

From: Robert M. Biller [mailto:robbiller@pctcnet.net]
Sent: Wednesday, November 22, 2017 10:17 AM
To: Ethics-exposedraft <ethics-exposedraft@aicpa-cima.com>
Subject: Preparation of Financial Statements in 2018 Yellow Book

AICPA
Professional Ethics Division

Dear sirs or madams:

In attending the recent Governmental and Not-for-Profit Training Conference in Las Vegas, it came to my attention that there will be a major change regarding the preparation of financial statements for auditees in the new 2018 Yellow Book. It is my understanding that this change is in regard to having either another qualified firm (or another qualified person or persons within the same firm that is not assigned to the audit engagement) prepare the financial statements. Obviously, that is extremely difficult, if not impossible, with small firms like ours.

Let me start by saying that this could very possibly put my firm out of business. I can certainly understand that independence should not be compromised with our clients, but this seems far beyond what is necessary. The cost should outweigh the benefit, and I don't see that being the case with this new standard.

It should be pointed out that we are still auditing the client. We are preparing the financial statements simply out of necessity because of the circumstances of the small clients involved, and disclosing that fact in our workpapers. This new rule will have little to no effect on independence. It's just going to add cost to the auditees, and reward the larger auditing firms for having more staff. The small clients that I audit do not have the staff or financial resources to prepare their own financial statements. They are already under tight pressure to remain within their budgets, and this is just going to add to their costs. If it will be allowed to have a person or persons within an auditing firm prepare the financial statements of the auditee and have another person or persons within that same firm perform the audit, how is that going to change independence? They're still part of the same firm. They are not independent.

It seems to me the biggest things that will be accomplished from this is to put the small firms out of business, and add more costs to the auditees. Like many people, I have worked my entire career to get where I am. I purchased my practice at great cost, and I've spent years of hard work and sacrifice to build my small firm. We have peer reviews that have received pass ratings in every one of them. I attend conferences continually to keep up to date on the latest standards. And now, with the stroke of a pen, many small firms like mine could, and probably will, be out of business. And we've done nothing wrong. I'm in my mid-fifties. I have the expense of college coming for my son, my mortgage and all of the other living expenses. What am I going to do? I hate to make this so personal, but this is a very serious issue. Plus, this new standard will accomplish little, if anything, for independence. I believe this is unwarranted, as well as unfair, to the small local governments and the small audit firms.

Respectfully submitted,

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