From: Michael C. Haas <MHaas@h-dcpas.com>
Sent: Saturday, August 28, 2021 12:11 PM
To: Comment Letters <CommentLetters@aicpa-cima.com>
Cc: Kayla Hiller <KHiller@h-dcpas.com>
Subject: Exposure draft

Here are our comments to Proposed Statements on Quality Management Standards – Quality Management and Proposed Statement on Auditing Standards.

The overall comment is that this is more standards overload and that the proposed standards neither simplify nor improve the existing standards.
It also continues to be distasteful to read of ongoing convergence with international standards and PCAOB standards when the vast majority of the member firms perform no international or PCAOB engagements.
The goal to go away from a one size fits all standard by introducing the concept of scalability is lip service. The proposed standards are massive and not even getting into the requirement to overhaul the existing QC document firms have established provide no substantive relief for local firms that include sole proprietorships and partnerships that have no means to hire a full-time person who does nothing other than deal with QC issues.
The cost of implementation and annual compliance would be higher than the cost dealt with now.
This is another example of post-Enron knee jerk reaction from the ASB and the AICPA. Chuck Landes' on-going speeches of "the same blocking and tackling" were garbage in that the massiveness of the suite of audit standards that came out in reaction to Enron and Congress' establishment of PCAOB created a cost burden of time to the firms and higher billings to the clients. Clients that are mom and pop type of companies that can't afford increases in fees because of accounting standards changes. This is no different than the costs issue to be dealt with as ASU 842 comes into practice next year and we will have to charge clients for the implementation and on-going application of the new standard. These companies don't have accounting departments to do the computations.

Related to the convergence with IAASB. They quote that "a quality management standard promulgated by the ASB is foundationally different from that promulgated by the IAASB or PCAOB could be perceived as being of lower quality…". It seems that the driving force behind the proposed convergence is to keep up appearances with audit firms internationally. The perception of our quality in standards domestically vs. internationally is contained solely within the profession. The public, whose opinion we rightfully care so much about, barely understands financial statements past the basics, let alone the quality control/management policies of the firms auditing those financial statements. We are creating more paperwork, more headaches and less time to actually perform the work we are managing with no perceived benefit other than to justify the need to re-write standards.

Request for comment 1: the requirements of SQMS 1 are more complicated than SQCS 8 but don't say anything new that firms don't already strive for. We have governance and tone at the top and risk control and monitoring and staff training and hiring practices and all the other components. We don't see what this does to improve the existing process other than complicate it and add more time to our already stretched workload. And we don't care what the international or PCAOB people have to say as we don't do any attest work that touches them.

Request for comment 2: the scalability is lip service to small firms. The wording is a big generalization that offers no substantive example or guidance other than for us to figure it out and hope we don't get beat up in peer review.

On the surface, the scalability seems like a breath of fresh air for small firms. However, there always seems to be a lack of understanding of the undertaking small firms have to take in order to implement the new standards. Firms that don't have the resources for a quality management team or even an individual responsible for quality management really struggle to keep up. This significant change in standards will not only be a pain to implement, but will also take away so much valuable, billable time that in today's employment market, is not affordable.

Request for comment 3: how does this change what is now in place with EQCR? It makes it more difficult in the inuendo that firms that don't have enough internal partners need to go outside to get an external person to do the review work. The proposed standard does not help the situation; it makes it more cumbersome.

Again, a lack of understanding of the resources available to small firms. Most small firms do not have the luxury of appointing a partner as the quality control reviewer who has not worked on the engagement in the current or preceding years. The caveat of having a external reviewer further displays a lack of understanding of the resources available and the growing costs of implementation.

Request for comment 4: the stand back position insinuates that engagement partners are too involved in the engagement and therefore can't be impartial in evaluating the engagement. And that the engagement partners have been not living up to their responsibilities relative to the existing auditing standards and to the existing QC standards. Maybe the ASB should stop indicting the members of the profession and take the perception that perhaps most of the members do better than a decent job in performing audits and reviews and other attest type of engagements.

Request for comment 5: No comment

Request for comment 6: No comment

Request for comment 7: We don't see how this work for small firms that don't have the personnel capacity to handle the segregation desired.

Related to most of the concerns above, this fails to acknowledge small firms who do not have that luxury. A safeguard of lowering the objectivity threat is placing a higher reliance on peer reviewers as their purpose is to review our quality of work.

Request for comment 8: We don't agree with the cooling off period concept.

Related to most of the concerns above, the cooling-off period fails to acknowledge small firms who do not have that luxury. A safeguard of lowering the objectivity threat is placing a higher reliance on peer reviewers as their purpose is to review our quality of work.

Request for comment 9: We always thought the review was to be completed before the release of the report. We are playing with semantics at this point.

One final comment both relevant to the proposed standards and perhaps in general has to do with peer review. Sadly, the program that began as an AICPA owned brand before spreading to the individual state boards of accountancy, has transformed from an educational process to a punitive process. Maybe (or mainly) due to outside pressures (DOL, SEC, etc.).
It has become a stressful proposition for us and other firms not only to prepare for the tri-annual peer review but even for the two years of monitoring and inspection between the peer review year. It is a trickle down situation that starts with pressure being put on peer reviewers to find deficiencies.

Thank you for the opportunity to comment.

Michael C. Haas, CPA
Haas and Dawe
An Accountancy Corporation
731 North Hollywood Way
Burbank, California 91505

Tel: 818-552-2384 x-314
Fax: 818-552-3501