



August 31, 2021

AICPA Auditing Standards Board
Attn: Ms. Sherry Hazel

Re: Quality Management Exposure Draft Comment Letter

PART 1: SQMS No. 1

1a. Which of the following best describes your view of the proposed SQMS No. 1? Please choose only one.

- I strongly support the proposed SQMS No. 1.
- I somewhat support the proposed SQMS No. 1.
- I somewhat oppose the proposed SQMS No. 1.
- I strongly oppose the proposed SQMS No. 1

Please provide additional details regarding your response.

1b. The fundamental aspects of proposed SQMS No. 1 are summarized in pages 8-14 of the Explanatory Memorandum. Please provide your views on (any or all of) the fundamental aspects.

We believe the changes are appropriate

1c. Are the requirements in SQMS No. 1 clear and understandable? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify any requirements you find to not be clear or helpful.

1d. Is the application material in SQMS No. 1 helpful in supporting the application of the requirements? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify additional application material that would be helpful.

1e. Do you have any other comments on proposed SQMS No. 1?

PART 2: Scalability of SQMS No. 1

2a. Is the new quality management approach in SQMS 1 scalable? Please answer yes or no.

Yes

2b. Would additional application material regarding scalability be helpful? Please answer yes or no.

Yes

2c. Please provide additional details regarding your responses to 2a and 2b. If applicable, identify any requirements in proposed SQMS No. 1 that may inhibit scalability or requirements for which additional application material regarding scalability would be helpful.

We support the intent to make scalability a key element of the new quality management approach.

We wonder if including certain examples in an appendix might be meaningful, as done in certain previous SASs (like SAS 99).

As one example, a smaller firm might establish a quality objective (or element of a quality objective) for Engagement Performance, such as, “Each significant audit area will be reviewed by an independent reviewer to evaluate proper identification and application of GAAP by the auditor.” An independent reviewer could perform audit procedures with respect to a certain account balance, class, or transaction on the engagement without disqualifying themselves from being an independent reviewer on the *overall audit engagement* so long as another person performed an independent review of the work and the account balance, class, or transaction was not pervasive or of such significance that any self-review threat could not remain at an acceptable level. This same concept could be extended to the engagement quality review/reviewer level with respect to any higher risk audit areas.

As another example, a firm may determine that threats to objectivity are not at an acceptable level and, though it has capacity for performing inspections, it would prefer not to incur the cost of external inspection. Such a firm should consider engaging in inspection-sharing with a similar and capable member firm in another region.

The above examples would enable achievement of quality objectives without excessive reviews or any additional economic burden, and similar examples could demonstrate ways in which the new quality management approach can appropriately scale.

PART 3: SQMS No. 2

3a. Which of the following best describes your view of the proposed SQMS No. 2? Please choose only one.

- I strongly support the proposed SQMS No. 2.
- I somewhat support the proposed SQMS No. 2.
- I somewhat oppose the proposed SQMS No. 2.
- I strongly oppose the proposed SQMS No. 2.

Please provide additional details regarding your response.

3b. Are the requirements in SQMS No. 2 clear and understandable? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify any requirements you find to not be clear or helpful.

3c. Is the application material in SQMS No. 2 helpful in supporting the application of the requirements? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify additional application material that would be helpful.

3d. Do you have any other comments on proposed SQMS No. 2?

PART 4: QM SAS

4a. Which of the following best describes your view of the proposed QM SAS? Please choose only one.

- I strongly support the proposed QM SAS
- I somewhat support the proposed QM SAS
- I somewhat oppose the proposed QM SAS
- I strongly oppose the proposed QM SAS

Please provide additional details regarding your response.

4b. Are the requirements in QM SAS clear and understandable? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify any requirements you find to not be clear or helpful.

4c. Is the application material in QM SAS helpful in supporting the application of the requirements? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify additional application material that would be helpful.

4d. Do you have any other comments on the proposed QM SAS?

PART 5. Effective dates and implementation period

5. Are the effective dates clear? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, describe what is not clear.

6. Is an 18-month implementation period appropriate? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, explain what implementation period would be more appropriate.

PART 6. Other issues for consideration.

7. Please indicate your level of agreement that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. Please choose only one.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Please provide additional details regarding your response, and if applicable, provide examples of safeguards that could lower the self-review threat to an acceptable level.

We believe there are situations in which a member involved in an engagement in a limited capacity should not be precluded from performing the inspection. As an example, a person could perform audit procedures with respect to a certain account balance, class, or transaction without disqualifying themselves from performing the inspection on the overall audit engagement with appropriate safeguards in place, such as requiring another person to inspect the section of the work performed, so long as the account balance, class, or transaction was not pervasive or of such significance that any self-review threat could not remain at an acceptable level.

8a. Should a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer on that engagement? Please answer yes or no.

Yes

8b. If you answered YES to 8a, what is the appropriate length of the required cooling-off period? Two years, one year, or a different length?

We believe a cooling-off period should be required for a period of one year. For example, the engagement partner for the 2021 audit could not serve as engagement quality reviewer for the 2022 audit but could for the 2023 audit or any interim period during 2023.

8c. If you answered NO to 8a, please provide additional details regarding your response and provide examples of safeguards that could lower the objectivity threat to an acceptable level.

9a. Should the engagement quality review should be required to be completed before the report is dated, rather than before the report is released? Please answer yes or no.

No

Please provide additional details regarding your response. [Note that the ASB is interested in hearing whether your firm currently requires that the engagement quality review be completed before the report is dated.]

We believe it is appropriate for firms to have the flexibility to perform their engagement quality review at a date that is considerate of their risk assessment.

PART 7. Demographic data

Name: **Rich Lockwood, CPA, Partner**

Organization Name: **Blankenship CPA Group, PLLC**

Firm size, if applicable: **150+**