



August 25, 2021

Sherry Hazel  
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1211 Ave of the Americas  
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**Re: Proposed Statements on Quality Management Standards (SQMS)—Quality Management: A Firm’s System of Quality Management, and Engagement Quality Reviews; and Proposed Statement on Auditing Standards, Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards**

We appreciate the opportunity to comment on the proposed Exposure Draft (ED), Proposed Statements on Quality Management Standards (SQMS)—Quality Management: A *Firm’s System of Quality Management*, and *Engagement Quality Reviews*; and Proposed Statement on Auditing Standards, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* and we support the general improvement of the quality standards within our practice and industry.

SingerLewak LLP is a regional accounting firm with 450 professionals based in 12 offices and located across 5 states. Our clients operate in various industries, including some industries with specialized assurance and attestation requirements (such as, credit unions, employee benefit plans, governments, and not-for-profit entities with Single Audits).

**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 somewhat support the proposed SQMS No. 1 and don’t object to the overall approach or concept. Our firm overall has followed a more robust system of quality control. Our concern is that of a smaller size firm addressing scalability and meeting our client needs, especially as our firm grows. The consideration of scalability is most pronounced for the cooling-off period and engagement quality reviews, especially as our firm moves through succession in the industries with fewer experienced professionals, having to work through a cooling-off period will result in challenges that may require external specialists as we train, mentor, and promote our internal professionals. Thus, providing the prior engagement lead partner as an engagement quality reviewer role helps to ensure appropriate quality on engagements with newer partners, whereas the cooling-off or lack of scalability will impede our efforts to grow as a firm. Also, we need to better understand how the proposed SQMS No. 1 would interact with peer review inspections as well as we expect firms will need guidance for how to apply the proposed SQMS No. 1 for firm mergers.

The requirements in proposed SQMS No. 1 are clear and understandable from an overall consideration of a principles-based approach. The application material in SQMS No. 1 is helpful in supporting the requirements.

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**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.**

There appears to be limited scalability, whereas a small firm may need to add additional resources outside the firm, or reduce the billable time for existing partners to help meet the additional requirements that will reduce the overall profitability of small firms or reduce client service capabilities or capacity (that is, there may be insufficient time or resources for smaller firms to comply with the proposed SQMS No. 1 and run their business).

The proof of communication and discussion at a smaller firm may be challenging to add additional documentation to support that communication was formally adhered to, whereas a small firm may present in an informal setting or discussion.

Additional application material regarding scalability would be very helpful.

**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 strongly support the proposed SQMS No. 2 and its requirements are clear and understandable.

The application material in the proposed SQMS No. 2 is helpful in supporting the requirements.

**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 strongly support the proposed QM SAS and its requirements are clear and understandable.

The application material in the proposed QM SAS is helpful in supporting the requirements.

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

The effective dates are not clear for the proposed SQMS No. 2, as the effective date for audits or reviews of financial statements is for periods beginning on or after December 15, 2023, and those engagements are performed the busy season in 2025. However, the effective dates for “other engagements in the firm’s accounting and auditing practice” (which include compilations, preparations, and attestation engagements) is beginning on or after December 15, 2023. Not including “for periods” indicates the effective date would be based on the date the other engagement is performed and could be much earlier than audits or reviews.

For example, the proposed SQMS No. 2 would be effective for a compilation of the financial statements for the three months ended March 31, 2024, which could be performed in May 2024, but also effective for an audit of the financial statements for the year ending December 31, 2024, which could be performed in May 2025.

We believe this inconsistency may cause confusion among practitioners and recommend the effective dates for “other engagements in the firm’s accounting and auditing practice” be no earlier than the effective date for audits or reviews (or clarify the effective date for “other engagements in the firm’s accounting and auditing practice” is only applicable for firms that do not perform audits or reviews).

**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.**

An 18-month implementation period may not be appropriate for all firms and we recommend an implementation period 24 months. Our concern is smaller firms do not prepare their own quality materials or methodology but instead rely on service providers (such as, AICPA, Thomson Reuters, or larger firms that license their quality materials or methodology). It will take time for the publishers of methodology to review, prepare and release the updates, and smaller firms that subscribe will have to review the changes, develop their adoption plan, and implement the new system of quality management.

**7. 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 strongly agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. We feel that a self-review of a file for inspection QC purposes will allow the overlooking of self-committed errors, and not maintain a level of quality within the practice, by allowing deficiencies and shortcuts to go uncorrected.

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**8. 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.**

Yes, a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer on that engagement and the minimum cooling-off period should be two years for all firms. However, we recognize that smaller firms may not have the resources to accommodate a two-year cooling-off period and, in those limited situations, we recommend that the firm may use a one-year cooling-off period if additional safeguards are implemented to lower the objectivity threat to an acceptable level.

**9. 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.**

While it is ideal for the engagement quality review to be completed before the report is dated (rather than before the report is released), it's common for audit engagements to not occur in a linear manner. For example, management may agree to the representation letter terms before the engagement quality reviewer's notes are resolved (or accepted by the engagement quality reviewer). Accordingly, we believe this requirement may be problematic.

Our firm currently requires that the engagement quality review of a file is complete prior to issuance of the firm's report. This is to ensure any deficiencies in the performance of the engagement is addressed, thus lowering the risk for omitted procedures, or improper application of methodology. We feel this helps maintain a high level of quality within our engagements, as well as the industry.

If you have any questions about our response or wish to discuss our comments, then please contact Jeremy Dillard (JDillard@SingerLewak.com) and David Finkelstein (DFinkelstein@SingerLewak.com).

Sincerely,

The signature is written in a cursive, handwritten style. It reads "Singer Lewak LLP". The letters are connected and fluid, with a prominent "S" at the beginning and "LLP" at the end.