

July 3, 2014

To: Rachael Drummond, Technical Manager
AICPA Peer Review Program

Re: Proposed Changes to *AICPA Standards for Performing and Reporting on Peer Reviews*

I am responding to the recent exposure draft issued by the AICPA Peer Review Board that would change the decision making process for the type of peer reports issued for those firms undergoing engagement peer reviews, and who have one engagement deficiency in their practice.

I have been performing peer reviews for over thirty years, and have had the pleasure of performing both system and engagement peer reviews as a partner in a 50+ person firm in the Washington DC area. In addition, I have taught both of the current peer review training courses offered by the AICPA. I retired from public accounting full time at the end of 2011, and formed my own limited liability company that provides peer reviews to primarily small firms, professional development seminars, and other accounting and/or consulting services. I also have the pleasure of serving as the current chair of the Maryland Association of CPAs Peer Review Committee where I have been a member for three years.

Even since I have been involved in the peer review process (both performing peer reviews and doing peer review training seminars), the overwhelming objective stressed was that the peer review program should be remedial rather than punitive. I believe the current exposure draft is contrary to this long-established principle on which the peer review program is based.

The population to which this new standard would apply is primarily the sole or small firm practitioners who do not perform audit engagements-- especially those with high risk areas in A-133 and/or employee benefit plan engagements. The nature of the engagement peer reviews (due to the level of service in these types of CPA firms) means that a failure to fully comply with professional standards on one of those engagements presents much less risk to the public interest. In other words, failure to fully comply with professional standards in a compilation or review is much less likely to have the same impact in the public interest as a failure to comply with professional standards in an employee benefit plan audit or an A-133 audit. I believe that the end result of the proposed standard to these types of firms is to increase the punitive nature of the results of their peer reviews where there really should be less need to be punitive. I can tell you from our experience here in Maryland that our practitioners who undergo engagement reviews have a very positive attitude about the educational and practice management benefits of the AICPA peer review program.

As a practicing peer reviewer, I cannot see how the proposed standard to issue a *fail* report to a firm with the same single deficiency on multiple engagements would serve to advance the quality of a CPA firm's practice. That standard seems to be more punitive rather than remedial in nature. I would offer that the AICPA Peer Review Committee might consider changing the type of engagement peer review report for a firm that performs only one engagement, and there is only a single deficiency from a *fail* to a *pass with deficiency* report. How can our profession

Rachael Drumond, Technical Manager

RE: *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews*

July 7, 2014

Page 2

say that our peer review program is remedial when we punish a small firm with the worst type of peer review report for having only one deficiency?

I understand that the AICPA is considering a major review of the existing peer review standards. In that case, I would encourage the Peer Review Committee to re-consider the impact of this exposure draft that would punish the small firm with only one deficiency on multiple engagements. And, as stated above, I would also encourage the Peer Review Committee to re-consider the guidance for a firm that has only one engagement and only one deficiency, and to upgrade this type of situation from a *fail* to a *pass with deficiency* report.

I am extremely proud to be a practicing member of our profession, and try to share my enthusiasm about the peer review program to both my peer review clients, our CPA firms here in Maryland, and in the professional development seminars that I teach. I appreciate the consideration the AICPA Peer Review Board will give to my comments. If you should have any questions, please contact me at acuozzo@cbmcpa.com or at the address shown below.

Anthony A. Cuzzo, Jr.

Anthony A. Cuzzo Jr., CPA LLC

Rachelle Drummond,
Technical Manager,
AICPA Peer Review Program,
AICPA,
220 Leigh Farm Road, Durham,
NC 27707-8110
PR_expdraft@aicpa.org

July 5th 2014

Dear M/s Drummond

I have pleasure in responding to your invitation to comment on the Exposure Draft
`proposed changes to the AICPA standards for performing and reporting on peer reviews –
Reporting on Engagement Reviews`.

.110 © This clause is ambiguous in reading and provides an unwarranted safe harbor to auditors who have

‘A deficiency is one or more findings that the review captain concludes are ***material to the understanding*** of the financial statements or information and/or related accountant’s reports or that represent ***omission of a critical procedure***, including documentation, required by applicable professional standards’(Emphasis applied).

There should be no grey area in peer reviews which are there to ensure that audit due care is being exercised at all times. It is oxymoronic that conclusions of ***material and critical*** deficiencies should allow reviewees to pass albeit with a bittersweet reprimand.

.118 It is unimaginable that such ***critical omissions*** should be given a pass.
I recommend *no pass’. Professional standards must not be compromised.
The public interest is being compromised in the ED proposal.

Thank you for giving me the opportunity to comment.

Yours sincerely

Ashley W. Burrowes PhD, CMA, FCA (NZ) Member California CPA Society
APAS Ctee. *Visiting Professor*
Te Whare Wānanga o Awanuiārangi &
MidSweden University
2013 Erskine Scholar in Accounting
University of Canterbury

Drummond, Rachelle

From: Brad Watts <brad@wattscpapc.com>
Sent: Tuesday, May 27, 2014 10:37 AM
To: PR_expdraft
Subject: exposure draft

Hi. Rather than see the same deficiencies on different engagements being able to cause a fail, I'd rather see a single engagement review have the opportunity to have a pass with deficiencies report. That is where the inconsistencies seem to be to me. There are 3 types of reports, but if you do 1 engagement, you only have the opportunity to pass or fail.

--

Brad Watts, CPA
Shareholder

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Drummond, Rachelle

From: Dan <DRS@COScpas.com>
Sent: Monday, June 23, 2014 9:07 AM
To: PR_expdraft
Cc: Joanne Yoo; Costello, William
Subject: May 20, 2014 PR ED

Rachelle Drummond,

This represents my personal comments on the referenced exposure draft (ED).

As someone who is involved w/ peer review, I can appreciate the inconsistency being addressed in this ED. I must agree that under current circumstances, it seems a little unfair for those instances where a firm only performing one engagement subject to review for which a deficiency is reported, causes a *fail* report to be issued as compared to a firm that submits two (or more) engagements for review and has a recurring deficiency on each engagement receives a *pass w/ deficiency* report if all deficiencies are identical.

However, under the ED proposal, I think we may be swinging the pendulum to far the other direction. Under current practice, the party for which the results can be unfair is the smaller firm having only one engagement as well as the larger firms where there may be different deficiencies but the severity is less than the repeat deficiency that generates a report other than fail. Now, under the ED, the party for which the results can be unfair becomes the very party to which the current exception applies. Consider the scenario where a small firm having only two engagements for which the deficiency is that the report failed to note the omission of a statement of cash flows compared to several engagements submitted for review and each having serious problems w/ recognition and/or measurement (e.g., financial instruments or revenue recognition). Under the ED, they both receive a fail report. I realize there is no perfect answer – someone can always claim they are being treated unfairly but I think you need to think about avoiding the greatest “harm” and proceed accordingly. It has been my experience that often times the number of engagements submitted for review are two or three and that when a deficiency is reported it is present on each engagement – in other words, this proposed change is likely to impact a large segment of the Engagement review population in a very negative way.

It seems to me part of the problem may be the trigger for a fail report under an Engagement review – that is, the definition of a significant deficiency is a mere mechanical exercise not unlike an “on –off” switch w/ the only use of professional judgment being if the matter rises to a deficiency (which, in turn, is basically defined as a substandard or non-conforming engagement). I wonder if there is a way to revise these definitions to allow some consideration of severity at the significant deficiency level – clearly the listing of deficiencies under PRP 6200 are not all the same in terms of severity (which I would think of in terms of relevance to users)? As just one example of giving consideration to relevance, take the example at PRP 6200.52 where the failure to disclose the omission of a statement of cash flows is considered resulting in a substandard engagement. I think one can argue that there is a pretty big difference in terms of relevance if the reporting entity is a small professional services company w/ no investing or financing activities compared to a large construction company or regional home health agency that has both financing and investing activities. Given the impending systemic-wide effort by the AICPA regarding audit quality (which I applaud) and the apparent consequential changes in store for practice monitoring and the peer review program, I also wonder if it would make more sense to hold off on adopting this ED until those other changes are considered / exposed for comment?

I appreciate all the AICPA does for our profession.

Daniel R. Sandstrom, CPA
Chapin, Owen & Sandstrom, P.A.

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Drummond, Rachelle

From: Dustin Kemp <dusty@gmkcpa.com>
Sent: Thursday, May 22, 2014 10:31 AM
To: PR_expdraft
Subject: Exposure Draft Comments

Rachelle,

I am greatly opposed to the proposed change issued by the PRB to eliminate the exception made for firms undergoing an Engagement Review. From my perspective this will turn Engagement Reviews into pass/fail and I don't believe that is the intention of the Peer Review Program. In my experience, for an Engagement Review if a firm has a deficiency it is usually an oversight that is present on all engagements especially if a firm only does compilations that omit disclosures. I can probably count on one hand the number of reviews our firm has done in the last 5 years that would receive a pass with deficiency report under the proposed change.

The feedback I had given to the states, was that a fail report for a firm that had one deficiency on the only engagement it performed should be changed to a pass with deficiency and it seems the Board has done a complete 180 from the feedback offered. It would be better to make no change at all as at least firms only having one engagement are rare. If the proposed change is allowed to go through, you will see a massive increase in the number of fail reports in my opinion to the detriment of the profession as the Peer Review program should be more about educating rather than punishing smaller firms who make one oversight.

Thank you for your consideration.

Dusty Kemp

Please note new E-Mail Address: dusty@gmkcpa.com

Dusty Kemp, CPA
Green, Mosier & Kemp LLC
706-861-9636 x.3



June 30, 2014

Rachelle Drummond, Technical Manager
AICPA Peer Review Program
AICPA
220 Leigh Farm Road
Durham, North Carolina 27707-8110
Via e-mail: PR_expdraft@aicpa.org

Re: Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Reporting on Engagement Reviews

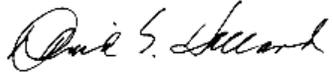
Dear Peer Review Board Members:

The Peer Review Acceptance Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Reporting on Engagement Reviews. The FICPA has approximately 18,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee has the following comments related to the above referenced exposure draft:

1. The Committee agrees with the proposed change to the standards in relation to the reporting of a deficiency and a report rating of pass with deficiencies as noted in paragraph .110.c. and .118. The Committee has felt all along that it did not seem equitable that when a firm has all of its engagements (more than one) that were considered materially non-conforming but for the exact same deficiency received a pass with deficiency report, but if a firm only had one engagement and it was for only one reason that firm received a fail report.
2. The Committee agrees with the proposed change to the standards for reporting of a significant deficiency and fail report as noted in paragraph .110.d. and .119 for a similar reason as noted above.
3. The Committee believes the effective date should be revised for reports with a report date on or after January 1, 2015. Based on a recent AICPA Peer Review Board Meeting open agenda, guidance would be included in the January 2015 manual. As a result, the Committee felt the implementation date should be delayed until the manual has been updated.

The Committee appreciates the opportunity to respond to this exposure draft. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David S. Holland". The signature is written in a cursive style with a large initial "D".

David S. Holland, CPA
Chair, FICPA Peer Review Acceptance Committee

June 24, 2014

Rachelle Drummond, Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Ms. Drummond:

The Peer Review Report Acceptance Committee of the Illinois CPA Society (Committee) is pleased to provide our comments on the Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Reporting on Engagement Reviews*. The Committee consists of 28 CPAs from public practice ranging in size from sole practitioner to large national firms. Experience on the Committee ranges from newly appointed to inception of the Program. These comments and recommendations represent the position of the Illinois CPA Society rather than any members of the Committee or of the organizations with which such members are associated.

General Comments

The Committee agrees that revisions are necessary to the Peer Review Standards relating to Engagement Reviews to remove the inconsistencies in the report ratings when there is one deficiency noted on the firm's sole engagement. However, the Committee does not agree with the proposal that the same deficiency on multiple engagements, with no other deficiencies, should result in a "fail" report and recommends an alternative revision to the Peer Review Standards.

Alternative Position

Under the current standards, a firm that performs only one engagement could only receive a report rating of "pass" or "fail" on their Engagement Review. This would not change under the current proposal. The Committee believes that the Peer Review Standards should permit a firm that performs only one engagement the same opportunity as a firm that performs multiple engagements to receive a report rating of "pass," "pass with deficiency(ies)," or "fail" on their Engagement Review. The Committee does not believe that only one deficiency noted by a reviewer should lead to a "fail" peer review report whether the firm performs one engagement or multiple engagements.

As a result, the Committee recommends the following revision to the Peer Review Standards for Engagement Reviews:

1. When the firm performs only one engagement:
 - a. One deficiency noted on the firm's sole engagement would lead to a peer review report rating of "pass with deficiency."
 - b. Two or more deficiencies noted on the firm's sole engagement would lead to a peer review report rating of "fail."
2. When the firm performs multiple engagements:
 - a. The same deficiency on all engagements selected for review with no other deficiencies noted would lead to a peer review rating of "pass with deficiency."
 - b. Multiple deficiencies covering all the engagements selected for review would lead to a peer review rating of "fail."

The Committee believes this position leads to the most consistent and fair report ratings for Engagement Reviews.

Effect on the Current Peer Review Standards

If the Peer Review Board accepted the Committee's alternative position, there would be minimal revisions required to the current Peer Review Standards. Currently, paragraphs 118 and 119 on pages 1028 and 1029 of the Peer Review Standards (version 00-9 APR 2014) read as follows:

Engagement Review Report With a Peer Review Rating of Pass with Deficiencies

.118 A report with a peer review rating of *pass with deficiencies* is issued when the review captain concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects except for the deficiencies that are described in the report. The deficiencies are one or more findings that the peer reviewer concludes are material to the understanding of the report or financial statements or represents omission of a critical procedure, including documentation, required by applicable professional standards. A report with a peer review rating of *pass with deficiencies* is issued when at least one but not all of the engagements submitted for review contain a deficiency. However, when ~~more than one engagement has been submitted for review, and~~ the exact same deficiency occurs on each of the engagements, and there are no other deficiencies, a report with a peer review rating of *pass with deficiency* should be issued rather than with a peer review rating of *fail*. In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

Engagement Review Report With a Peer Review Rating of Fail

.119 A report with a peer review rating of *fail* is issued when the review captain concludes that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *fail* is issued when deficiencies are evident on all of the engagements submitted for review. However, a report with a peer review rating of *pass with deficiency* should be issued when ~~more than one engagement has been submitted for review, and~~ the exact same deficiency occurs on each of the engagements, and there are no other deficiencies. The review captain should not expand scope beyond the original selection of engagements in an effort to change the conclusion from a peer review rating of *fail* in these circumstances. In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

Under the Committee's alternative proposal, the only change necessary to the Peer Review Standards would be to remove the language, "more than one engagement has been submitted for review, and" (as noted above).

Effective Date

The Peer Review Board recommends an effective date of September 1, 2014 for any changes to the Peer Review Standards. The Committee recommends that the Board consider moving back the effective date to reviews with a report date on or after April 1, 2015 to coincide with the new peer review season and the release of the April 2015 version of the Peer Review Manual. An effective date of September 1, 2014 does not leave much time to communicate the changes to peer reviewers across the country. Also, this date is right in the middle of peer review season and will lead to reviewers having to follow new guidance for engagement reviews in the middle of the season and a higher likelihood that RABs will consider reviews at the same meeting under different standards. The Committee believes an implementation date of April 1, 2015 allows reviewers to begin a new peer review season fresh with a new set of standards for Engagement Reviews. We also feel this would leave adequate time to inform peer reviewers of the changes to the Peer Review Standards.

The Illinois CPA Society appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

Catherine Allen, CPA

Chair, Peer Review Report Acceptance Committee

Robert Giblichman, CPA

Vice-chair, Peer Review Report Acceptance Committee



July 1, 2014

Rachelle Drummond
Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

RE: Comments to Exposure Draft:
Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews
Reporting on Engagement Reviews dated May 20, 2014.

Dear Ms. Drummond:

These comments are submitted on behalf of the Peer Review Committee of the Indiana CPA Society (the Committee). 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.

The Committee appreciates the opportunity to offer our comments on the AICPA Peer Review Board's proposed changes to *Reporting on Engagement Reviews*.

The Committee agrees with the AICPA Peer Review Board's proposed changes to the Peer Review Standards as outlined in the exposure draft.

The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. If the evaluation of those engagements by the peer reviewer determines that deficiencies exist are identified in on all the engagements submitted for review and the firm is granted a form of a pass report, then the objectives of the Engagement Review have not been met. To achieve the objectives of an Engagement Review, a failed report should be issued.

The Committee agrees that there is an inconsistency in reporting when a firm that has performed only one engagement and that engagement has a deficiency, the firm is issued a failed report; but, when a firm has submitted multiple engagements and each engagement contains the exact same deficiency, the firm is issued a report of pass with deficiencies. Each engagement submitted for review should stand on its own as to whether or not the engagement was performed and reported on in conformity with applicable professional standards in all material respects. If all the engagements submitted for review contain a deficiency, then a failed report should be issued regardless of the number of engagements submitted for peer review.

Indiana CPA Society

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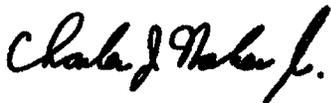
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Most of what the Committee has recently seen in the way of an "exact same deficiency" on each engagement submitted for review was a deficiency due to the issuance of a new professional standard that had not be implemented by the reviewed firm on any of their engagements submitted for peer review. In an Engagement Review where there was only one engagement performed by the reviewed firm and that engagement contained a deficiency due to not implementing a new standard, a failed report was issued. In the case of a reviewed firm that had performed multiple engagements and all the engagements submitted for review contained the exact same deficiency due to not implementing a new standard (and no other deficiencies), the reviewed firm would receive, under current peer review standards, a pass with deficiencies report. It appears as though the firm that does multiple engagements is given a reprieve from a failed report because they perform multiple engagements. Just because the deficiency was the exact same deficiency as noted in all engagements submitted for review, it does not mitigate the fact that all the engagements submitted for review were not performed or reported on in accordance with applicable standards in all material respects. In that case, a failed report should be issued to be consistent with the objective of an Engagement Review.

We would continue to agree with the current peer review standards that if a deficiency exists on one but not all engagements submitted for review, a pass with deficiencies report would be in order.

If you have questions or need further clarification of our comments, please contact Nichole Favors, Peer Review Manager of the Indiana CPA Society Administering Entity.

Respectively submitted,

A handwritten signature in black ink, reading "Charles J. Naber, CPA". The signature is written in a cursive style with a prominent initial "C".

Charles J. Naber, CPA
Indiana CPA Society Peer Review Committee, Chair

Drummond, Rachelle

From: Joiner, J. David <dave@joinercpa.com>
Sent: Thursday, June 05, 2014 4:23 PM
To: PR_expdraft
Cc: davebrown@tacpa.net
Subject: Comments on Exposure Draft

I oppose everything in the Exposure Draft. Under this proposal, let's say we have a compilation with 56 pages of material, most of which is supplementary information. Let's then say that the CPA left off the caption "See independent accountant's compilation report" on ONE PAGE because of a pagination program with the printer. Everything else on the report is totally correct.

That would result in a failed report and that is absolutely ridiculous. How does that serve the public? It totally misleads them.

The entire peer review process is totally out of control. A long time ago I realized that the AMA is an advocacy entity for doctors. The AICPA is the equivalent of the AMA for CPA's, but it is a punitive entity doing nothing more than attempting to find out what was done wrong and punishing people, without providing any positive advocacy.

That is why I resigned from the AICPA some years ago, not wanting to be affiliated with a punitive rather than an advocative entity.

Again, I strongly oppose the entire Exposure Draft and believe it should be rejected in its entirety.

Best Regards,

Dave Joiner

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email: dave@joinercpa.com – PLEASE NOTE THIS IS MY NEW EMAIL. PLEASE UPDATE YOUR RECORDS.

website: www.joinercpa.com

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J. David Joiner, Certified Public Accountant

JUNE ELAINE TYLER
Certified Public Accountant
335 Mobile Drive
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Telephone Number (940) 241-2432

May 30, 2014

Rachelle Drummond, Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Ms. Drummond:

I just read Exposure Draft, Proposed changes to the AICPA Standards for Performing and Reporting on Engagement Reviews.

My comment is for Engagement Review Report With a Peer Review Rating of Fail.
.119...A report with a peer review rating of fail is issued when deficiencies are evident on all of the engagements submitted for review.

I think the above is very unfair. I do not think that a peer review rating of fail should be issued for the current review. It is my opinion that if the same deficiencies are noted in all the engagements submitted for the next review, then the peer review rating of fail should be issue on this next review.

Sincerely yours,



June Elaine Tyler
Certified Public Accountant

THE NEVILLS COMPANY APC
Certified Public Accountants

May 27, 2014

AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Ms. Drummond,

This letter is in response to the proposed changes in standards for reporting on peer review engagements. As you know currently when more than one engagement has been submitted for review and the same exact deficiency occurs on the submitted review the firm receives a pass with deficiency. The proposed changes would instead result in a failed report. I am writing as a small practitioner that is required to submit to engagement reviews asking that you do not make this particular change to the grading system.

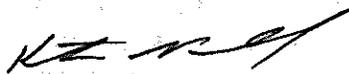
The purpose of peer review is to assure that quality controls are being applied in conformity with AICPA's standards which ultimately serve the public. Peer review should not be used as a tool to punish CPA's but as a resource to improve reporting and quality controls that ultimately serves our clients and the public. The vast majority of accountants are honest and trying to correctly follow the voluminous and bloated amounts of regulations required when preparing financial statements. A failing grade is made public and can affect our ability to attract and retain clients as well as protect ourselves in legal suits. This should not be the intent of peer review. Peer review should be a tool which provides support and knowledge to CPA's. A much better approach when finding errors would be to have the CPA correct the errors and submit new financials for review. Upon finding the same errors on subsequent peer reviews a failed review may be appropriate.

In California where I practice peer review is required even if only one financial statement is prepared all year long. For most CPA's helping small businesses like me, the majority of financial statements we prepare are used to help with credit decisions. CPA's submitting to engagement reviews are not preparing financial statements for the unknowing public. That is not to say that our work is insufficient. But it is to say that peer review could be and should be an additional tool we can use to better the presentation quality of the statements we are preparing.

I hope you will consider my letter and work to make peer review a tool not a punishment by looking for new ways for fail practitioners.

Thank you for time and consideration.

Sincerely,



Kristin R. Nevills CPA

June 26, 2014

To: Rachele Drummond, Technical Manager
AICPA Peer Review Program

Re: Proposed changes to the *AICPA Standards for Performing and Reporting on Peer Reviews (Standards)*

The Accounting and Auditing Standards Committee (Committee) of the Maryland Association of Certified Public Accountants appreciates having this opportunity to comment on the proposed changes to the *AICPA Standards for Performing and Reporting on Peer Reviews*. The Committee contains a diverse range of academics, practitioners and industry members and we were able to discuss this matter from a variety of different perspectives.

The Committee members were concerned that the proposed changes to the Standards are overly punitive, especially for small firms. We believe the profession would be best served by holding off on these types of incremental fixes and instead be considered as part of the planned review of the entire Standards for Performing and Reporting on Peer Reviews.

If the Board should elect to implement the proposed changes, we recommend allowing sufficient transition time and a focused educational effort to inform small firms of the changes, perhaps through free CPE.

The Committee appreciates the effort by the AICPA Peer Review Board. We are available to discuss any of these comments at your convenience.

Sincerely,

Maryland Association of CPAs
Accounting & Auditing Standards Committee

The following individuals worked on reviewing and commenting on the proposed changes to the *AICPA Standards for Performing and Reporting on Peer Reviews* exposure draft:

Shirley A. Appleby, CPA, CFE, CGMA
BB&T

Harvey I. Milhiser, CPA
Gorfine, Schiller & Gardyn, P.A.

Gary F. Bulmash, CPA
University of Maryland, Robert H. Smith School
of Business

Daniel R. Sandstrom, CPA
Chapin, Owen & Sandstrom, P.A.

Erwin J. Tenorio, CPA
MorganFranklin Corporation

Drummond, Rachelle

From: Michael Mosier <michael@gmkcpa.com>
Sent: Thursday, May 22, 2014 10:09 AM
To: PR_expdraft
Subject: Exposure Draft Engagement Reviews Pass with Deficiencies

Rachelle,

In my opinion the PRB should have stated that if a firm only has one engagement selected for review with only one deficiency then the firm would receive a Pass with Deficiency instead of a failed report. Just opposite of the PRB new position.

The PRB new position will most likely create substantially more Failed Reports for firms only issuing Compilation Without Disclosures. These firms only have two engagements reviewed and in almost every instance if they have a matter that creates a deficiency on one engagement the issue is usually also on the second engagement. A common example of this is the accountant's report not being updated for SSARS 19.

--

Michael Mosier, CPA

Green, Mosier & Kemp, LLC

828 Chickamauga Ave

Rossville, GA 30741

706-861-9636

706-861-5232 fax

michael@gmkcpa.com

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

June 24, 2014

Rachelle Drummond
Technical Manager, AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Dear Ms. Drummond:

We appreciate the opportunity to read and respond to the exposure draft on Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews.

Members of our staff have read the exposure draft and have the following comment:

- The recommended revision for deleting the exception in paragraph .110 d is reasonable. It is our opinion if multiple engagements under review have the same deficiency, this would seem to indicate there is a significant deficiency in the control structure of the entity under review, not just a deficiency in the individual engagements. This would indicate a larger problem overall and it is appropriate the review captain would conclude that all engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. It is also appropriate this would result in a peer review rating of Fail. Based on this position, we also believe the proposed changes to paragraphs .118 and .119 to delete language related to the “rating of pass with deficiencies” are appropriate.

If you have any questions or need additional information concerning our response, please contact me at dbrammer@mt.gov.

Sincerely,

/s/ David Brammer

David Brammer, Senior Auditor
Financial-Compliance Audits

S:\Admin\Correspondence\14\ExpDraft\db-Drummond-AICPA-Peer-Review-response-ltr.docx/djr

By e-mail



North Carolina State Board of Certified Public Accountant Examiners

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June 19, 2014

Rachelle Drummond, Technical Manager
American Institute of Certified Public Accountants
AICPA Peer Review Program
220 Leigh Farm Road
Durham, North Carolina 27707-8110

Dear Ms. Drummond:

The North Carolina State Board of CPA Examiners (Board) has reviewed the Exposure Draft, *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews* dated May 20, 2014 prepared by the AICPA Peer Review Board. The exposure draft proposes changes that would impact the results of an Engagement Review report when reporting an identified reporting deficiency occurring for all engagements submitted for review.

The AICPA Peer Review Board previously created an exception whereby when more than one engagement was submitted for review, and the exact same deficiency occurred in each of the engagements with no other deficiencies, the peer reviewer was to issue a peer review rating of *pass with deficiency* rather than a rating of *fail*. The Board is in agreement with the proposed changes to remove this current exception. The peer review program allows for the monitoring of CPA firms' accounting and auditing practices, thereby enhancing the quality of those services and increasing public confidence and trust. Boards of Accountancy have a mandate to protect the public. The conclusions of a peer reviewer should be based on whether the engagement(s) were performed and reported in conformity with applicable professional standards and not made in the context of whether the identified deficiency was evident in one engagement or multiple engagements. Removal of the exception should also bring more consistency to reporting of identified deficiencies across firms of all sizes.

Rachelle Drummond

June 19, 2014

Page 2

The Board is appreciative of the AICPA Peer Review Board's efforts to provide guidance for the peer review process and its impact on the reliability of work performed by CPAs in an effort to serve the public interest.

Sincerely,

A handwritten signature in cursive script that reads "Bucky".

Bucky Glover, CPA
Vice President

July 1, 2014

Ms. Rachelle Drummond
Senior Technical Manager
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

By e-mail: PR_expdraft@aicpa.org

Re: AICPA Peer Review Board's Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Reporting on Engagement Reviews – May 20, 2014

Dear Ms. Drummond:

The North Carolina Association of Certified Public Accountants, representing over 13,000 North Carolina CPAs in public practice, industry, government, and education, welcomes the opportunity to comment on the exposure draft referenced above. The NCACPA Peer Review Committee deliberated the exposure draft and submits the following response:

The proposal being considered would change the impact to an engagement review report when more than one engagement has been submitted for review; the same exact deficiency occurs on each of the engagements submitted for review; and there are no other deficiencies. Currently, firms would receive a pass with deficiencies in this scenario. The proposed changes would instead result in a fail report.

This change would return guidance to its origin and the point at which the AICPA Peer Review Board created this exception allowing a report with a peer review rating of pass with deficiency rather than with a peer review rating of fail.

While we acknowledge the exception resulted in inconsistent report ratings for engagement reviews, particularly for firms only having a single engagement, we do not totally embrace the "all or nothing" concept this change implies. Our concern lies within the fact it is all but impossible to establish "hard and fast" rules that apply to every set of circumstances.

We practice (and peer review) in an environment filled with nuances and issues that require interpretation including standards changes that are implemented more quickly than many firms can absorb and understand them. This is particularly the case in circumstances where a firm is mainly a tax practice and performs only limited A&A services.

We believe the foundational "educational and remedial" tenants, on which the peer review program is based, have become problematic in that the lessons offered only once in three years are unsustainable in an environment that wants to change standards and implement them within the shortest possible timeframe. The Peer Review program is unable to quickly respond and deliver an opinion for a firm in which a practitioner lacks specific competence. The current mechanisms for timely education on potential changes are slow to achieve results as well. As a result, remediation of those practitioners takes longer than it should because it often takes an entire three year cycle or longer for a firm to discover what it doesn't understand and to gain that competency and correct what is wrong.

For example, implementation of SSARS 19 moved hundreds of firms from pass (or unmodified) reports to either a "pass with deficiencies" or "fail" report, often impacted by circumstances seemingly beyond the firm's control. Continuous unabated changes in standards will likely yield similar results as the implementation of the currently exposed guidance on financial statement preparation and revisions to the compilation guidance occurs. We expect many firms that missed SSARS 19 changes may also miss these changes for the same reasons.

As peer reviewers, an Engagement Review does not approach these issues systemically, yet it is usually the systemic issues that seem to cause firms having engagement reviews to have such deficiencies. We believe requiring education for firms with limited accounting and auditing engagements is a concept worth considering. We believe requiring a firm to have continuing education in accounting and auditing subjects of annually is useful, whether that firm is reporting on SSARS or GAAS engagements. Perhaps the time has come to at least measure an engagement reviewed firm's CPE against its areas of practice to determine it is attempting to be current in the areas in which it practices.

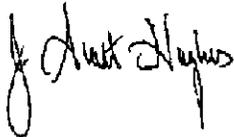
The type of Peer Review report to be issued is dependent on an initial determination a deficiency exists rather than a finding or a matter. Since judgment is required to determine the accurate nature of the issue, we believe the review captain (with the RAB's approval and acceptance) should also be given latitude to determine the significance of the issue and be given the ability to conclude what type of report is most appropriate. Further, since the issue must ultimately be accepted by the RAB, we believe additional emphasis should be placed on documenting and evaluating (within the documents to be submitted to the RAB) the issue in order to determine it either rises to, or does not rise to, the level of a significant deficiency before a fail report is

warranted. Those situations should be at a high level and include circumstances in which financial statements are misleading or are of such significance that recall of the financial statements should be considered to protect the public interest.

If this exposure draft is intended to effect change regarding whether a pass with deficiency or fail report is warranted, the mechanisms to accomplish that change rest with the RAB and the AE by requiring appropriate and meaningful follow-up, and provides proof of the changes desired by that firm. The fail or pass with deficiencies report is only the means to that more important end. We believe strengthening the expectation for follow up will do more to enhance practice quality than specific requirements on what type of report must be issued.

If you would like additional discussion with respect to the attached comments, please contact J. Scott Hughes, chair of the NCACPA Peer Review Committee, at (828) 225-3627. This response was approved for release by the NCACPA Executive Committee on June 30, 2014

Sincerely,

A handwritten signature in black ink, appearing to read "J. Scott Hughes". The signature is written in a cursive, flowing style.

J. Scott Hughes, CPA, Chairman
NCACPA Peer Review Committee

cc: Cindy Brown, CPA, Chair, NCACPA Board of Directors
Dan Purvine, CPA, Chair Elect, NCACPA Board of Directors
Art Winstead, CPA, Liaison Director to the committee
James T. Ahler, NCACPA CEO
Nikki Vann, CPA, Director of Finance and Administration
Mary Kelly, Peer Review Coordinator

PATRICK J. DOSSEY CPA
Member: American Institute of CPA

June 5, 2014

Ms. Rachele Drummond, Technical Manager
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

RE: Exposure Draft: Reporting on Engagement Reviews – My Comments

Gentlemen:

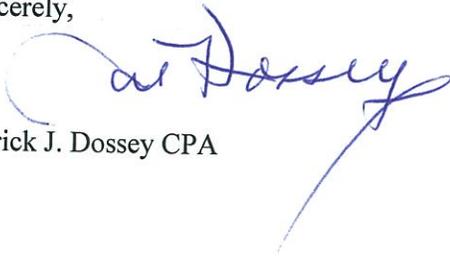
I have read the above mentioned exposure draft and must take exception to the proposal to elevate a peer review rating of pass with deficiencies to a “fail” report SOLELY because the CPA firm has submitted more than one engagement for review and it contains the same “error.”

What is the reasoning behind giving a “pass with deficiency” to a CPA that only submits one report for peer review vs. another CPA that submits two reports for peer review that has the same deficiency on both reports? What if the deficiency is the same item/deficiency for both CPAs? One gets a “fail” and the other a “pass with deficiency”?

Punishment/rating for a given deficiency should be the same whether the CPA has two client reports being peer reviewed or one.

Please enter my comment as a suggestion that “equal protection under the law” should apply to peer review pass/fail criteria. Kill the change. Peer review is already burdensome enough without another “gotcha”!

Sincerely,



Patrick J. Dossey CPA

Drummond, Rachelle

From: Roger Johnson <rdjcpa2002@gmail.com>
Sent: Friday, May 30, 2014 10:12 AM
To: PR_expdraft
Cc: Drummond, Rachelle
Subject: May 20,2014 Peer Review Exposure Draft

Ms. Drummond:

The purpose of this message is to communicate my whole-hearted support for "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews - Reporting on Engagement Reviews" (hereinafter referred to as "the ED") issued on May 20, 2014. Without question, I believe the Peer Review Board was correct in adopting this change and exposing it for comments.

Nonetheless, I have a comment on the proposed revisions. *Standards* paragraph .110a has not been altered by the ED. Its last sentence reads: "A matter is documented on a Matter for Further Consideration (MFC) form." However, introduction or advancement of PRISM since 2009 has resulted in discontinuance of the MFC "form" -- substantially speaking of course. Should the text of .110a be revised to reflect PRISM-processing of MFCs?

These comments represent my personal views on the ED and should not be viewed as those of any administering entity with which I am associated, its (their) peer review committee(s) or individual members of the committee(s).

Thank you,

Roger

Roger D. Johnson, CPA, CGMA
AICPA member #: 01046429

☎: (HO) 270.796.2004 / ☎: (Cell) 270.796.0464

💻: rdjcpa2002@gmail.com

Drummond, Rachelle

From: W. Hunter Robinson, CPA PFS <hrobinson@robinsoncpafirm.com>
Sent: Tuesday, May 20, 2014 3:44 PM
To: PR_expdraft
Subject: Comments on proposal

I believe repetitive comp reports issued monthly by computer generated software could repeat the same error such as headings etc that should continue to result in a pass with deficiency not what appears would result under proposal as a fail.

W. Hunter Robinson CPA PFS

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