



Professional Ethics Division

Exposure draft:

Proposed revised interpretation

# Executive or Employee Recruiting (ET sec. 1.295.135)

June 10, 2024

Comments are requested by September 10, 2024

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Standard-setting

# Proposed revised interpretation: Executive or Employee Recruiting

## Invitation to comment

June 10, 2024

Are you interested in the ethics of accounting? If so, we want to hear your thoughts on this ethics exposure draft. Your comments are integral to the standard-setting process, and you don't need to be an AICPA member to participate.

This proposal is part of the AICPA's Professional Ethics Executive Committee (PEEC) project to harmonize with ethics standards promulgated by the International Ethics Standards Board for Accountants (IESBA).

This exposure draft explains the proposed revisions to the AICPA Code of Professional Conduct and includes the full text of the guidance under consideration.

At the conclusion of the exposure period, PEEC will evaluate the comments and determine whether to publish the revised interpretation.

Again, your comments are an important part of the standard-setting process — please take this opportunity to comment. We must receive your response by September 10, 2024. All written replies to this exposure draft will become part of the public record of the AICPA and will be available at [www.aicpa.org/peecprojects](http://www.aicpa.org/peecprojects).

Please email your comments to [ethics-exposuredraft@aicpa.org](mailto:ethics-exposuredraft@aicpa.org).

Sincerely,



Anna Dourdourekas, Chair  
Professional Ethics Executive Committee



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Professional Ethics Division

# Contents

Explanation of the proposed revised interpretation.....	1
1.295.135 Executive or Employee Recruiting (redline).....	5
1.295.135 Executive or Employee Recruiting (clean).....	7
Acknowledgments.....	9

## Explanation of the proposed revised interpretation

The Professional Ethics Executive Committee (PEEC) is exposing for comment revisions to the “Executive or Employee Recruiting” interpretation (ET sec. 1.295.135) under the “Independence Rule” (ET sec. 1.200.001).

If adopted as final, the revised interpretation will be applicable to members in public practice.

### Overview

1. In 2022, the International Ethics Standards Board for Accountants (IESBA) revised the Non-Assurance Services (NAS) section of its code of conduct. One of the areas that IESBA revised was subsection 609 — *Recruiting Services*.
2. The primary revisions to subsection 609 regarding recruiting services include additional prohibitions for key positions related to
  - recommending the person to be appointed and
  - advising on the terms of employment, remuneration, or related benefits of a particular candidate. (General information may still be provided to the attest client.)
3. PEEC evaluated IESBA’s revisions and determined the AICPA Code of Professional Conduct (the AICPA code) would be enhanced if certain revisions were made to the “Executive or Employee Recruiting” interpretation to address potential threats to independence when members perform executive or employee recruiting services (recruiting) to attest clients. This interpretation has not been revised in more than 20 years, so a new consideration will help keep the guidance fit for purpose.

### Additional threats to independence identified

4. PEEC determined that there could be additional threats to a member’s independence when a member is providing recruiting services. Because those in key positions often work with the attest team when attest services are provided, the familiarity and undue influence threats can be present.

### Prohibition of some recruiting services for key positions

5. The “Executive or Employee Recruiting” interpretation addresses services regardless of the type of position. To strengthen the AICPA code, prohibitions were added for key positions. Because those in key positions are generally senior management who can influence accounting records or financial statements, these prohibitions will reduce threats to independence. The proposed prohibitions related to key positions include the following:

- Advising on the specific terms of employment, remuneration, or related benefits of a particular candidate
- Searching for or seeking out candidates
- Undertaking reference checks of candidates
- Recommending to the attest client only one candidate for consideration

### Prohibition of recruiting services for all positions

6. During the interpretation review, PEEC determined that one service could not be provided no matter the position — negotiating with a candidate on behalf of the attest client. (See paragraph .03*f* in the proposed revised interpretation.) The threat of management participation is too significant. Also, the current interpretation prohibits the member from committing the attest client to employee compensation or benefit arrangements.

### Searching for or seeking out candidates

7. The current interpretation allows members to “solicit and screen candidates based on criteria approved by the attest client, such as required education, skills, or experience.” However, the IESBA code concludes independence is impaired when “searching for or seeking out candidates” for certain positions.
8. PEEC agreed that IESBA’s “searching for or seeking out candidates” is clearer than the AICPA’s “soliciting candidates” provision. PEEC recommends updating the interpretation to allow members to search for or seek out candidates for non-key positions based on criteria approved by the attest client. This is because those who fill such non-key positions have neither the ability to influence nor primary responsibility over the financial statements. (See paragraph .02*c* in the proposed revised interpretation.)
9. The AICPA code currently allows screening candidates using criteria approved by the attest client; for its part, the IESBA code does not prohibit this service. PEEC separated the searching for or seeking out from the screening provision to make it clear that such screening of candidates is still permitted. However, to underscore that practitioners do not solicit candidates on behalf of attest clients, the example in paragraph .02*d* of the proposed revision refers to candidate resumes being provided by the attest client.
10. Additionally, PEEC added to permitted services the interviewing of candidates and advising on the candidate’s competence for financial accounting, administrative, or control positions. These activities are not limited to the position type or level because the member is advising only on the competence of the candidate. The member determines neither which candidates will advance in the hiring process nor which will be hired, as those both fall under

management responsibilities. (See paragraph .02e in the proposed revised interpretation.)

### Recommending qualified candidates

11. The AICPA code currently permits members to recommend qualified candidates to the attest client for consideration. (Note that *candidates* is plural.) The IESBA code prohibits recommending one specific person to be appointed to a key position.
12. PEEC does not consider the informal passing on of resumes or names to the attest client to be covered by the “Executive or Employee Recruiting” interpretation because the attest firm would not be providing a nonattest service.
13. PEEC discussed the differences between the two provisions and noted that the IESBA prohibition seems to indicate that the practitioner may not recommend only one person, and the AICPA provision indicates the practitioner may recommend multiple candidates. As paragraphs .03e–f in the proposed revised interpretation show, consistency on this point between the AICPA and IESBA codes can be achieved with the following:
  - Prohibiting recommending one candidate for a key position
  - Specifying that multiple individuals may be recommended for all positions and that one candidate may be recommended for a non-key position; this is because an evaluation using the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010) shows that threats are at an acceptable level

### Advising on terms of employment

14. The AICPA code currently permits participation in employee hiring discussions in an advisory capacity regardless of the type or level of position. PEEC recommends adding to the AICPA code a prohibition against advising an attest client on the specific terms of employment in relation to a particular candidate for a key position due to the increased threat of management participation. (See paragraph.03b in the proposed revised interpretation.) However, providing such advice in relation to a position in general would be allowable. For example, a practitioner may assist an attest client in determining a compensation range prior to posting an open position, but advising the attest client on the specific terms of employment after one candidate for a key position has been identified should be prohibited.

### Reference checks

15. PEEC acknowledged that verifying prior employment (background check) is less concerning than asking subjective questions of a personal reference (reference check). Reference checks are not necessarily a management responsibility, but familiarity, advocacy, or undue influence threats might arise for the member when undertaking this service. Given this, PEEC recommends prohibiting members from undertaking reference checks when the

position is a key position, which would be consistent with IESBA. (See paragraph.03d in the proposed revised interpretation).

16. However, PEEC recommends that members be allowed to apply professional judgment to determine whether threats are at an acceptable level when performing background checks or reference checks for non-key positions. As such, PEEC is not proposing listing these services as permitted services.

#### Effective date

17. PEEC recommends an effective date of January 1, 2026, with early adoption permitted.

#### Request for comments

18. PEEC welcomes comments on all aspects of the proposed revisions to the code. In addition, PEEC seeks feedback on the following specific aspects of the proposed revised interpretation:
  - a. Do you agree with the addition of the familiarity and undue influence threats when evaluating recruiting services for independence? If you disagree, please explain why.
  - b. Do you agree with the proposal to prohibit some services for key positions but allow them for non-key positions? If you disagree, please explain why.
  - c. Do you agree with the addition of examples of services that may be provided by members without impairing independence? If you disagree, please explain why.
  - d. Do you think there are any positions at an attest client for which the member should not advise on candidate competence? Please explain your response.
  - e. Do you agree with the proposal to prohibit members from negotiating on behalf of an attest client for all positions? If you disagree, please explain why.
  - f. Do you agree that the recommended effective date of January 1, 2026, provides adequate time to implement the proposals? If you disagree, please explain why.

Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#)).

## 1.295.135 Executive or Employee Recruiting (redline)

- .01** When a member provides executive or employee recruiting services to an *attest client*, self-review, ***familiarity, undue influence***, and management participation *threats* to the *covered member's* compliance with the "Independence Rule" [1.200.001] may exist.
- .02** If the member applies the "General Requirements for Performing Nonattest Services" interpretation [1.295.040] of the "Independence Rule" [1.200.001], *threats* would be at an *acceptable level* and *independence* would not be *impaired*. For example, a *member* may
- a. recommend ***or advise*** on a position description or candidate specifications.
  - b. ~~solicit and screen candidates based on criteria approved by the *attest client*, such as required education, skills, or experience~~ ***advise on the general terms of employment, remuneration, or related benefits of a particular position.***
  - c. ~~recommend qualified candidates to the *attest client* for their consideration based on criteria approved by the *attest client*.~~ ***search for or seek out candidates for non-key positions using the attest client's criteria, such as required education, skills, or experience.***
  - d. ~~participate in employee hiring or compensation discussions in an advisory capacity.~~ ***review candidate resumes provided by the attest client to identify those that meet the attest client's criteria.***
  - e. ***interview candidates and advise on a candidate's competence for a position, whether financial, accounting, administrative, control, or other.***
  - f. ~~recommend qualified candidates~~ ***to the attest client more than one candidate for consideration based on the attest client's criteria. If only one candidate for a non-key position meets the attest client's criteria, the member should apply the "Conceptual Framework for Independence" interpretation [1.210.010] to evaluate whether threats are at an acceptable level.***



- .03** However, *threats* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*, and *independence* would be *impaired*, if, for example, a *member*
- a. ***hires or terminates the attest client’s employees.*** ~~commits the attest client to employee compensation or benefit arrangements.~~
  - b. ~~hires or terminates the attest client’s employees.~~ ***advises on the specific terms of employment, remuneration, or related benefits of a particular candidate for a key position.***
  - c. ***searches for or seeks out candidates for a key position.***
  - d. ***undertakes reference checks of prospective candidates for a key position.***
  - e. ***recommends to the attest client only one candidate for consideration for a key position.***
  - f. ***negotiates with the candidate on behalf of the attest client.***
  - g. ***commits the attest client to employee compensation or benefit arrangements.***

## 1.295.135 Executive or Employee Recruiting (clean)

- .01** When a member provides executive or employee recruiting services to an *attest client*, self-review, familiarity, undue influence, and management participation *threats* to the *covered member's* compliance with the "Independence Rule" [1.200.001] may exist.
- .02** If the member applies the "General Requirements for Performing Nonattest Services" interpretation [1.295.040] of the "Independence Rule" [1.200.001], *threats* would be at an *acceptable level* and *independence* would not be *impaired*. For example, a *member* may
- a. recommend or advise on a position description or candidate specifications.
  - b. advise on the general terms of employment, remuneration, or related benefits of a particular position.
  - c. search for or seek out candidates for non-key *positions* using the *attest client's* criteria, such as required education, skills, or experience.
  - d. review candidate resumes provided by the *attest client* to identify those that meet the *attest client's* criteria.
  - e. interview candidates and advise on a candidate's competence for a position, whether financial, accounting, administrative, control, or other.
  - f. recommend to the *attest client* more than one candidate for consideration based on the *attest client's* criteria. If only one candidate for a non-key *position* meets the *attest client's* criteria, the member should apply the "Conceptual Framework for Independence" interpretation [1.210.010] to evaluate whether *threats* are at an *acceptable level*.
- .03** However, *threats* to compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*, and *independence* would be *impaired*, if, for example, a *member*
- a. hires or terminates the *attest client's* employees.
  - b. advises on the specific terms of employment, remuneration, or related benefits of a particular candidate for a *key position*.
  - c. searches for or seeks out candidates for a *key position*.
  - d. undertakes reference checks of prospective candidates for a *key position*.

- e. recommends to the *attest client* only one candidate for consideration for a *key position*.
- f. negotiates with the candidate on behalf of the *attest client*.
- g. commits the *attest client* to employee compensation or benefit arrangements.

## Acknowledgments

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### Many thanks

The Professional Ethics Division and PEEC are grateful for the input we received from observers and stakeholders while drafting these proposed changes to the Code of Professional Conduct.



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