

## Beacon Verification Services, LLC

### Comments to Proposed Verifier Independence Guidance Statement

1. On page 3 in the introduction, it states that “If a verifier provides other services to the verification client, the verifier should discuss with the verification client whether the verification client should include a disclosure in GIPS-compliant presentations which describes the other services performed by the verifier, and/or offers to provide additional information about those services to its clients or prospective clients, upon request.” We believe that a disclosure of this kind would be wise either in GIPS-compliant presentations or in the verification statement itself. Perhaps the disclosure should be made in the verification statement because the firm providing the services is the party most responsible for minimizing/eliminating conflicts of interest. We believe this type of disclosure (whether on presentations or in the verification statement) is in-line with similar disclosures in audit reports and opinions/recommendation reports within the investment management industry.
  
2. On page 5, the guidance states that “Providing templates and systems for performance calculation” is a service that “might create an independence issue.” In #4 in the Applications section (page 7), it states that providing a spreadsheet with calculation examples “does not automatically create an independence conflict, as long as the client assumes full responsibility for the calculation methodology.” We believe these two statements contradict each other to some degree. Perhaps the guidance should more specifically state that calculation examples can be provided, but the verification firm cannot build performance measurement databases for clients and remain independent. The guidance could further explain that the client can use calculation samples provided by the verifier, but the firm must assume full responsibility for the calculation methodology. The committee may not want to draw specific boundaries, but we do feel that this contradiction in the current statement needs to be addressed.
  
3. On page 6, the guidance states that “Preparing compliant presentations” is an example of a performance-related service that may create an independence conflict. On the other hand, #7 in the Applications section (page 7) states that “The verification firm may produce the compliant presentation for the examined composite if this preparation is limited to accumulating the information from information you provide them.” We believe this is another example of two statements that contradict each other to a degree. Not only are these two sections of the statement contradictory, we strongly believe that verification firms should never create performance presentations for firms even if they feel it is simply word processing. This issue should not be any different for a firm-wide GIPS verification or a Performance Examination of an individual composite. Because verification firms have created presentations using firms’ data in the past, this has exacerbated a problem that currently exists in that not all compliant firms present the fully compliant presentation in one-on-one presentations. Some firms

mistakenly believe that the fully compliant presentation simply is a “disclosure report” issued by the verification firm and that they do not have to present dispersion, composite assets, etc. unless someone asks for the verification statement. This is an issue that should not exist and only creates confusion. We believe the best way to alleviate this problem and ensure verifier independence is to never allow a verification firm to build or update a compliant presentation. Furthermore, we believe creating presentations for the investment management firm flies directly in the face of the “management confirmation letter” addressed in section 2 of the current verification guidance statement effective 13 March 2002...“the firm's management bears all responsibility for the creation of the investment performance report.” We see absolutely no benefits from verification firms constructing presentations and believe the prohibition of this practice is an easy and clear-cut way to eliminate a possible conflict of interest.

We agree with all other aspects of the guidance statement. Thank you for considering our comments.

Sincerely,

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