August 31, 2021

AICPA Auditing Standards Board
Sherry Hazel
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AICPA Auditing Standards Board Members and Staff:

Thank you for providing us the opportunity to comment on the proposed Statements on Management Standards – Quality Management: *A firm's System of Quality Management (SQMS 1), Engagement Quality Reviews (SQMS 2)*, and Proposed Statement on Auditing Standards *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards.*

Chadwick, Steinkirchner, Davis is a one office firm in Grand Junction, Colorado. We have 3 tax principals and 1 audit principal. Our audit team consists of 1 partner, 2 managers and 4 staff. Our focus in the audit department is government (75%) and not for profit (25%).

Question 1

I like the risk assessment approach prescribed in the proposed SQMS No. 1, and appreciate that the standard addresses the importance of the firm's operational and financial policies.

Question 2

The specific area of the proposed standard that may be difficult to scale is the monitoring and remediation requirement. For small firms, using an outside person to provide this service will probably be necessary, which might be expensive and difficult. With a shortage of staff and practitioners in some practice areas and regions of the country, it may be difficult to find practitioners who are qualified and able to take on this additional work.

Question 3

Requiring the engagement quality reviewer to be a partner not involved in the engagement seems like it might be an impossible task for a lot of small practices. I can imagine a scenario where the engagement quality reviewer could be engaged from an outside firm, but the requirement that they should be involved throughout different points in the audit would likely be very difficult. I'm trying to imagine how this would be economically feasible for many audits and I'm trying to imagine who we would be able to contract with for this kind of service. In my practice I could see where a manager not

involved in the audit could fill this role effectively, but I'm not clear that this meets the criteria called for in the proposed standard.

From the point of view of a professional being hired to fill this role for another audit firm, I would need more clarification on what that engagement should look like, and what kind of risk I am assuming by taking on that role.

Question 4

Is the "stand back" requirement in this section, the responsibility of the engagement partner, or is this fulfilled by another partner outside of the engagement? I read this to mean that the engagement partner is required to self-reflect on the adequacy of his/her involvement on the audit.

Question 5

The effective dates are clear.

Question 6

I feel that the 18 month implementation period is appropriate.

Question 7

The risk related to reviewing one's own work is probably mitigated somewhat by the cooling off period that occurs when you complete a project or set it aside and come back days or weeks later and errors and omissions become clear because you come back with fresh eyes. I also think using third-party materials (such as GFOA checklists) could be used to overcome some of the risks related to self-review of engagements.

Question 8

For many firms, I don't believe the prescribed cooling off period is feasible. I don't understand why there would be a requirement for a cooling off period when there is no proof that it improves audit quality. I don't understand the cooling off period exemption offered by PCAOB, it seems like firms with fewer than 10 partners and fewer than 5 issuer clients would be at greater risk of poor audit quality, much in the way that firms performing a small number of single audits or employee benefit plan audits are at greater risk of poor quality audits. This exemption casts doubt that the cooling off period requirement provides any real benefit.

One of the reasons for the cooling off period listed was that partners who are penalized for errors in audits that are issued may not be objective when reviewing an engagement. In my view, the incentive pay or penalty for audit quality is a bigger problem than not

being far enough removed from the engagement. Monetary incentives may be set up for good purposes but they also incentivize manipulation and lack of transparency.

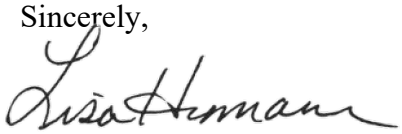
Question 9

I believe the quality review should be completed before the report is dated, because it may not be clear that we have all of the evidence needed to issue an opinion until the engagement quality review is complete.

Finally, I think many of the changes being proposed are good, though I believe that currently the biggest risks to audit quality are a large number of retiring partners and long-term staff, a lack of professionals choosing to remain in public accounting to replace that lost experience, a lack of new graduates going into public accounting, and a constant stream of new accounting standards.

Again, I appreciate the opportunity to comment on this Exposure Draft.

Sincerely,



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