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Dear Ms. Hazel,

I am writing to you to express my concerns regarding the AICPA Auditing Standards Board's exposure draft entitled *Proposed Quality Management Standards*. The proposed standards will have a profound and negative impact on small accounting firms.

The proposed standards will no longer allow self-review for the annual monitoring process. Small CPA firms may only have a few staff members who are qualified to perform an engagement quality control review and the monitoring procedures for the annual inspections. Small firms would be forced to engage an outside party to perform the annual inspections which would significantly increase the cost of the annual inspection. This increase would force small firms to increase their audit fees and would likely result in the loss of clients.

The proposed standards also propose a "cooling-off period" where the engagement partner could not perform the EQCR for a two-year period after rotating off the engagement. Small firms typically do not have enough partners to facilitate this "cooling-off period". These firms would be forced to either engage outside individuals to perform the EQCR which dramatically increases the expense of the EQCR. Imposing this "cooling-off period" will only encourage firms to delay rotating partners off engagements, which is not beneficial to either the firm or the audit client.

In addition to the costs of engaging outside individuals, implementing these proposed standards will create additional burdens on small firms. Currently, these small firms can quickly and efficiently communicate the results of annual monitoring and the EQCRs to staff and implement training to address any areas of concern. If the annual monitoring and EQCRs were outsourced, the firm would have to wait for the outside individual to complete these reviews and deliver their findings before they could provide meaningful feedback to staff and implement changes in their audit process. One of the strengths of small firms is their ability to implement changes efficiently, which will be reduced or eliminated by forcing small firms to rely on outside individuals.

Firms that perform audits are already required to undergo a peer review which provides sufficient oversight of audit quality. The peer review process is a thorough review of the firms audits and audit procedures and provides significant safeguard over the audit process. These proposed standards will not increase audit quality but will be an unfair hardship for small firms and will push them out of the audit industry.

Thank you for your consideration in this matter.
Sincerely,

Cate Moulton, CPA
Mack & Associates, P.C.