

From: Tim Otte <timotte@timottecpa.com>
Sent: Thursday, August 12, 2021 12:44 PM
To: Comment Letters <CommentLetters@aicpa-cima.com>
Cc: Courtney Kincaid <ckincaid@incpas.org>; srude@incpas.org
Subject: Proposed Quality Management Standards

Sherry Hazel,

Where have you gone AICPA? Why are you pushing out the small firm/sole practitioner? The AICPA should represent all CPA's even if they are a small firm/sole practitioner.

SELF-INSPECTION- Purpose of a Peer Review? Cost factor? Peer Reviews have escalated in costs in recent years. Why should the small firm/sole practitioner have to pay for a self-inspection by an outside firm in each of the two years when a Peer Review serves the same purpose in year three? Again what is the purpose of a Peer Review if you are being forced to accomplishing the same task each year? This will be an additional cost which is totally unnecessary.

EQCR- Timing factor- outside firm to sign off on engagements who may not have the time frame to perform the service that is required. Possible loss of clients because of this. This is the most important issue. Each time I finish a Compilation/Review/Audit, I would have to send off my financial statements & work papers to a medium/large firm for EQCR & hope that they have the time frame to perform the EQCR service that would be beneficial to me. Do you really actually believe that will happen? Medium/large firms are as busy as a small firm/sole practitioner. Use more than one medium/large firm to perform a EQCR service? Logistics of that make no sense & of course the issue with confidentiality of my clients comes into play. Use another small firm/sole practitioner to perform the EQCR service? Good luck with that in finding another small firm/sole practitioner to perform that service & not to mention with competing for the same clients. As a sole practitioner, I strive to perform services in a timely fashion & deliver timely to my client & then receive prompt payment. This will no longer be the norm if the AICPA implements this standard. Cash flow would be effected due to timing issues. Being forced to use my LOC more will only increase interest costs but it appears the AICPA does not care. **The AICPA would totally destroy the small firm/sole practitioner from performing accounting & auditing engagements by implementing this standard.**

Confidentiality factor- Why would a medium/large firm sign an agreement to not take clients away or could they? Makes no sense to expose clients to that risk.

Cost factor- Advantage of being a small firm/sole practitioner is that we do not have the overhead of a medium/large firm & thus we are able to survive and compete. The small firm/sole practitioner would have to pass the cost to clients, thus circumventing our main competitive advantage. This will also increase the cost of small clients who cannot afford the cost of what a medium/large firm would charge. This could potentially impact nonprofit organizations services given this additional cost. The AICPA appears to want clients of small firms/sole practitioners to gravitate toward the medium/large firm. There is a hell of a lot of small firms/sole practitioners who can provide the same excellent service as does a medium/large firm does. Evidently, the AICPA does not believe that. Again what is the Purpose of a Peer Review if you have to have a EQCR for each engagement?

Today, I am less proud of being a member of the AICPA that this standard is even being considered. It's about time that the AICPA started supporting the small firm/sole practitioner! Step up to the plate & support the small firm/sole practitioner! We are just as important as someone from a medium/large firm! ***Don't make the small firm/sole practitioner extinct. Where have you gone AICPA?*** I don't recognize you anymore.

Timothy J. Otte CPA
Timothy J. Otte, CPA, PC

From: Tim Otte <timotte@timottecpa.com>

Sent: Tuesday, August 31, 2021 1:00 PM

To: Comment Letters <CommentLetters@aicpa-cima.com>

Subject: Proposed Quality Management Standards & its effect on the smaller firms/sole practitioner

Tracing Harding, Chair
AICPA Auditing Standards Board
Attention Sherry Hazel

SELF-INSPECTION

Proposed SQMS No. 1- This is just overkill to not have self-inspection permitted by the smaller firms/sole practitioner. Assessing the system every two years in addition to the three-year cycle for peer review adds costs & most importantly appears to unreasonable. What is the purpose of the Peer Review every three years? This raises the need for the peer review program to be aligned. This will be burdensome and costly for the smaller firms/sole practitioner & may not even result in improved quality of the audits. Do you realize how difficult it is to find an outside firm to perform services in a timely manner? Not meeting the requirements will not provide enhanced service to the public interest.

EQR

Proposed SQM No. 2- Yes, meeting the requirements of this is a major concern & will be the sole reason that the smaller firms/sole practitioner will become **extinct**. Is this really what the AICPA wants to do? The AICPA should be **helping rather than destroying** the smaller firms/sole practitioner. Imagine if everything was equal & no matter what size of firm you had & there was no self-inspection or an engagement quality review that could be performed by someone in your firm & then ask them, find an outside firm to perform those services. They know they could not find anyone to perform those services and in a timely matter. And if they believe that is possible, then they have lost touch with reality. For my firm being a sole practitioner, I have as part of my self-inspection, have attempted to use an outside firm to review an audit once a year if it is a new audit. I was able to use someone in the prior year who only had time to review my audit report instead of also reviewing my workpapers. This year, I can't get that firm to return an email or a phone call. I have tried a few others with the same result. Because of this, I have changed my quality controls to not use an outside firm to perform a self-inspection on attest services on one new client per year. Imagine if this was required for EQR, my clients could not afford the additional costs but most importantly, there is not a firm that will perform the service in a timely manner. Finishing an audit in early September & then hoping that the outside firm can perform the EQR service, where I can receive in a week or less is not possible. The AICPA is ignoring the small business/sole practitioner most likely because he or she is part of a larger firm and does not have a grasp of what this standard does if an outside firm must be used. Please again, tell me why the AICPA is doing this?

Aligning with the IAASB standards **must have exceptions** for the smaller firms/sole practitioner. EQR should only include one initial engagement that must be sent to an outside firm and it needs to be a **Post Review** so not to harm the smaller firm/sole practitioner. Based on the results of the three year peer review, the number of engagements sent to an outside firm may be increased but it must be a **Post Review**. Let the Peer review serve its purpose!

Implementation of the proposed standards will be a **death blow** to the smaller firms/sole practitioner **unless there are exceptions**. They **will no longer be able to perform accounting & auditing services** if this implemented under the proposed standard. You know it and I know it. Is this what the AICPA really wants to do? Is the smaller firm/sole practitioner only seen as capable of providing tax services in the eyes of the AICPA?? Do the right thing!!

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From: Tim Otte <timotte@timottecpa.com>
Sent: Tuesday, August 31, 2021 11:03 PM
To: Comment Letters <CommentLetters@aicpa-cima.com>
Subject: Proposed quality Management

August 31, 2021

Tracing Harding- Chair
AICPA Auditing Standards Board
Attention: Sherry Hazel

I have sent you two previous emails & wanted to be clear with what the AICPA is doing with this exposure draft. It will be the **elimination** of the smaller firm/sole practitioner from performing accounting/auditing services.

Please think of what you are doing? There are not any firms that are interested in performing external review services & that can be done in a timely manner. Any outside reviews would have to be **post issue**, meaning that the audit is completed & the outside firm is only reviewing what has already been completed & returned to the client. This would not be every engagement also with the amounts subject to outside review depend on the results of the Peer Review. Again, not sure if that is possible given the lack of interest by external reviewers. Let the Peer review do what it is supposed to do! There are many other reasons why this exposure draft is bad which I and other have attempted to explain to you. ***Change is never the solution when it results in more harm than good.*** Is it really the AICPA's intention to reduce the number of smaller firms/sole practitioners?

Please consider what the Indiana CPA Society stated so eloquently in their response to this exposure draft. We are not just tax preparers. Please don't destroy our dreams & future dreams of the smaller firm/sole practitioner from performing AA services? We are vital to our community and the community needs us.

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