

August 25, 2021

Audit Standards Board of the AICPA
c/o Sherry Hazel
Via email to: CommentLetters@aicpa-cima.com

Dear Sherry:

I am a sole practitioner CPA writing to you in response to the Exposure Draft - *Proposed Statements on Quality Management Standards – Quality Management: A Firm’s System of Quality Management Engagement Quality (EQ) Reviews*.

Let me start by saying that I generally support all initiatives that are designed to improve quality in attest engagements. In 2015 I started my own practice, in part because it would allow me to control the quality of attest work that I perform. Before starting my practice, I was heavily involved in quality control activities at a large firm in Northern New England.

At the end of this year, Lauren Corey Consulting, LLC will be subject to its third peer review. Previous peer review results have been positive. I was encouraged to become a peer reviewer, and I have met the peer qualifications, although thus far I only have engaged in external EQCR functions for various firms. My peer review qualifications have enhanced the quality of my practice.

I frequently engage outside EQCR services for certain attest engagements performed by Lauren Corey Consulting, which is both required and beneficial. I am open to enhancements to this process.

I do, however, have some concerns about the proposed standard changes. They are as follows:

- “More bricks, less straw” - It has become increasingly difficult for most accountants to manage their workloads, and adding additional administrative burdens is not helping. I have had many conversations with other practitioners of firms varied in size. Many are exiting the profession, and there are very few students of accounting entering the pipeline. I have turned away a lot of work in order to maintain an acceptable level of quality on engagements, and many others are doing the same. It is becoming ever more difficult to schedule outside EQ reviews. Currently, there is only one CPA I have found with the necessary skills to perform EQCR work on my engagements. His schedule is very busy. Lauren Corey Consulting’s current arrangement with his firm for this service includes a hold harmless clause (I maintain full responsibility for engagement quality). The ASB should consider the *overall* impacts of these proposed changes on the profession (specifically, the prohibition of self-inspection for sole practitioners). My understanding is that peer reviewers and professionals doing EQ work are stretched very thin and many of them are retiring and not being replaced with incoming peer reviewers. Honestly, I am not sure how I will find someone, or a firm, to perform my entire annual inspection from soup to nuts (CPE, licensing, updated QCD,

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etc.) although I might find someone to look at a job or two. The proposed changes remind me of the decision years ago to require CPA candidates to earn 150 credit hours in order to qualify for licensing. It is not a surprise to me that the number of students entering the accounting field has dried up in recent years. I do not see how that decision improved quality in our profession. I am trying to understand how the proposed changes to quality management (QM) requirements on CPAs, who are already at capacity, will help quality. It is clear to me that more available time is needed to focus on attest engagements and related issues. I worry these proposed changes may push CPAs into retirement. Although I personally appreciate outside review of my work because it enhances the overall product, the administrative burdens of this proposal could likely prove to be too much. These changes may result in a further escalation of the existing shortage of skilled CPAs.

- “There’s no room for small firms in the 21st century” – I wonder how many of the folks on the panel that devised the proposed standard have had the experience of launching a small practice. I can appreciate the concerns about sole practitioners performing attest work without any oversight. One of the things I miss most about working at a large firm IS the oversight. On the other hand, it seems that the odds are stacked against those would-be “innovators” trying to offer CPA services in a more flexible environment. And when I say flexible, I mean it in a good way with respect to audit quality. Many costs are not very scalable (I would include an outside inspection in this category), and the competition for staff is punishing, at best. I was a partner in a large firm prior to managing my own practice – with certainty, the hours and responsibilities of managing a small practice are far greater. Though I wholeheartedly support audit quality, I often feel that small firms are doomed to fail under the oppressive challenges of today. Everything from IT to new accounting/audit standards to staffing/health insurance to QM. Specifically with respect to the proposed QM standard, I would ask that, rather than the prohibition of self-inspection, that EQCR adherence be thoroughly reviewed during peer review, and that peer review include an inspection of the EQCR activities of the three years since the last peer review. I sincerely think that this type of review/enforcement of an existing expectation under the standards would be far more effective. Theoretically, if sole practitioners are getting EQCR when they should, it would not impose additional hours on CPAs when there is such a shortage. Similarly, during peer review, a review of the skills of the reviewed firm’s EQ reviewers should be performed. A requirement that firms document the appropriate skills of their EQ reviewers is a something that will help with audit quality and should not be an onerous task.

I hope you will take these comments into consideration and revise the draft of the standards. I look forward to hearing from you should you have any questions.

Sincerely,



Lauren J. Corey