

Subject: Proposed Quality Management Standards
Date: Monday, June 21, 2021 2:24:16 PM

To the Auditing Standards Board:

First, I would like to thank the ASB for the continuing hard work in keeping our profession ahead of the curve regarding public expectations, professional competence and overall integrity in audit engagements. I applaud all efforts by the ASB to help ensure our profession maintains public confidence in the audit process that has been earned by CPAs over many years. I have not responded to exposure drafts in the past, but I feel I must respond to what I feel is an unfair item to smaller firms in the *latest Proposed Quality Management Standards*.

I would first like to introduce myself and the firm for which I have worked for over 25 years. I started my career in what was then the Big 6 firm of PriceWaterhouse as an auditor. I learned an enormous amount on auditing and the importance of procedures, including management of quality controls, while working there. In 1996 I went to work for the family practice here in Texas. I was later joined by my brother who started his career as a tax specialist at KPMG. Since those days we have added another CPA from KPMG and are in the process of hiring another CPA to help on the tax side. My dad started the practice in 1979 and has always run the practice with the core values of integrity and quality at the top of the priority list. We have been blessed not only to work together in, literally, a family environment, but to serve many businesses in our small business community over the years in the areas of both audit and tax.

Over the years, I became responsible for the integrity of the audit process here at our firm. During that process, we utilize experienced CPA staff to help with fieldwork on engagements. My dad still practices at age 76, and is a great asset for audit engagements along with the other CPAs working here. My point is that, although we are a small practice, we have worked hard to continue our education and training, while depending on one another for help on the tougher issues, in order to make sure no audit leaves this firm without undergoing a rigorous quality control process. We have additional CPAs we trust in the community that serve as backup should something arise we believe is beyond our scope of knowledge. However, we have not had to utilize resources outside the firm with our engagements. We have, and God willing, will continue to have a high quality audit practice based on judgement in client acceptance, hard work, and integrity throughout the audit process.

I point to our peer review record to support my assertion above. We have performed ERISA defined contribution audits since 1996. We have stayed on top of this niche, followed the changes, kept track of Department of Labor discussions on the audit process, etc., in order to ensure we remain competent in this niche for our audit practice. In our recent peer review, the reviewer gave us a hard earned compliment when he said we are evidence that small firms are capable of performing high quality ERISA audits. Our preceding peer reviewer once introduced us to a fellow CPA by referring to us as a small firm practice with a great accounting and auditing practice.

The beginning of the quality we have worked hard to secure starts with client acceptance. When someone comes to us outside what we consider our specialty, such as a request a few years back for us to be involved in a single audit engagement, we referred them to someone else. Just last week I told a potential client we do not perform work on public entities as it is outside our sphere of expertise. My point here is that we gladly accept ERISA and small business engagements in which we specialize, but we use firm judgement to stay out of the areas that could get us in trouble due to a lack of experience. So, we believe we know as much or more about the audit issues we are working to solve than an outside reviewer. Otherwise, we would not accept the engagement.

With that background, I now want to address what I see as an unfair item in the *Proposed Quality Management Standards*. We perform self-inspections as part of our quality control within the firm. As asserted above, we believe no one knows our client issues better than the CPA resources within the firm. As a result, we are able to properly self-inspect our engagements while maintaining professional integrity for them. Your proposal to end self-inspections would have been no issue during my days working at PriceWaterhouse, but, for the small firm and small business community, this is a problem. For example, audit costs are real and significant within the small business community. We find pressure to keep costs down even greater at the ERISA audit level. While we will not compromise on time and quality to perform these audits, these additional costs of engaging a partner outside our firm will potentially force us to raise audit prices. Contrast this to a larger firm that has partner resources to keep inspections in-house while abiding by your proposed changes simply by shifting to a partner not involved in that particular engagement. This is an unfair advantage to larger firms, it is an additional cost to smaller firms, and, ultimately, the small business clients have no choice but to pay more for the audit.

Not only does this have the affect of raising costs where dollars count the most, the small business backbone of our country, it is totally unnecessary. As I described above, we eliminate most of our audit issues by not accepting clients in which we do not have the expertise to perform the audit. You currently have rules in place that demand an auditor have quality controls in place, including engaging outside expertise when issues arise in which the firm cannot handle. If there are firms that are not abiding by the current rules, then the answer is to punish these firms and not to punish all firms. The current rules, when followed properly, allow all firms, from a sole proprietor to a firm with hundreds of partners to govern themselves, use professional judgment and only engage outside personnel when it is necessary. If the current rules are not being followed by certain firms, why do you think they would follow the proposed rules? It is firms such as ours that do care about high quality engagements and are committed to following the current standards that will be punished.

Finally, is not one of the purposes of the changes in quality management standards to move beyond a rules based approach to a principles based approach of quality management? Why then would we create a new rule that removes professional judgement when the answer is to enforce the rules already in place? I strongly urge you to remove the disallowance of self-examination from the proposed standards. Please consider the unique world of small business, the rising costs, the logistics with allowing competitors inside small business engagements and the fact there are rules in placed for firms that are not complying with current standards. I believe you will see the removal of self-examination is an unfair burden on smaller firms and their clients.

Thank you for reading my comments, and I do appreciate your hard work.

Sincerely,

J. Bradley Kevil, CPA

J. Barry Kevil, CPA

1115 W. Abram Street, Suite B

Arlington, TX 76013