

August 26, 2021

To: The Auditing Standards Board (ASB)

RE: Exposure Draft Proposed Quality Management Standards (ED)

It appears that these proposed changes in the ED will once again cause undue burden and expense for smaller CPA firms.

Making changes to a small firm's quality management standards is a burden that will not add any value to our audit practice and will not change the detail audit work for the audits performed. These are purely additional administrative procedures in the ED. We are very aware of the risk that clients may provide to our practice and our reputation. We don't need the current system of practice monitoring to be changed to enhance our risk assessment of our practice. The ED continues to add many policies and procedures that in smaller firms are communicated day to day.

The profession has already enhanced peer reviews and those performing peer reviews in the past few years, including our area of expertise in employee benefit auditing. This has resulted in our peer review fee tripling. If a firm can continue to pass its peer review, then that firm must be able to navigate the risks of the attest services they provide. The risk is understanding how to audit, not the process of added documentation over the firm's quality standards and oversight.

We concur with the change to require smaller firms like ours to engage another firm to perform annual inspections during the non peer review years. We have engaged a firm other than our peer review firm for a few years and have found it to be beneficial. This change and the continued peer review every three years should be adequate for the professional to monitor small to mid-size CPA firms.

We recommend that the ED be amended to address the concerns of so many small (one audit partner) firms that continue to perform quality work as evidenced by its peer review results. Remediation to firms should continue to be the result of peer reviews performed and the quality of the audit work reviewed and not the added requirements of a quality management system that reads as if every firm has a professional standards department to implement the requirements.

We recommend that requiring an independent firm to perform a quality review in the non peer review years be the only added requirement for small firms. To ensure completeness, require that firm to provide a standard letter and have that letter be required as part of the peer review process to ensure that the annual inspection was completed.

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