

Subject: proposed quality management standards ED
Date: Wednesday, July 7, 2021 7:18:05 AM

Dear Sir/Madam:

Please accept these comments as responses to the proposed SQMS 1 &2 and the proposed SAS.

We are a small firm with 3 partners and about 15 total staff.

These proposed changes may work with larger firms, but they severely hamper small firms ability to prepare financial statements. They add another layer of bureaucracy in an already overly complex set of rules.

A couple of the larger proposed changes that we are completely against is the requirement that we will need to have annual outside self inspections. You would be adding more work to our staff in coordinating and working with the outside firm, and greatly increasing costs to have a reviewer in each year to do the self inspection. While the larger firms may be able to absorb those costs, smaller firms like ours take a big hit with this proposal.

The other major objection is the 2 year cooling off period for EQ reviewers. We have 3 partners. How would we be able to logistically handle that? Every partner at our firm at least glances at the financial before it is issued. Would we have to reduce our quality so one partner is able to do the engagement in 2 years?

These new proposed changes, in my opinion, will force small firms into a tax only practice. This is in the same line as the hosting requirements that have been previously issued. It seems like the individuals coming up with these standards have no idea how small businesses operate. I spoke with a sole practitioner last night (who only does reviews because he already doesn't want the aggravation of audit paperwork) who told me he will stop doing financial statements altogether if these changes are implemented. He does less than a dozen financials in a year. This would then not be cost effective for him to continue with those statements. These changes seem to be tailored at giving the large firms another revenue stream while reducing it for small firms.

And think about our client base. They are small businesses, usually with gross revenues under \$2 million. The banks require them to have review financial statements annually if they have loans. Will these small clients be able to afford large accounting firm fees just to prepare routine financials?

I'm asking that these proposals be WITHDRAWN. If you should want to discuss my comments, please contact me.

Sincerely,

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