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Sent: Monday, August 30, 2021 10:24 AM
To: Comment Letters <CommentLetters@aicpa-cima.com>
Subject: Comments on Proposed Quality Management Standards

August 30, 2021

American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Dear Accounting Standards Board:

Response to the American Institute of Certified Public Accountants' Proposed Statements on Quality Management Standards.

The following is our response to the AICPA Accounting Standards Board Proposed Statements on Quality Management Standards SQMS No.1 and SQMS No. 2

While we support strong and adaptable quality management system, we do have some concerns regarding the proposed standards.

Scalability

Although the proposal consistently uses the language that the standards are scalable, it is evident that this standard is written, as are most standards, from the larger firms' perspective. The AICPA looks at accounting standards through the lens of the larger firms, with infrequent and casual regard for the smallest of firms. We are all CPAs. The size of our firm does not dictate the quality of our work; bigger is not always better.

Monitoring

In the brochure titled "Proposed Statement on Quality Management Standards – A Firm's System of Quality Management", under "Monitor" the bullet point notes that "Self-inspection is prohibited because "you don't know what you don't know"." That line assumes that the reviewer is always more knowledgeable than the preparer. I understand that this language is not contained in the proposed standard, but the sentiment certainly is present.

A well-designed, dynamic quality management system is the foundation of an accounting and auditing practice. Adherence to the system can be monitored sufficiently by the firm on a regular basis without the need for or expense of retaining another firm to perform monitoring. Larger firms have the luxury of another partner or another office to perform monitoring (or Engagement Quality reviews) without incurring delays due to another firm's schedule or incurring the out-of-pocket costs.

If the purpose of monitoring is to determine if a firm has complied with its system of quality management, then requiring the use of an outside firm is blatantly saying a firm is not trusted to review their own work, cloaked in the idea that one cannot recognize their own faults.

Leadership

As a two CPA firm, the effect of the increased requirements on leadership and governance is nominal. Small firms like ours are adaptive instantly to change in our clients and any accounting or auditing issues that arise. There is no large hierarchy; each of us reviews the other's work regularly which allows for timely corrections or enhancements.

Engagement Quality Review

Requiring a cooling off period for an Engagement Quality reviewer is irrelevant for a small firm. Again, an EQ review requires the retention of an outside firm by a small firm.

We agree that the engagement quality review should be completed before the report is released, but it is impractical to ask that the EQ review be performed before the report date due to the procedures and documentation required to be completed.

Effective Dates

Earlier this summer an effective date of December 15, 2023, seemed reasonable as it appeared the effects of the pandemic were lessening. However, the increased anxiety and numbers as of late is creating challenges for businesses and firms alike. As CPAs, our obligation is to our clients, especially guiding them through this uncertainty. Not to lessen the necessity of improvements to our quality management system as noted by this proposal, but the current system is still adequate for the time being. A delayed effective date should be implemented, likely one additional year.

We appreciate your time and consideration.

Sincerely,

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