhaps this should be addressed in the "statement."
 2. Paragraph 9 - Presumably, subparagraph (d.) refers to the use of an existing client adviser's work in the course of an engagement (as opposed to a referral situation). In this regard, is it appropriate to state that we will apply a different standard of diligence or acceptability because of the relationship the client may have with the adviser as is implied.

II. Implementation

1. Paragraph 12 - grammatical:
"The CPA might also be asked to assist the client develop more specific..."
"Assist" should be replaced by "help."
2. Appendix B
Paragraph 7 - grammatical; typos:
 - Second line - contracts should be contacts.
 - Tenth and eleventh line - either add "was" between "coverage" and "bound" or eliminate "was" between "policy" and "issued."

June 21, 1993
Mr. Michael C. Palazzola, CPA
Page 2

III-16³/₃



3. Appendix C
Paragraph 5 - consider the more frequently used terminology "investment policy statement" as a replacement for "investment strategy statement."

Sincerely,

Richard Connell

Richard Connell

RC/maf

III-17 1/2

July 7, 1993

RECEIVED JUL 13 1993

Mr. Stephen J. Rojas
Senior Technical Manager
American Institute of Certified
Public Accountants
PFP Division
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Mr. Rojas:

We submit the following comments on the proposed Statement on Responsibilities in Personal Financial Planning Practice (SRPFP), Working With Other Advisors:

Paragraph 9

Consistent with proposed revisions to Statement on Auditing Standards No. 11, Using the Work of a Specialist, we suggest that the first sentence be modified to read, "To determine that the other advisor possesses the necessary skill or knowledge, the CPA should evaluate the professional qualifications of the advisor before referring . . . "

SRPFP 2

Paragraph 14

In the second line of the illustration, "for drafting" should be replaced by "to prepare."

We submit the following comments on the proposed SRPFP, Implementation Engagement Functions and Responsibilities:

Appendix B, paragraph 7

In the first sentence, "contracts" should be replaced by "contacts."

III-17 2/2

General

The exposure draft seems to indicate the need for detailed reporting. We suggest that the relationship between the cost imposed and the benefits reasonably expected to be derived from detailed reporting be considered.

If you have any questions regarding our comments, please contact A.J. Lorie (212-536-2119) in our National office.

Very truly yours,

Cosgraves + Lybrand



The Acacia Group®

RECEIVED JUL 22 1993

JOSEPH C. MONTZ, CPA
Director of Financial Planning

III-10 1/2

MEMORANDUM

**TO: STEPHEN J. ROJAS
SENIOR TECHNICAL MANAGER, PFP DIVISION**

**FROM: JOSEPH C. MONTZ
CHAIRMAN - LOUISIANA ESTATE AND FINANCIAL
PLANNING COMMITTEE**

DATE: JULY 19, 1993

The following is a summary of the comments received from the exposure draft of proposed statement on Responsibilities in Personal Financial Planning Practice. The Louisiana Estate and Financial Planning Committee hopes this proves helpful for the final document. If any of our comments are inaccurate please let us know.

IMPLEMENTATION

1. Implementation does not include "Selecting Investment Advisers" - that falls under "Working With Other Advisers." Selecting specific investments subjects the CPA to registration as an investment advisor.
3. The CPA can actually assist the client by helping fill out necessary paper work to establish accounts as called for under the financial plan.
9. The example here will cause the CPA to be considered as giving investment advise and subject them to registration requirements.

APP B

6c - Seems like this should be in Section 4 under "Establishing Selection Criteria." CPA should then discuss in C all the Selection Criteria.

Continued Page 2

III-18 2/2

APP C

1. It would appear this would subject the CPA to investment advisor registration requirements.

Working With Other Advisers

1. The Investment Advisers Act of 1940 indicates that a referral to a client of a person or firm that gives specific investment advice is held to be investment advice and subjects the referrer to registration requirements.
2. Our referrals should be written to delineate our actual recommendation since verbal referrals do not reduce liability.

When a CPA prepares any analysis for the client he/she should document which sources were relied upon for this information. Example: A.M. Best's, Standard and Poor's, etc. and further documents that he/she has no responsibility for the accuracy of such ratings.

Certified Public
Accountants

1845 Walnut Street
Philadelphia, PA 19103-4755

(215) 564-1900
(215) 564-3940 fax

Asher & Company, Ltd.

RECEIVED JUL 23 1993

Members of
American and Pennsylvania
Institutes of Certified Public
Accountants
Associated Accounting
Firms International
Moore Stephens International

July 21, 1993

III-19 1/2

Mr. Stephen J. Rojas
Senior Technical Manager
PFP Division, File 1903
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Mr. Rojas:

In response to the AICPA's May 10, 1993 request for comments on the exposure drafts related to SRPFP No. 2 and SRPFP No. 3, I have the following comments. I believe that the drafts provide, for the most part, excellent guidance for the subject matter that they encompass. I hope that the AICPA continues to provide more guidance in the area of PFP work so that CPA can continue to develop this practice area and maintain the high standards that are required of other practice areas.

In the discussion of SRPFP No. 3, "Implementation Engagement Functions and Responsibilities", paragraph 8, stipulates that the client has to be made aware that we do not guarantee "the client's expected results or benefits". I believe that it should be communicated to the client that decisions made in the implementation process may positively or negatively affect the plan. Only communicating to the client that we do not guarantee the expected results or benefits does not impart to the client the possible ramifications of the decisions made during the implementation process. Disclosing the possible effects of the decisions made during the implementation process may encourage the client to be more attentive and thoughtful when making the decisions.

Paragraph 8c. of SRPFP No. 3 states that we must communicate that we have not considered all relevant information. It should be communicated to the client that we have considered all information provided to us at the time the decisions were made. Paragraph 8c conveys that we have not done what we are being paid to do. Our job is to consider all relevant information that has been provided to us.

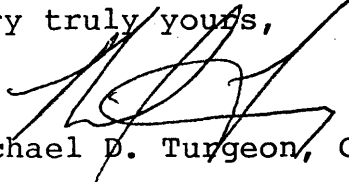
Mr. Stephen J. Rojas
July 19, 1993
Page 2

III-19 2/2

It appears that paragraph 8c (as written) is trying to communicate that there are other factors which may affect our decision making process; but this fact can be incorporated into a scope limitation statement. If this statement is meant to limit the number of sources of information that we must consider, disclosing the sources of information that we use when making our decisions (i.e. Morningstar, Standard & Poors, etc.) may be appropriate.

I appreciate the time that you have taken to consider my comments. If you would like to discuss them further, please do not hesitate to call.

Very truly yours,



Michael D. Turgeon, CPA

MDT:bsf