

August 31, 2021

Comments for the Exposure Draft of Proposed Statements on Quality Management Standards

AICPA Auditing Standards Board
Quality Management Task Forces
Via Email to Sherry Hazel at CommentLetters@aicpa-cima.com

Partners in Peer Review administers peer reviews for Alabama, Arkansas and Mississippi. Our Peer Review Committee is made up of practicing CPAs all of which are partners in CPA firms in the three states and are also experienced peer reviewers. Firms represented by our committee members range from sole practitioners to firms with near 1,000 professionals. The Committee members volunteer significant time to service with our Peer Review Committee to ensure the quality of peer reviews that we administer. Each Committee Member is dedicated to quality in the profession as evidenced by their volunteer service on the Committee. We thank you for the opportunity to provide comments on the exposure draft on quality management standards.

We are supportive of convergence with international standards and with the concepts in the Quality Management Exposure Draft.

More than 98% of CPA firms enrolled in the Peer Review Program have less than 50 professionals. More than 50% of all enrolled firms are subject to engagement reviews. Firms qualifying for engagement reviews do not perform audits. From this data we can see the importance of scalability of the standard to the affected firms' practices.

We are limiting our comments to specific areas of concern expressed by our members.

1. **Self-Inspection:** We are concerned that requiring a qualified independent party will have an unintended impact upon small firms. There may simply not be enough people available within small firms to meet the standard as written in the exposure draft. Although a firm might reach outside for assistance, locating qualified individuals that are available and willing to assist may be a significant challenge. In addition to limitations in availability of appropriate resources, the additional costs related to implementing outside review likely will impact firm costs and client costs significantly. These hurdles may drive firms out of their A&A practice. Allowing firms to scale this to their individual

circumstances and to allow alternate safeguards that individually or collectively result in a quality practice may prevent potential negative quality results. There are small firms providing high quality A&A services to their clients as evidenced by consistent Pass Peer Review Reports and in some cases regulatory oversight with no comments of significance. Adding this requirement will add cost without adding quality for these firms. We encourage allowing firms with limited available resources to scale alternate safeguards or to provide for outside independent assistance in limited circumstances. For instance, requiring outside independent inspections for one of multiple engagements in a single industry would be an example of an alternate safeguard. We also believe that small firms receiving pass peer review system reports should be able to take their peer review reports along with alternative safeguards into account in designing appropriate safeguards.

2. **Cooling Off Period:** We are concerned that requiring a two-year cooling off period will be challenging for small and some medium size firms. Available qualified individuals, especially in specialized industries may create a significant challenge with limited or questionable benefit to quality. We are concerned that availability of willing outside assistance may be a significant hurdle. We suggest that the cooling off period be limited to one year and allowance of alternate safeguards that individually or collectively result in mitigating the risk to quality.
3. **Audit Report Dating and EQCR:** Our Committee considered this requirement and did not have any reason for opposition, but we were also unsure that this represents an issue. As a result, we are unsure why this change is recommended.
4. **Deferral of Proposed Implementation Date:** We ask that you consider delaying the implementation of the final statement. Peer reviewers frequently educate firms on new standards. Deferring the implementation to allow all firms a peer review cycle will allow all firms the benefit of this resource. Staggered implementation dates could be considered, allowing smaller firms with limited resources more time to implement. We also believe that delayed implementation will allow third party practice material providers time to develop comprehensive materials and much needed training courses.
5. **Implementation Examples:** We encourage implementation examples that illustrate scalability. Firms with smaller and less complex A&A practices are more likely to rely upon these examples. Without guidance tailored to these practices we are concerned that these firms are less likely to appropriately respond and adopt to the statement.

We thank you for the opportunity to offer our thoughts on the proposed guidance. We believe that many of the changes that are proposed will serve to improve quality and that convergence with international standards will be beneficial. We thank the members of the ASB Quality Management Task Forces for their time and dedication to improving our quality standards.

Partners in Peer Review Committee

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