



**Office of the Washington State Auditor
Pat McCarthy**

August 31, 2021

Via Electronic Mail

Ms. Sherry Hazel
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, New York 10105

RE: Response to AICPA Exposure Drafts – *A Firm’s System of Quality Management; Engagement Quality Reviews; and Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*

Dear Ms. Hazel:

The Office of the Washington State Auditor appreciates the opportunity to provide comments to the American Institute of Certified Public Accountants (AICPA) on the aforementioned exposure drafts. Our comments correspond to the format of questions in the comment letter template on the AICPA website.

Our responses to the questions asked by the Auditing Standards Board are included below:

Request for comment:

Parts 1, 2, 3 and 4: Proposed standards

- 1a.* We somewhat support the proposed SQMS No. 1.
- 1c.* Yes, the requirements are clear and understandable.
- 1d.* Yes, the application material is helpful.
- 1e.* No.

- 2a.* Yes, the process is scalable.
- 2b.* Yes, additional application material regarding scalability would be helpful.

- 3a.* We somewhat support the proposed SQMS No. 2.
- 3b.* Yes, the requirements are clear and understandable.
- 3c.* Yes, the application material is helpful.

- 4a. We somewhat support the proposed QM SAS.
- 4b. Yes, the requirements are clear and understandable.
- 4c. Yes, the application material is helpful.

- 4a. We somewhat support the proposed QM SAS.
- 4b. Yes, the requirements are clear and understandable.

Part 5 – Effective dates and implementation

- 5. Yes, the effective dates are clear.

Part 6 – Other issues for consideration

- 6. *Is an 18-month implementation period appropriate?*

The proposed standard will require audit organizations to completely document all of the processes they currently use for risk assessment, resources, information and communication and monitoring and remediation, in addition to new ones they create. The information and communication provisions of this ED may require larger organizations to re-tool their processes for capturing and analyzing data. The proposed 18-month period assumes they have the time and resources, including IT development capacity, for beginning implementation immediately. In our experience that is not always the case, especially in terms of those requiring information technology department capacity.

We suggest the Board consider extending the time for these changes for an additional 12 months beyond that envisioned, to allow sufficient time for planning, documentation, development, testing and implementation.

- 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.*

We strongly agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality and to promote the credibility and value of the inspection.

- 8a. *Should a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer on that engagement?*

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?*

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The cooling off period should be at least two years to provide a safeguard for a possible self-review or objectivity threat resulting from previous decisions made by the reviewer while acting as the engagement partner.

9. Should the engagement quality review be required to be completed before the report is dated, rather than before the report is released?

No, it should not be a requirement that the engagement quality review be completed prior to dating the audit report. While our quality assurance monitoring process may perform both types of reviews (pre-dating and pre-issuance), depending on risk, we do not require the review to be completed before the report is dated. We understand having the review dated prior to the report date serves the outcome-based objectives of the proposed standards. It may also be more efficient in terms of finishing the audit and avoiding rework later, and in setting report delivery expectations with the client.

However, requiring the review to be complete before the report is dated embeds the quality monitoring process into the audit process, almost in an additional supervisory review form, and does not allow for a complete evaluation of the engagement partner's judgment as it relates to taking responsibility for quality and significant decisions during and at the end of the audit (e.g. evaluating the sufficiency and appropriateness of audit evidence). The outcome-based objectives could still be attained by having the engagement quality review completed before report issuance, which would allow for a more complete assessment of audit quality and personnel.

Thank you again for the opportunity to provide our comments. Any inquiries may be directed to me at (564) 999-0814.

Sincerely,

A handwritten signature in black ink that reads "Scott Woelfle, CPA". The signature is written in a cursive style.

Scott Woelfle, CPA
Director of Quality Assurance and Innovation