



August 31, 2021

Tracy Harding, Chair  
AICPA Auditing Standards Board  
Attention Sherry Hazel  
Via [CommentLetters@aicpa-cima.com](mailto:CommentLetters@aicpa-cima.com)

Re: AICPA Auditing Standards Board Proposed Quality Management Standards

Ms. Harding and Ms. Hazel:

We recognize and appreciate the considerable deliberations many parties have given to the proposed changes to ASB's Quality Management Standards. We appreciate the opportunity to provide the following comments on the above-referenced exposure draft. These comments have no official status and do not represent the approval or disapproval of the exposure draft by the Indiana CPA Society or its Board of Directors.

Generally, we support AICPA's efforts to improve audit quality and serve the public interest through the alignment of Quality Management Standards. We acknowledge the value of converging with the International Auditing and Assurance Standards Board (IAASB). We also agree there is a need to create more cohesion with standard setters. However, we have heard from our small firm and sole practitioners that the proposed standards are unlikely to improve audit quality and are unnecessarily burdensome, cost prohibitive and detrimental to their business model.

If the proposed standards were to be adopted, it seems probable that many of our small firm and sole practitioner members would no longer be able to provide much needed accounting and attest services. This cannot be overstated. Further, these proposed standards would negatively affect small businesses and local community organizations, as they will struggle with the associated additional costs and find fewer firms able to perform much needed services.

Our specific concerns, outlined below, relate to the following proposed standards:

- Proposed Statement on Quality Management Standards (SQMS), A Firm's System of Quality Management (proposed SQMS No. 1)
- Proposed SQMS, Engagement Quality Reviews (proposed SQMS No. 2)
- Proposed Statement on Auditing Standards Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards (QM SAS)

Proposed SQMS No. 1: Requiring and implementing a risk assessment process, prohibiting self-inspection and requiring a cooling off period are our primary concerns within this proposed standard for sole practitioners and small firms. Creating a risk assessment for quality management system with a customized quality management plan is both burdensome and costly for many smaller CPA firms and sole practitioner members and may not result in improved quality of audits. Additionally, assessing the system every two years in addition to the three-year cycle for peer review adds costs and raises the need for the peer review program to be aligned.

Shifting firms from engagement-level monitoring to system monitoring will require many firms and sole practitioners to engage outside resources simply because they are limited in people who meet the requirements. This incurs additional costs and adds to the time required and steps of an engagement, while not necessarily improving audit quality or providing enhanced service to the public interest.

Likewise, prohibiting partners from serving as the engagement quality reviewer and requiring a two-year cooling off period could eliminate or negatively affect many of our mid-size and regional firm members. This scenario seems untenable. Members point out, serving as an external reviewer is of little interest to many firms. Additionally, it's certainly not timely and responsive to the client's needs. This will undoubtedly negatively affect small firms' ability to remain in the AA space; as the licensed profession providing these services, this change will greatly affect small firms' revenue stream and force them in to providing already commoditized practice areas such as tax-only services.

If an audit partner leaves the firm or is otherwise unable to perform the quality management review internally, the firms will be forced to seek external reviewers. Honestly, they don't want another firm in their client space.

Proposed SQM No. 2: Similar challenges are inherent with the requirements for policies and procedures in SQM No. 2. Implementing processes to comply with the proposed standard will be costly in that firms may need to employ the services of an external engagement quality reviewer and may need to make an investment in systems and services in order to comply.

Proposed QM SAS: The proposed QM SAS creates unfair challenges for sole practitioners and small firms to manage the logistics, timing and confidentiality risks by using an external reviewer. The additional costs should be passed on to the client, but many clients of smaller firms could not absorb the additional costs. Clients may re-evaluate their needs and choose to bypass the small firm or practitioner by going directly to firms of the external reviewer.

The profession is facing a shortage of CPAs and these standards will exacerbate the problem. Smaller firms do not have the internal resources to comply with these proposed standards and may be forced to exit these services. Larger firms may not be able to respond to the increase in demand for audit services. Auditees and their stakeholders will ultimately suffer due to the lack of qualified professionals to provide audit services which puts the public interest at risk.

Thank you for your consideration of these comments. We commend the Board and others in the CPA profession for their commitment to the integrity of the profession and the protection of the public interest.

Please let me or [Sherrill Rude](#), VP – Advocacy know if you have any questions with which we can assist. Sherrill's cell is (317) 501-1822.

Sincerely,



Courtney J. Kincaid, CAE, IOM  
President & CEO  
Indiana CPA Society