

MILLER COOPER &Co.,Ltd

ACCOUNTANTS AND CONSULTANTS

August 30, 2021

Ms. Sherry Hazel
Audit and Attest Standards – Public Accounting
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Via email: CommentLetters@aicpa-cima.com

Proposed Statements on Quality Management Standards (SQMS): *Quality Management: A Firm's System of Quality Management (SQMS No. 1)* and *Quality Management: Engagement Quality Reviews (SQMS No. 2)*; and

Proposed Statement on Auditing Standards: *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards (QM SAS)*

Dear Ms. Hazel,

Miller Cooper & Co., LTD. (Miller Cooper) is pleased to submit this comment letter to the Auditing Standards Board (ASB) in response to the ASB's request for comment on its proposed Statements on Quality Management Standards (SQMS), *A Firm's System of Quality Management (SQMS No. 1)* and *Engagement Quality Reviews (SQMS No. 2)*, and proposed Statement on Auditing Standards, *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards (QM SAS)*.

Miller Cooper is the 10th largest accounting firm in the Chicago area. Our professional staff of 390+ professionals provide a wide range of services to middle market and entrepreneurial companies in a variety of industries. We are committed to providing service of the highest technical and professional standards to our clients. Miller Cooper is a member of the AICPA Major Firm Group and a member firm of Nexia International, a leading, global network of independent accounting and consulting firms.

Miller Cooper is pleased to comment on the proposed standards listed above. We are mostly supportive of the proposed standards and understand the time and effort the AICPA has spent on improving audit quality in the profession. Provided below are our responses to the ASB's request for comment.

Proposed SQMS No. 1

- 1. Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents' views on whether the requirements in proposed SQMS No. 1 are clear and understandable and whether the application material is helpful in supporting the application of those requirements.**

We agree with the general evolution of the current Statements on Quality Control Standards (SQCS) into the proposed Statements on Quality Control Management Standards (QCMS). We believe the risk assessment process is a positive change and will result in a more comprehensive quality management system. However, we are concerned that some firms will have a challenge implementing the risk assessment process and we request the ASB to provide additional clarity and examples within the final standard or supplemental practice aids to assist firms of all sizes in applying those requirements.

- 2. Respondents are asked to provide their views on the scalability of the new quality management approach. In addition, the ASB is seeking respondents' views on specific requirements in proposed SQMS No. 1 that may inhibit scalability and requirements for which additional application material regarding scalability would be helpful.**

We appreciate the Board's efforts under the proposed QCMS to allow for greater flexibility based on each firm's assessed risks, which should provide better scalability across firms of all sizes. However, we are concerned with the scalability of the inspection process and restrictions placed on inspection. We believe increased flexibility under the proposed QCMS is important to improving quality, but adding mandated restrictions limiting the flexibility of the internal inspection process that is used to reduce and mitigate risk, could result in unintended consequences for firms with no previous audit quality issues. These added restrictions appear to contrast with the added flexibility provided within the rest of the proposed standard, as they focus on the methods rather than the end goal, which is to increase the overall quality of work performed.

Proposed SQMS No. 2

- 3. Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents' views on whether the requirements in proposed SQMS No. 2 are clear and understandable, and whether the application material is helpful in supporting the application of those requirements.**

We agree that the requirements relating to the objective of the proposed standard and appointment and eligibility of reviewers contained in proposed SQMS No. 2 is clear and understandable. We also agree that the engagement partner should be precluded from dating the engagement report before the engagement quality review is complete. However, we would like to ensure that some level of flexibility is permitted for the timing of the engagement quality reviewer's review based on the individual firm's risk assessment process and specific facts about the engagement undergoing an engagement quality review (e.g., as the reasons for an engagement quality review may not always present itself until after the start of fieldwork). As such, a one size fits all approach to the timing of specific pieces of the engagement quality review will not necessarily lead to improved audit quality by itself and that the firm's history with peer review and internal inspection should be considered an important part in assessing risk.

We agree with certain aspects of the proposed documentation requirements relating to an engagement quality review. However, we recommend the Board consider the unintended consequences of providing overly detailed findings and conclusions relating to the engagement quality review, and the potential to exposing the firm to additional risk. We request the Board provide additional clarification on documenting the engagement quality review and level of documentation to be kept in engagement files.

Proposed QM SAS

- 4. Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents' views on whether the requirements in the proposed QM SAS are clear and understandable, and whether the application material is helpful in supporting the application of those requirements.**

We are generally supportive of the changes proposed in the QM SAS. However, due to the stand-back requirement being new, we request the Board provides greater clarification and develop practice aids to assist the engagement partner and firm in adhering to the stand back requirement.

Effective Date

5. Respondents are asked to provide their views on whether the effective dates are clear.

We believe the effective dates are clear.

6. Respondents are asked to provide their views on whether an 18-month implementation period is appropriate. If that period is not appropriate, please explain why and what implementation period would be appropriate.

We believe the proposed implementation period should be increased by two years, from December 15, 2023 to December 15, 2025. This is because there will be (a) a need to develop and attend CPE on the proposed standards; (b) resource providers will need to update and rollout materials to assist in the risk assessment and response; (c) standards fatigue; and (d) limited resources at some firms that will impact the successful rollout of the proposed standards. Additionally, due to the increased costs associated with implementing these proposed standards, some firms with a smaller attest practice than our own may decide to eliminate certain service offerings because they will no longer provide a viable business model for them going forward. An extended implementation period would allow those firms sufficient time to evaluate and transition their practices. We believe that this is aligned with the spirit of the changes contained in the proposed standards and is focused on quality improvement.

Issues for Consideration

Issue 1 – Self-Inspection

Respondents are asked whether they agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. If not, please explain why and provide examples of safeguards that could lower the self-review threat to an acceptable level.

We agree that inspections of completed engagements by qualified independent personnel are typically more effective. However, we believe that self-inspection should be retained and not precluded to enhance audit quality and allow for customization based on each firm's unique risks identified in their risk assessment. The size of the firm may not always be indicative with quality. We believe self-inspection is a choice that needs to be assessed by each firm based on their commitment to quality, understanding of standards, underlying risks, experience in certain industries, and involvement of professionals in the standard setting process. We ask the Board to consider permitting an engagement quality reviewer to serve on internal inspections since they are already independent and technically qualified to act in the role and for engagements undergoing an engagement quality review to count as an internal inspection selection based on the thoroughness and in-depth nature of the “pre-issuance” engagement quality review. Additionally, we note that the resource challenges that are associated with this aspect of the proposed standards may cause unanticipated results, as they may discourage firms from performing an engagement quality review, which is a very useful and effective quality measure. Such a result would be in contradiction to the underlying goal of the proposed standards.

Issue 2 – Cooling-Off Period for Engagement Quality Reviewers

- 7. Respondents are asked for their views on whether a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer on that engagement, and (a) if so, the appropriate length of the required cooling-off period, or (b) if not, please explain why and provide examples of safeguards that could lower the objectivity threat to an acceptable level.**

We do not believe a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer. We believe that the proposed standards should maintain flexibility for firms to customize and tailor responses to quality risks. We do not believe additional constraints should be in place to restrict the use of an engagement quality review to address a specific risk since the criteria of who can perform an engagement quality review already has a self-review constraint built into it. We recommend that the Board consider making the cooling off period a recommendation rather than a requirement as it may discourage firms from performing an engagement quality review, which is a very useful and effective quality measure. Such a result would be in contradiction to the underlying goal of the proposed standards.

Issue 3 — Completion of Engagement Quality Review and Dating of the Auditor’s Report

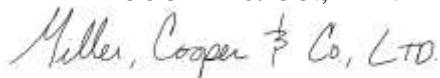
- 8. Respondents are asked for their views on whether the engagement quality review should be required to be completed before the report is dated, rather than before the report is released.**

Miller Cooper currently requires all engagement quality reviews to be completed before the report is dated and we believe that engagement quality reviews under the proposed standards should be completed as of the report date and not the report release date. We believe that conducting the engagement quality review during significant milestones (e.g., planning, opening balance sheet procedures, accounting and auditing consultations, post-fieldwork, review of deliverables, finalization) provides the best approach to ensure risks identified by the firm are appropriately addressed in a timely manner and before the report is dated. The report date should be reflective of the date the engagement team and engagement quality reviewer have completed their review.

We would be pleased to discuss our comments with you at your convenience. Please direct any questions to Jeffery Watson, Principal Quality Assurance at (847) 205-5000 or jwatson@millercooper.com.

Very truly yours,

MILLER COOPER & CO., LTD.



Certified Public Accountants