

September 26, 2014



AICPA Peer Review Program
Attn: Tim Kindem, Technical Manager
Submitted electronically to: PR_expdraft@aicpa.org

100 SE 9th Street, Suite 502
Topeka, KS 66612-1213
785-272-4366

We appreciate the opportunity to submit comments, on behalf of the Kansas Society of Certified Public Accountants, concerning the Exposure Draft titled “ Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review” issued on August 18, 2014.

We noticed the third paragraph on page six of the document may not be correct (concerning the proposed SSARS and the disclosure of the basis of account) however we believe it does not impact the proposed revisions. The KSCPA Accounting and Assurance task force agrees with the proposed revisions as shown in the exposure draft.

Thank you for the opportunity to comment on this exposure draft and your consideration of our comments.

Sincerely,



M. Aron Dunn, Chair
Accounting and Assurance Task Force, KSCPA



North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh NC 27605 • (919) 733-4222 • Fax (919) 733-4209 • www.nccpaboard.gov

September 23, 2014

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

Dear Mr. Kindem:

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 August 18, 2014 prepared by the AICPA Peer Review Board. The exposure draft proposes changes that would result in preparation services performed under the *Statements on Standards for Accounting and Review Services* (SSARS) being excluded from both the scope of peer review and the definition of an accounting and auditing practice for the purposes of these standards.

The Board is in agreement with the proposed changes. The proposed changes will align the *AICPA Standards for Performing and Reporting on Peer Reviews* with the recently approved changes to SSARS that categorize the preparation of financial statements as a non-attest service. Preparation services performed under the SSARS do not require accountant independence, verification of the accuracy or completeness of the information, financial statement disclosures, or a report on the financial statements. The purpose of peer review is to provide independent verification that a CPA firm is in compliance with quality control standards set by the AICPA. Due to the limited standards now imposed on preparation services, any peer review of those services would be minimal and would not provide significant contributing evidence that a CPA firm is meeting required quality control standards.

Under current North Carolina rules, peer review requirements are specifically applicable to audits, reviews and compilations of financial statements, and agreed-upon procedures or engagements performed in accordance with the *Statements on Standards for Attestation Engagements*. There are no generic references to

Tim Kindem
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Page 2

“services under SSARS” or “issuing reports under SSARS”; therefore, peer review requirements would not be applicable to the preparation of financial statements. The Board does not have any plans to require peer review for CPA firms related to the preparation of financial statements.

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 CPA firms in an effort to serve the public interest.

Sincerely,

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

Bucky Glover, CPA
President

Robert G. Yingling Jr.

Certified Public Accountant

1712 NW 14th Drive • Gresham, Oregon 97030-4804 • 503-666-7014 • Fax 669-0365 • bob@yinglingcpa.com

September 25, 2014

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

RE: The Peer Review Board's Exposure Draft "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review*"

I disagree with the Board's decision, as outlined in the ED, to exclude financial statement preparation engagements from peer review. In addition to performing an educational function for CPA firms, peer review serves the public interest and it is not in the public's interest to establish a category of financial statement on which the public relies that is exempt from peer review. The potential harm to financial statement users is too great.

Although financial statement preparation under the proposed SSARS is considered a non-attest service, the financial statements prepared under the new standard will not be restricted use and will be relied upon by the public. Under the proposed SSARS for financial statement preparation, the involvement of the CPA firm will be clear. The legend required on each page of the financial statements may reference the name of the CPA firm preparing the financial statements and there are circumstances under which the CPA may include a report with the financial statements. It is likely that the public will not be able to distinguish this non-attest service from compiled financial statements prepared under the attest standards.

Under the current and proposed standards for compilation services, the primary function the CPA firm performs is to identify in its report the financial reporting framework used and any material departures from the framework.

The ED states that the proposed SSARS on preparation services does not require that the financial statements disclose the basis of accounting and argues that accordingly there are no procedures the peer reviewer can perform to determine the appropriate presentation of the financial statements. I respectfully disagree.

According to Paragraph 13 of Proposed Statement on Standards for Accounting and Review Services *Preparation of Financial Statements*: "When preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statements." Special purpose frameworks include cash basis, modified cash basis, tax basis, and other non-GAAP bases of accounting. If no disclosure of a special purpose framework is included in the financial statements, that indicates GAAP is followed. Therefore, because the proposed SSARS on financial statement preparation requires disclosure of the basis of accounting, peer reviewers can determine whether this requirement has been met.

However, under the proposed SSARS for financial statement preparation, there is no provision for identifying material departures and I am very concerned that financial statement users will not be informed of material departures.

The authors of the proposed SSARS for financial statement preparation note our code of professional conduct prohibits CPA firms from becoming associated with misleading financial statements. They believe CPA firms will include a footnote describing any material departures that make the financial statements misleading. I disagree. I believe many firms will omit this disclosure. The proposed standard on financial statement preparation has an informal quality and will often be utilized by less sophisticated CPA firms that will not make the connection between the new standard and the requirements of our code of professional conduct. Peer reviewers, in their role as educators, can help CPA firms make this connection.

The failure to disclose the financial reporting framework will almost always be clear to the peer reviewer and material departures will frequently be apparent. Also, the engagement profile form can be designed to assist the reviewer in making these determinations. I recommend the engagement profile form for financial statement preparation engagements require the CPA firm disclose the basis of accounting and to list material departures from the financial reporting framework.

The ED appears to look at the new standard for financial preparation through the lens of SSARS No. 8, a standard for financial statements restricted to management use and not requiring adherence to a financial reporting framework and which historically has been used in connection with nondisclosure financial statements. When the authors of the ED contend the peer reviewer will not have sufficient information to make meaningful judgments about the quality of the firm's work performed under the new standard for financial preparation, they ignore the fact that the new SSARS requires compliance with either GAAP on another accounting framework and that the framework must be disclosed.

The authors of the ED envision the new SSARS as primarily a replacement for SSARS No. 8. This is a mistake. Although SSARS No. 8 did not require the financial statements comply with GAAP or any other accounting framework, the new SSARS requires compliance with and disclosure of the framework.

The ED focuses so intently on the new SSARS in its role as a replacement for SSARS No. 8 that there is little consideration of the other applications to which the new standards will be put. Users of financial statements

prepared under the new standards will include stockholders, regulators, banks, franchisers, potential buyers of a business offered for sale, and other members of the public.

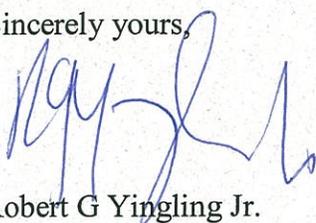
A peer reviewer could not determine whether an engagement performed under SSARS No. 8 complied with a basis of accounting because the basis of accounting was flexible and determined by management. Under the new SSARS the basis of accounting is generally recognized and disclosed. This means the peer reviewer has a benchmark to which the firm's financial statements may be compared. For example, a material misclassification on the statement of cash flows could be identified easily.

Under SSARS No. 8, financial statements usually omitted footnote disclosures because use of the financial statements was restricted to management and given management's knowledge of the entity footnote disclosure was for the most part unnecessary. Under the new SSARS, footnote disclosure will likely be much more common because the financial statement users include the public. A peer reviewer can just as easily identify the omission of a material disclosure from financial statements that are prepared under the new SSARS as in financial statements prepared under existing compilation standards.

In summary, the public will not be able to distinguish financial statements prepared as a non-attest service from compilation engagements prepared under the attest standards and therefore will place equivalent reliance on such financial statements; including such financial statements in the scope for peer review is essential to ensuring that the basis of accounting and material departures are adequately disclosed. Therefore I believe including preparation services in peer review is in the public interest and believe that Standards should be revised to explicitly include such services in the scope of peer review.

It has been my experience, that when a CPA is associated with financial statements, the Public places reliance on those financial statements regardless of the report that the CPA issues. Because of this reliance, I believe that these financial statements those financial statements should be subject to peer review. Thank you for considering my comments on this important issue.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Robert G Yingling Jr.', written over a light blue grid background.

Robert G Yingling Jr.



OSCPA Peer Review Program

Administered in Oregon by
Oregon Society of CPAs



AICPA Peer Review Program

Administered in Oregon and Guam by
Oregon Society of CPAs

September 25, 2014

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

RE: The Peer Review Board's Exposure Draft "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review*"

This response to the referenced exposure draft (ED) is submitted on behalf of the Peer Review Committee of the Oregon Society of CPAs (the Committee). These comments have no official status and do not represent the approval or disapproval of the ED by the Oregon Society of CPAs.

We disagree with the Board's decision, as outlined in the ED, to exclude financial statement preparation engagements from peer review. In addition to performing an educational function for CPA firms, peer review serves the public interest and it is not in the public's interest to establish a category of financial statement on which the public relies that is exempt from peer review. The potential harm to financial statement users is too great.

Although financial statement preparation under the proposed SSARS is considered a non-attest service, the financial statements prepared under the new standard will not be restricted use and will be relied upon by the public. Under the proposed SSARS for financial statement preparation, the involvement of the CPA firm will be clear. The legend required on each page of the financial statements may reference the name of the CPA firm preparing the financial statements and there are circumstances under which the CPA may include a report with the financial statements. It is likely that the public will not be able to distinguish this non-attest service from compiled financial statements prepared under the attest standards.

Under the current and proposed standards for compilation services, the primary function the CPA firm performs is to identify in its report the financial reporting framework used and any material departures from the framework.

The ED states that the proposed SSARS on preparation services does not require that the financial statements disclose the basis of accounting and argues that accordingly there are no procedures the peer reviewer can perform to determine the appropriate presentation of the financial statements. We

respectfully disagree. According to Paragraph 13 of Proposed Statement on Standards for Accounting and Review Services *Preparation of Financial Statements*: "When preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statements." Special purpose frameworks include cash basis, modified cash basis, tax basis, and other non-GAAP bases of accounting. If no disclosure of a special purpose framework is included in the financial statements, that indicates GAAP is followed. Therefore, because the proposed SSARS on financial statement preparation requires disclosure of the basis of accounting, peer reviewers can determine whether this requirement has been met.

However, under the proposed SSARS for financial statement preparation, there is no provision for identifying material departures and we are very concerned that financial statement users will not be informed of material departures.

The authors of the proposed SSARS for financial statement preparation note our code of professional conduct prohibits CPA firms from becoming associated with misleading financial statements. They believe CPA firms will include a footnote describing any material departures that make the financial statements misleading. We disagree. We believe many firms will omit this disclosure. The proposed standard on financial statement preparation has an informal quality and will often be utilized by less sophisticated CPA firms that will not make the connection between the new standard and the requirements of our code of professional conduct. Peer reviewers, in their role as educators, can help CPA firms make this connection.

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The authors of the ED envision the new SSARS as primarily a replacement for SSARS No. 8. This is a mistake. Although SSARS No. 8 did not require the financial statements comply with GAAP or any other accounting framework, the new SSARS requires compliance with and disclosure of the framework.

The ED focuses so intently on the new SSARS in its role as a replacement for SSARS No. 8 that there is little consideration of the other applications to which the new standards will be put. Users of financial statements prepared under the new standards will include stockholders, regulators, banks, franchisers, potential buyers of a business offered for sale, and other members of the public.

A peer reviewer could not determine whether an engagement performed under SSARS No. 8 complied with a basis of accounting because the basis of accounting was flexible and determined by management. Under the new SSARS the basis of accounting is generally recognized and disclosed. This means the peer reviewer has a benchmark to which the firm's financial statements may be compared. For example, a material misclassification on the statement of cash flows could be identified easily.

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In summary, the public will not be able to distinguish financial statements prepared as a non-attest service from compilation engagements prepared under the attest standards and therefore will place equivalent reliance on such financial statements; including such financial statements in the scope for peer review is essential to ensuring that the basis of accounting and material departures are adequately disclosed. Therefore we believe including preparation services in peer review is in the public interest and believe that Standards should be revised to explicitly include such services in the scope of peer review.

The Committee believes that if the public is placing reliance on financial statements those financial statements should be subject to peer review. Thank you for considering our comments on this important issue.

Sincerely yours,



Rick Proulx, CPA, Chair
Oregon Society of CPAs Peer Review Committee

Kindem, Tim

From: robert fisher <robert@robertfishercpa.com>
Sent: Friday, October 24, 2014 11:03 AM
To: PR_expdraft
Subject: Comment on Exposure Draft regarding Exclusion from Peer Review for New Preparation Standard

Follow Up Flag: Follow up
Flag Status: Flagged

Tim,

I fully agree with Exclusion from Peer Review for this New Preparation Service as it is a Non-Attest Service.

When do you think a Final Decision on this will passed?

Sincerely,

Robert
President & CEO

ROBERT B FISHER CPA PC
1580 S MILWAUKEE AVE SUITE 504
LIBERTYVILLE IL 60048
[TEL:847-680-7505](tel:847-680-7505)
FAX:847-557-9009
Website:www.robertfishercpa.com

REFERRAL AWARDS PROGRAM

Simply email us at robert@robertfishercpa.com. Upon receipt of your referral, one of our professional account representatives will contact your lead promptly within 1 business day, and we will send you \$100 when they sign up! You can refer as many as you like.

If you are happy with our services, please feel free to write a positive review online about your experience with our firm.



Kindem, Tim

From: j lee <holdridgehouse@yahoo.com>
Sent: Wednesday, October 22, 2014 11:05 AM
To: PR_expdraft
Subject: Vote to exclude financial statement preparation from peer review

Follow Up Flag: Follow up
Flag Status: Flagged

Hello,

I recommend a vote to exclude financial statement preparation from peer review. For sole practitioners and small shops of less than 3 CPA's the peer review process is cost prohibitive and time consuming.

Statements not for public consumption with proper disclaimers should not be the purview of the AICPA or state societies.

Peer review elements for such service create barriers of entry into the market and do not in any way protect the public or profession from harm.



October 24, 2014

Tim Kindem
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
*Preparation of Financial Statements Performed Under SSARS and the Impact on
The Scope of the Peer Review*

Dear Mr. Kindem:

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 the Peer Review Standards.

The Committee disagrees with the AICPA Peer Review Board's proposed changes to the Peer Review Standards to exclude Preparation of Financial Statements services from the peer review process.

The peer review program was created to enhance the quality of accounting, auditing and attestation services performed by AICPA members in public practice. As the proposed Preparation of Financial Statements services are defined in the *Standards for Accounting and Review Services*, they fall under the definition of "accounting" services per paragraph 6 of the peer review standards and would be subject to peer review in order to maintain the quality of the accounting work performed by AICPA members. To exclude the Preparation of Financial Statements services is inconsistent as the peer review process monitors not only the reporting and performing aspects of a financial statement engagement but also knowledge of the applicable reporting framework under which the financial statements are prepared.

The Proposed Statements on Standards for Accounting and Review Services introduces Preparation of Financial Statements as a separate service. We see very little difference between a compilation service and a preparation of financial statement service performed by the CPA. The end product of either service is a financial statement prepared in accordance with a financial reporting framework (i.e. GAAP, cash basis, tax basis) without the CPA's verification of the accuracy or completeness of the information provided by management.

Indiana CPA Society

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Both services require the accountant to have knowledge and an understanding of the entity's financial reporting framework (they must know GAAP, cash basis, tax basis, etc.). This is a requirement for any type of financial statement engagement, audit, review or compilation. In a compilation, if an accountant becomes aware of a material departure from the applicable framework the financial statements are prepared under, they are required to propose an adjustment to the financial statements to correct the statements or note the departure in the accountants' report. If the accountant were to prepare the financial statements under the proposed Preparation of Financial Statement standards, they would be required to prepare the financial statements in accordance with the applicable framework and correct an error before issuing the financial statements. If the financial statements are not corrected, the accountant must disclose the departure in the financial statement. Therefore, whether a client engages an accountant to prepare or compile the financial statements, engagement results in the financial statements either being corrected or the departure disclosed. We think you would agree that if an accountant was first asked to prepare the financial statements of a client and then later engaged to compile on the same set of financial statements, the amounts and disclosures in the financial statement should be exactly the same.

Both services provide no assurance on the financial statements. Under the proposed changes to the SSARS standards, it states in item 2 under compilation services that "*Because a compilation engagement is not an **assurance** service...*" It also states that under the preparation standards in item A13 that each page of the financial statements include a statement that "*No CPA provides any **assurance** on these financial statements*" or "*these financial statements have not been audited or reviewed, and no CPA expresses an opinion or a conclusion nor provides any **assurance** on them.*" So in a compilation, the CPA express no assurance in the compilation report and in a preparation service, the CPA express no assurance on each page of the financial statement. Both services express no assurance should be placed on the financial statements.

Both compilation and preparation services require engagement letters that are similar in their content.

Both compilation and preparation services require the accountant to prepare and maintain documentation that includes the engagement letter and a copy of the financial statements.

Both compiled and prepared financial statements can go to users outside of the entity's management such as lending institutions, bonding companies, current shareholders, potential investors and vendors. Because outside users can be using the statements, we believe the public's interest is best served when financial statements either compiled or prepared by a CPA are monitored (peer reviewed) to insure the quality of the work.

Current peer review standards permit firms that only compile "management-use-only" financial statements to be exempted from peer review. Under the proposed SSARS standards, such engagements will cease and both compiled and prepared financial statements will be available to external users. As stated above, we believe public's interest will be best served when financial statements either compiled or prepared by a CPA are subject to peer review.

On page 6 of the exposure draft of the proposed changes to the peer review standards there is a paragraph that reads, *“The proposed SSARS does not require the financial statements to disclose the basis of accounting or related disclosures (or the omission of such disclosures). Accordingly, there are no procedures a reviewer can perform to determine that appropriate presentation of the financial statement”*. We disagree with that statement. Under the proposed SSARS in item 13 under *Preparation of Financial Statements* it states, *“When preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statement.”* That means that if the accountant prepared GAAP based financial statements, the title of the statements should infer that the statements were prepared in accordance with the GAAP framework. Financial statement titles like “Balance Sheet”, “Income Statement” would signify to a reader that the financial statements were prepared under the GAAP framework of accounting. Similarly, if the statements were prepared in accordance with a non-GAAP basis of accounting (e.g., the income tax basis of accounting), the statement title heading should reflect a title such as “Balance Sheet – Income Tax Basis”, etc. Therefore, the financial statements would disclose the basis of accounting on which the financial statements were prepared.

While there is no assurance provided on either compiled or prepared financial statements, the accountant must possess adequate knowledge of the framework under which the financial statements are presented. If “prepared financial statement” are within the scope of peer review and the peer reviewer observed headings on the statements that infer that the statements were prepared under a GAAP basis of accounting, yet the balance sheet was missing GAAP basis items such as receivables, inventory, payables, that one would suggest the financial statements were deficient. Absent an adequate explanation by the reviewed firm’s representative, it suggests the preparer accountant did not possess the understanding of the financial reporting framework adopted by management in the presentation of the financial statements. This would be in violation of the proposed SSARS standards and would be brought to the firm’s attention through the peer review process.

Under the exposure draft of the proposed changes to the peer review standards there is also a paragraph (page 6) that reads, *“The Board is concerned that, if preparation services are included in the scope of a peer review, a user of financial statements under the new SSARS service would inappropriately place reliance on the financial statement. Therefore, the Board does not believe including preparation services in peer review is in the public interest and believes the Standards should be revised to explicitly exclude such services from the scope of the peer review.”* We disagree with that statement.

We believe that excluding the preparation of financial statements services from the peer review process would be a disservice to the public. If a client engages a CPA to “prepare financial statements”(under the definition in the proposed SSARS standards) in accordance with an applicable framework of accounting, would the “general public” not expect to see a set of financial statements prepared in accordance with that applicable framework of accounting? Isn’t that what the client is paying the CPA to do? While the CPA takes no responsibility with regards to the underlying accuracy or completeness of the information provided by the client, the CPA still has the responsibility to understand the financial reporting framework and to prepare the

statements accordingly. Because the client has hired the CPA to prepare their financial statements in accordance with GAAP, let's say, should not the CPA inquire about GAAP related accounting issues such as accounting for leases, depreciation methods, compensated absences, bonus arrangements, etc. when preparing the GAAP basis financial statements? Isn't that what the client is paying the CPA to do? If the CPA fails to prepare the financial statements in accordance with the applicable financial reporting framework, shouldn't that be something we, as a profession, want to make sure gets corrected? And the method to monitor how the accountant is performing in their accounting practice is the peer review process.

We believe that the general public holds the CPA designation in very high regard. The work product of a CPA should be of the highest quality regardless of any assurance or non-assurance levels provided on the financial statements. As a profession we hold ourselves out as experts in accounting services which, in our opinion, covers the preparation of financial statements in accordance with an applicable financial reporting framework. We should want to include the preparation of financial statements in the peer review process to maintain the quality of that work.

We believe the general public will have a very hard time differentiating between a compilation service and a preparation of financial statement services let alone understand why former is peer reviewed and the latter not especially when the work product at the end of either service is the same.

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 that reads "Charles J. Naber, CPA". The signature is written in a cursive, flowing style.

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



State Board of Accountancy

332 W. Broadway, Suite 310

Louisville, KY 40202

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October 27, 2014

Richard C. Carroll
Executive Director

Tim Kindem, Technical Manager
AICPA Peer Review program
AICPA
220 Leigh Farm Road
Durham, NC 27707-8110

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

Dear Mr. Kindem:

During their October 24, 2014 meeting the members of the KY Board of Accountancy discussed the above styled exposure draft in detail. Following discussion the Board unanimously voted to adopt in whole the response submitted by Mr. Rick Proulx, CPA the chair of the Oregon Peer Review Committee, a copy of which is enclosed, to serve as its comments to the proposed changes. The members considered the letter as an excellent response to what they view as an unnecessary proposed change to the peer review standards.

Sincerely,

Richard C. Carroll
Executive Director
enclosure

September 16, 2014

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

RE: The Peer Review Board's Exposure Draft "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review*"

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Although financial statement preparation under the proposed SSARS is considered a non-attest service, the financial statements prepared under the new standard will not be restricted use and will be relied upon by the public. Under the proposed SSARS for financial statement preparation, the involvement of the CPA firm will be clear. The legend required on each page of the financial statements may reference the name of the CPA firm preparing the financial statements and there are circumstances under which the CPA may include a report with the financial statements. It is likely that the public will not be able to distinguish this non-attest service from compiled financial statements prepared under the attest standards.

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However, under the proposed SSARS for financial statement preparation, there is no provision for identifying material departures and we are very concerned that financial statement users will not be informed of material departures.

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new standard for financial preparation, they ignore the fact that the new SSARS requires compliance with either GAAP on another accounting framework and that the framework must be disclosed.

The authors of the ED envision the new SSARS as primarily a replacement for SSARS No. 8. This is a mistake. Although SSARS No. 8 did not require the financial statements comply with GAAP or any other accounting framework, the new SSARS requires compliance with and disclosure of the framework.

The ED focuses so intently on the new SSARS in its role as a replacement for SSARS No. 8 that there is little consideration of the other applications to which the new standards will be put. Users of financial statements prepared under the new standards will include stockholders, regulators, banks, franchisers, potential buyers of a business offered for sale, and other members of the public.

A peer reviewer could not determine whether an engagement performed under SSARS No. 8 complied with a basis of accounting because the basis of accounting was flexible and determined by management. Under the new SSARS the basis of accounting is generally recognized and disclosed. This means the peer reviewer has a benchmark to which the firm's financial statements may be compared. For example, a material misclassification on the statement of cash flows could be identified easily.

Under SSARS No. 8, financial statements usually omitted footnote disclosures because use of the financial statements was restricted to management and given management's knowledge of the entity footnote disclosure was for the most part unnecessary. Under the new SSARS, footnote disclosure will likely be much more common because the financial statement users include the public. A peer reviewer can just as easily identify the omission of a material disclosure from financial statements that are prepared under the new SSARS as in financial statements prepared under existing compilation standards.

In summary, the public will not be able to distinguish financial statements prepared as a non-attest service from compilation engagements prepared under the attest standards and therefore will place equivalent reliance on such financial statements; including such financial statements in the scope for peer review is essential to ensuring that the basis of accounting and material departures are adequately disclosed. Therefore we believe including preparation services in peer review is in the public interest and believe that Standards should be revised to explicitly include such services in the scope of peer review.

The Committee believes that if the public is placing reliance on financial statements those financial statements should be subject to peer review. Thank you for considering our comments on this important issue.

Sincerely yours,

Rick Proulx, CPA
Oregon Peer Review Committee Chair

October 28, 2014

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

Re: Exposure Draft - Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review

Dear Technical Manager, Board Members and Staff:

The Peer Review Committee of The Ohio Society of Certified Public Accountants is pleased to respond to the invitation to comment on the AICPA's Exposure Draft Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review*.

The committee feels that if preparation standards are part of the professional standards they should in fact be covered by the peer review process and not carved out and excluded from peer review. This point is further supported by the fact that statements under preparation services could be used by third parties and the public interest would not be served by excluding these services from the scope of the review.

The committee also feels that there are sufficient procedures within the Standards to allow peer review to occur. These procedures would be somewhat analogous to the procedures currently included for the review of management-use-only ("SSARS 8") compilations. In particular, reviewing the engagement letter would be a critical procedure relative to the preparation of financial statements, since it establishes the applicable financial reporting framework. Preparation procedures also require ensuring that the applicable financial reporting framework is disclosed on the face of the financial statements, along with a "no assurance" legend (or an accompanying disclaimer.) We believe that in many cases, preparation will result in departures from the applicable financial reporting framework, the omission of statements of cash flows, and/or the omission of substantially all disclosures; these matters are also required by SSARS to be disclosed on the face of the financial statements or in a note. Non-compliance with these provisions of the Standards would create material non-compliance which could result in misleading financial statements. This is clearly not in the public interest. We believe that there is a high risk of non-compliance with these provisions which could be reduced by including preparation services within the scope of a peer review.

We appreciate the opportunity to provide feedback to the proposed changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review* and welcome any additional opportunities to further discuss the matter.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Malachin, CPA". The signature is written in a cursive, slightly slanted style.

Mark A. Malachin, CPA
Chairman, Peer Review Committee



October 29, 2014

Tim Kindem, 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 – Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review

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 – Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review. 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 questions numbered below:

1. The Committee does not agree with the position to exclude preparation services from the scope of peer review as referenced in the exposure draft (ED). The Committee believes there are important requirements of preparation services that a CPA must adhere to including the following:
 - signed engagement letter or other signed suitable form of written agreement;
 - understanding of the financial reporting framework adopted by management;
 - an adequate statement on each page of the financial statements that no CPA provides any assurance on the financial statements; in absence of that statement a disclaimer report must be issued;
 - when preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the framework on the face of the financial statements or in a note; and,
 - if the accountant becomes aware of incomplete, inaccurate, or otherwise unsatisfactory documents, explanations, or other information, the accountant should bring that to the attention of management.

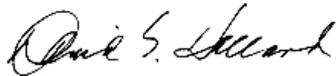
By excluding preparation services from peer review, the reviewer has no responsibility to ascertain whether the firm has complied with these elements of the standard. If the firm

does not comply with the requirements of SSARS, by example, failing to place a “no assurance” legend on each page of the financial statements, then is the public interest served by the AICPA making no distinction in peer review as to whether the firm complies or not? What motivation would the firm have to comply with SSARS if no importance was placed on the standard? And what defense would the firm have if it didn’t comply with the standard and the user placed reliance on the statements?

The Committee believes that the existing ED should be withdrawn due to incorrect information provided in the ED. On page 6 of the ED it indicates “the proposed SSARS does not require the financial statements to disclose the basis of accounting or related disclosures (or the omission of such disclosures). Accordingly, there are no procedures a reviewer can perform to determine the appropriate presentation of the financial statements.” This is an inaccurate statement, thus making the ED misleading. As mentioned above, paragraph 13 (page 15) of the ED on the *Proposed Statements on Standards for Accounting and Review Services* states “when preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statements.”

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,



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



National Association of State Boards of Accountancy

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October 28, 2014

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

PR_expdraft@aicpa.org

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

Dear Mr. Kindem:

We appreciate the opportunity to provide comments on the Exposure Draft regarding revisions to the *AICPA Standards for Performing and Reporting on Peer Reviews* (“Standards”). The National Association of State Boards of Accountancy’s (NASBA) mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. Our comments on the Proposed Standards are made in consideration of our charge as state regulators to promote the public interest.

Our largest concern with this document is with respect to Question 2 in the Guide for Respondents. Question 2 indicates: “ The Board is interested in receiving feedback as to whether any SBOAs plan to require peer review for firms performing ‘services under SSARS’, ‘issuing reports under SSARS’ or any peer review requirements for engagements under SSARS that are not reviews or compilations. The Board would appreciate the applicable statute/regulation citations for any such requirements.”

We are aware of nine jurisdictions (Guam, Kentucky, Minnesota, Missouri, Nebraska, New Hampshire, Texas, Washington and Wyoming) where there is a peer review requirement for “Compilations for Management Use Only.” Other states are currently reviewing their peer review requirements. We believe that this matter would create an issue under firm mobility where a firm whose permit is issued by a state that does not require a peer review for this service may wish to practice in a jurisdiction that does require such a peer review.

We also believe there is a typographical error in the third paragraph on page 6: “The proposed SSARS does not require the financial statements to disclose the basis of accounting or related disclosures (or the omission of such disclosures).” We do not believe that this statement is correct as the SSARS as issued will require such disclosures. Thus, a peer reviewer could review the engagement letter, determine there is a legend on the prepared financial statements and verify that the financial statements disclose the basis of accounting (and or the omission of such disclosures).

We appreciate the opportunity to respond to the AICPA Standards referenced above.

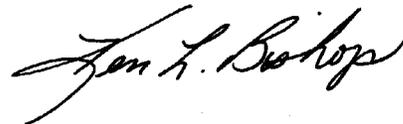
Sincerely,



Carlos E. Johnson, CPA

NASBA Chair

Sincerely,



Ken L. Bishop

NASBA President and CEO

October 27, 2014

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

RE: The Peer Review Board's Exposure Draft "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of the Peer Review"

Dear Mr. Kindem:

This response to the above-referenced exposure draft (ED) is submitted on behalf of the Washington Society of CPAs Peer Review Executive Committee. These comments do not represent the approval or disapproval of the ED by the Washington Society as a whole.

The Peer Review Board's decision to limit the scope of the AICPA peer review program should be viewed in the context of its historical goals and achievements.

The Peer Review Program is one of many initiatives established by the American Institute of Certified Public Accountants (AICPA) to differentiate it from a mere trade association. Many of these initiatives place direct economic and other burdens on members in order to "raise the bar" and differentiate AICPA members from other, non-member, CPAs and unlicensed accountants. There is no doubt that the Peer Review Program places substantial economic burdens on member firms to reach this goal, which is of benefit to *all members*.

In recent years, many regulatory agencies have recognized that the AICPA Peer Review Program is an effective means to protect the public interest by identifying substandard work performed by CPAs and providing a means to either educate practitioners or require remedial action. Such regulatory agencies include many, if not substantially all, state boards of accountancy.

Although the effects of the program can be debated, with some arguing that it has been effective and others arguing it has not been effective enough, it has generally been viewed as successful in meeting the goal of improving the performance of accounting and auditing engagements.

The AICPA Accounting and Review Services Committee (ARSC's) decision to remove almost all professional standards from the practice of preparing financial statements has been explained as, at long last, capitulating to the reality of a changed world where preparation of financial statements now takes no more than pressing the print button in commercially available software. That the financial statement preparation business has changed radically in the almost 40 years since SSARS I was issued is without question. The desire of financial statements users for assurance, offered or not, has, however, not changed over that period.

Whether AICPA members like it or not, we are in the assurance business. One common example is the plethora of requests from mortgage brokers and other lenders for comfort letters on a variety of topics.

The AICPA has wisely stood its ground and provided members some authoritative guidance to provide pushback against commercial forces that desire to offload their responsibilities to perform their own due diligence onto CPAs. This serves as only one example of users' demand for cheap assurance from CPAs.

Regardless of ARSC's issuance of SSARS 21, and the multiple caveats contained in standards, association (using the term in the layman's sense) of a CPA with a financial statement comes with the baggage of some level of assurance. The expectation gap is not a new phenomenon and the claims history of professional liability insurers is full of examples of that gap. As a profession, we are financially rewarded for even the minimal amounts of assurance inherent in compilations and even the new "no assurance" performance standards. Accordingly, we have a responsibility to act in the public interest.

Given this unwanted, but undeniable, reliance, what should the peer review program's response be to protect not only the public interest, but its members' interests? Should it abdicate all responsibility for preparation services, or continue to monitor practitioners performing preparation services to test that practitioners are meeting the minimal documentation requirements included in SSARS 21?

SSARS 8 engagements, the intellectual predecessor to the preparation service, are currently included in the scope of a peer review. Despite the minimal documentation and performance standards under SSARS 8, peer reviewers commonly note deficiencies in these engagements. It is doubtful that the preparation standard will produce different results.

The ED uses as its rationale that should preparation services be included in peer review, users "would inappropriately place reliance on the financial statements". We would make several points in this regard:

1. Financial statement users have little if any understanding of the details of peer review. Whether preparation engagements are included or not included is far beyond the understanding of even sophisticated users of financial statements.
2. Clients will continue to request the lowest cost service consistent with their internal risk assessment and the needs and requirements of known users.
3. Users of financial statements will continue to inappropriately place reliance on financial statements of all sorts prepared by CPAs, regardless of our self-imposed reporting requirements.

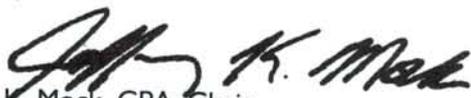
From this perspective, we believe that it would be in the interests of AICPA members and the public to continue to include the preparation service in the scope of peer review.

As a final point, the issuance of SSARS 21 is a dramatic change in standards. Such dramatic changes often come with unanticipated consequences. Once the Peer Review Board has removed preparation from the scope of peer review, it will be politically impossible to reverse that decision. Given the uncertainty of how firms will apply SSARS 21 and how regulators and users will allow it to be implemented, it seems hasty to make a decision that will be difficult to reverse later, *before the standard is even effective*.

Accordingly, we believe that, at a minimum, this proposal be deferred until one year after the effective date of the standard so that its effect is well known to the Peer Review Board and a decision informed with some research and facts – or at least some anecdotal evidence - can be made.

Thank you for the opportunity to comment on this important issue.

Sincerely,



Jeffrey K. Mock, CPA, Chair

Washington Society of CPAs Peer Review Executive Committee

**JOINT BOARD OF LICENSURE AND CERTIFICATION
STATE OF NEW HAMPSHIRE**

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Concord, N.H. 03301-2412

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October 31, 2014

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

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

Dear Mr. Kindem:

We appreciate the opportunity to provide comments on the Exposure Draft regarding revisions to the AICPA *Standards for Performing and Reporting on Peer Reviews* ("Standards"). The mission of the NH Board of Accountancy is to promote the reliability of information that is used for guidance in financial transactions, or accounting, or for assessing the financial status or performance of commercial, noncommercial and governmental enterprises.

We believe the public would be better served if the financial statements were peer reviewed. We recognize that the legend states the CPA offers no assurance. However, the agreement with the client is that the CPA is preparing statements; we make the case this is a higher level of care than if compiling.

Page 6 of the exposure draft states "the Board has noted there are no procedures that can be performed to assess the quality of the report, financial statements or disclosures"

– Response, why can't the reviewer review the financial statements for conformity to GAAP or OCBOA, including industry standards?

Page 6 states the reviewer wouldn't be able to know the basis of accounting

– Response, but an engagement letter is required, wouldn't that address basis?

Finally on Page 6, it states "the Board is concerned that if preparation services are included in the scope of peer review the users would inappropriately rely on them".

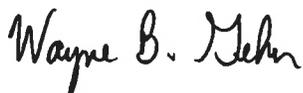
- Response, most users don't know enough about peer review to place reliance for that reason, and those that understand peer review would know not to.

The engagement letter would state that the engagement will be conducted in accordance with SSARS. The accountant should prepare the statements using the records, documents, explanations and other information provided by management. Therefore, there should be documentation – client's trial balance or transactions, adjustments, schedules, etc, maintained by the accountant. Amounts that are incomplete and/or unsatisfactory should be resolved. Important judgments should be discussed with management. Some documentation should be available for review.

Overall, we think there is almost as much to look at under this standard as there is on a compilation; and therefore should be included in peer review.

We appreciate the opportunity to respond to the *AICPA Standards for Performing and Reporting on Peer Reviews*.

Sincerely,

A handwritten signature in cursive script that reads "Wayne B. Geher".

Wayne B. Geher, CPA, CFE
Chair, New Hampshire Board of Accountancy



October 31, 2014

Hunter College Graduate Program
Economics Department
695 Park Ave.
New York, NY 10065

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

Re: Exposure Draft of Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews

To Whom It May Concern:

The Advanced Auditing class at the Hunter College Graduate program in New York appreciates the opportunity to comment on this exposure draft.

Our focus group discussed the above exposure draft and the changes recommended. We have attached below our commentary and recommendations in relation to the draft.

If you would like to discuss our findings please contact Professor Joseph A. Maffia, at 212-792-6300.

Sincerely,

A handwritten signature in black ink that reads 'Joseph A. Maffia'. The signature is written in a cursive, flowing style.

Professor Joseph A. Maffia, CPA

**Hunter College Graduate Program
Economics Department
Advanced Auditing Class**

**COMMENTS ON THE PROPOSED CHANGES TO THE AICPA STANDARDS
FOR PERFORMING AND REPORTING ON PEER REVIEWS**

October 31 2014

Course Professor

Joseph A. Maffia, CPA

Principal Drafters

Jazmin Betancourth

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Jeffrey Estepan

Atif Khan

Brian Li

Joseph Papali

Yekaterina Pinchevskaya

Hunter College Auditing Class

Qiao Chen

Rachel Cowl

William Dunleavy

William Glusko

Huanhua Jia

Edward King

Kevin Lee

Susan Li

Vanessa McAllister

Melvin Menye

Anthony Odunsi

Nemu Oikawa

Qingrui Pan

Matthew Parisi

Melissa Perez

Kevin Rupnarain

Anthony Russello

Benjamin Strauss

David Strauch

**Hunter College Graduate Program
Economics Department
Advanced Auditing Class**

**COMMENTS ON THE PROPOSED CHANGES TO THE AICPA STANDARDS
FOR PERFORMING AND REPORTING ON PEER REVIEWS**

GENERAL COMMENTS

The Advanced Auditing Class has reviewed the above-referenced Exposure Draft and offers the following comments for consideration by the AICPA. We agree with the proposed changes to the AICPA standards for reporting on peer reviews. It will be beneficial for smaller firms providing financial statements or reports to their smaller clients. However, one issue that we have with the proposed change is that it may lead to a decline in quality control. Since there won't be a peer review, there could be misstatements in the reports. A suggestion we have is to possibly make the firm's engagement letter subject to peer review. Although we do agree with the proposed changes, we have some ways to improve the clarity of the changes. Please note that our proposal is separated into three parts: Comments on wording, Footnotes, and Revised passages.

A. Comments on wording:

We recommend the following changes to improve clarity:

Original wording:

“Preparation services performed under SSARS are excluded from the scope of peer review and the definition of an accounting and auditing practice for the purposes of these standards.”

1. Proposed change:

Preparation services performed under SSARS are excluded from the scope of peer review and from the definition of an accounting and auditing practice for the purposes of these standards.

Original wording:

“A System Review includes determining whether the firm’s system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 8, in all material respects.”

2. Proposed change:

A System Review includes determining whether the firm’s system of quality control for its accounting and auditing practice is designed and complied with quality controls to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 8, in all material respects.

B. Footnotes:

1. Paragraph 6, Footnote 4:

“Statements on Standards for Accounting and Review Services that provide an exemption from those standards in certain situations are likewise excluded from this definition of an accounting and auditing practice for peer review purposes”

It would be helpful for the accountant/auditor if the writer provides examples of these exemption.

2. Paragraph 7:

“Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews are eligible to have peer reviews called Engagement Reviews”

A separate footnote explaining the essential components of an Engagement Review would be beneficial for the accountant/auditor.

C. The full revisions are as follows:

.06 An accounting and auditing practice for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS)⁴; Statements on Standards for Attestation Engagements (SSAEs); Government Auditing Standards (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards (see interpretations). Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection (see interpretations).

~~4~~ Statements on ~~Standards for Accounting and Review Services~~ **SSARS** that provide an exemption from those standards in certain situations are ~~likewise~~ excluded from this definition of an accounting and auditing practice for peer review purposes (see interpretations). Preparation services performed under SSARS are excluded from the scope of peer review and **from the** definition of an accounting and auditing practice for the purposes of these standards.

.07 The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. **Peer Review has called** firms that perform engagements under the SASs ~~or~~, Government Auditing Standards, **PCAOB standards**, or examinations under the SSAEs, ~~or engagements under PCAOB standards~~, **as** at their highest level of service ~~have peer reviews called~~ **as** System Reviews. A System Review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with **quality controls** to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 8, in all material respects. Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews are eligible to have peer reviews called Engagement Reviews⁵ (see interpretations). These standards are not intended for and exclude the review of the firm's accounting and auditing practice applicable to engagements subject to PCAOB permanent inspection **and Engagements performed under the Preparation of Financial Statements standards, which are also excluded from the scope of the program** (see interpretations). Firms that do not provide any of the services listed in paragraph 6 are not peer reviewed (see interpretations).

We thank the board for the opportunity to comment and will welcome feedback and questions on our proposed changes in wording and order. We feel the additions, clarifications, and changes made in this proposed redraft do achieve the objective of enhancing the meaning and clarity on the proposed changes to the AICPA standards for performing and reporting a peer review.



Advocacy. Community. Education.

AICPA and CTCPA Peer Review Programs

Administered in Connecticut by the Connecticut Society of CPAs



October 31, 2014

Mr. Tim Kindem, Technical Manager
AICPA Peer Review Program
AICPA
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Mr. Kindem:

Re: Exposure Draft: Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews,
"Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review"

Thank you for the opportunity to comment on the above-reference exposure draft. Members of the CTCPA Peer Review Committee have reviewed the draft and, overall, they are in general agreement with the proposed changes. However, we have the following comments and observations:

- AICPA standards-setters claim there is a need for this since client and third party users want financial statements and CPAs should be able to prepare them without doing an audit, review or compilation. Since Quickbooks and accounting services currently provide this type of work, requiring reports to be issued is another barrier CPA firms face.
- Ultimately state boards will decide whether or not these statements would be considered "attest" and consequently subject to peer review, but in essence they are replacing SSARS 8 (and if a firm only provided SSARS 8 they were not subject to peer review).
- If CPAs become more involved in preparing financial statements, and replacing clients who have no financial background or accounting services that are not CPAs, the overall quality of those financial statements would be improved.
- It is difficult for the small small firms that prepare compilations without disclosures to undergo peer review and keep current with the standards. With implementation of the proposed standards changes, the CPA would be able to assist clients with the financials by including language that no assurance is being provided so that third parties are aware of the product they are receiving. Perhaps this would encourage third parties to request for more audits, reviews and compilations in the future if they want a better product.
- Including the preparation of financial statements in the peer review process would ensure that the financial statements were prepared in a professional manner. Under the guidelines of the program, since the accountant is engaged to prepare financial statements the peer reviewer can review the required procedures including the financial statements to determine that the preparer exercised professional competence and due care in preparing those financial statements.

The Connecticut Society of CPAs

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AICPA and CTCPA Peer Review Programs

Administered in Connecticut by the Connecticut Society of CPAs



Mr. Tim Kinden
October 31, 2014
Page two

- If the purpose of the peer review process is to improve/maintain overall quality of financial statements, we don't believe these changes will accomplish that as many CPAs currently preparing financial statements would most likely drop out of the peer review process. It is not known how many financial statements are prepared now that should be part of the peer review process because the CPA is not including them on their list of engagements, not issuing compilation reports, not enrolled in the peer review program, or a combination of these. Yes, possibly some quality will be improved if CPAs now get involved where they were not before, but there will probably be as many or more situations where lower quality financial statements are now issued simply because the firm knows that the peer reviewer will not be looking at them. It is then up to the user to evaluate the usefulness of the information. It is possible that users will now require more audits, reviews, compilations, but perhaps not.
- In the ED, on page 6, in the paragraph before the "Comment Period" section, the Board says that users of financial statements will know not to place too much reliance on these financial statements in the future since they are not covered by peer review. We question if most readers of small business financial statements even know about the peer review process let alone which engagements are or are not covered.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Lawrence Schweitzer". The signature is written in a cursive, flowing style.

Lawrence Schweitzer, CPA
Chair, CTCPA Peer Review Committee

The Connecticut Society of CPAs

October 31, 2014

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

Dear Mr. Kindem:

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: *Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review*. 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

Assuming the recently released Statements on Standards for Accounting and Review Services: *Preparation of Financial Statements, Compilation Engagements, and Association with Financial Statements* (SSARS No. 21) mirrors the exposure draft issued October 23, 2013, the Committee agrees with the proposal by the AICPA Peer Review Board (PRB) to exclude preparation services from requiring enrollment in peer review and inclusion in the scope of peer review.

As with management-use only financial statements (formerly known as C-8 engagements), there is very little that would be subject to a peer review on a preparation service. As noted in the proposal, the peer reviewer's procedure would be limited to (1) determining that the "no assurance" legend is included on each page of the financial statements, (2) determining that a disclaimer report, if applicable, is issued, and 3) reviewing a properly signed engagement letter, which contains certain information required by SSARS. Much like a C-8 engagement, there would be only two questions that the reviewer would answer on the peer review checklist.

Also, there would be a requirement to indicate the basis of accounting on financial statements for use of any basis of accounting other than generally accepted accounting principles (GAAP). If there is no indication of the basis of accounting, a user would assume GAAP financial statements. The Committee believes it would be difficult, if not impossible, in some cases, to determine the basis of accounting by just reviewing the financial statements if the basis were not noted by the Company. As a reminder, the requirement to read and review the financial statements for material errors exists on compilation engagements, not on the proposed preparation services.

Additional Position

It is the understanding of the Committee that the standard for preparation services will replace the standard for C-8 engagements, and that accountants will not be permitted to perform C-8 engagements for financial statements with periods ending on or after December 15, 2015. If that is the case, the Committee recommends the PRB provide additional guidance as to the peer review implications of a firm issuing one or more C-8 engagements with periods ending on or after December 15, 2015. Specifically, the PRB should provide guidance as to whether such engagements would result in a departure from professional standards and if so, whether the engagements would be deemed to not be in conformity with professional standards in all material respects (i.e., non-conforming).

Effective Date

Because the effective date of SSARS No. 21 is periods ending on or after December 15, 2015, with early implementation permitted, the Committee agrees with the PRB's proposal as effective upon approval by the PRB.

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

October 31, 2014

AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707
Tim Kindem, Technical Manager

Via e-mail to: PR expdraft@aicpa.org

RE: EXPOSURE DRAFT DATED AUGUST 18, 2014 - PROPOSED CHANGES TO THE AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEW – PREPARATION OF FINANCIAL STATEMENTS PERFORMED UNDER SSARS AND THE IMPACT ON THE SCOPE OF PEER REVIEW

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee ("Committee") is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The majority of the members of the Committee primarily serve small and medium sized clients. The Committee has reviewed and discussed the above referred to proposal. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the organizations with which the Committee members are affiliated.

First the Committee thanks the AICPA Peer Review Board for the opportunity to comment on this Exposure Draft.

GENERAL COMMENT

The Committee strongly and unanimously believes that the new "preparation service" as set further by the Accounting and Review Service Committee on October 23, 2014 as SSARS 21 should **NOT** be excluded from either enrollment in peer review nor should preparation service engagements not be included in a peer review of a firm. The Committee is of the view that putting this exclusion in place is not an enhancement to the peer review of the compilation standards and thus the Committee feels strongly that the proposed standard in this Exposure Draft will not be in the best interest of the accounting profession. Our concerns are detail below.

RESPONSES TO SPECIFIC QUESTION

Question 1 - Do you agree with this position? Please explain why you agree or disagree.

As stated above the Committee strongly does not agree with the proposal.

The Committee feels that users of the statements that result from preparation services will be relying on these statements, even if it is internally, and thus the Committee feels that there should be put in a place a means to determine that the preparer is following accounting standards. If these service are excluded from peer review the Committee is concerned that preparers will not be diligent in performed these services and the statements that result from these services will result in less than "creditable" statements.

The Committee further believe that excluding these services from peer review will result in to diminish the benefits of peer review. Peer review as presently structured requires firms that prepare financial statements both under audit services and compilation and reviews services to stay current with accounting, reporting and disclosure standards. It is the concern of the Committee that with no oversight that preparers will not stay current with the required standards.

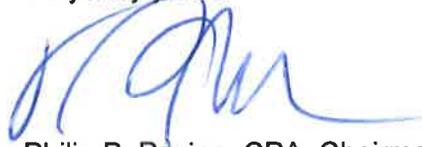
Finally some members of the Committee believe that excluding the preparation services from peer review will devalue the importance of getting and maintaining the CPA certification.

Question 2 - The Board is interested in receiving feedback as to whether any SBOAs plan to require peer review for firms performing "services under SSARS", "issuing reports under SSARS" or any peer review requirements for engagements under SSARS that are not reviews or compilations. The Board would appreciate the applicable statute/regulation citations for any such requirements.

The Committee has no input on this question. We have not asked the Massachusetts State Board of Accountancy their thoughts on the matter.

Thank you for allowing us to comment on this proposal.

Very truly yours.

A handwritten signature in blue ink, appearing to read 'Pacino', is written over the typed name.

Philip B. Pacino, CPA, Chairman
Accounting Principles and
Auditing Procedures Committee
Massachusetts Society of Certified Public Accountants

October 31, 2014

Mr. Tim Kindem, Technical Manager
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

Re: August 18, 2014 AICPA Peer Review Board Exposure Draft of Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews, *Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review*

Dear Mr. Kindem:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC has reviewed the ED and is providing the following comments for your consideration.

TIC supports the Peer Review Board's proposal to exclude preparation services from the scope of the AICPA's peer review program. TIC agrees with the Board's conclusion on page 6 of the ED that financial statement users may inappropriately place reliance on the financial statements prepared by the accountant if they were subject to peer review.

The preparation standard is a nonattest service that has no requirement for the accountant to verify the accuracy or completeness of the information provided by management, gather evidence to express an opinion or a conclusion on the financial statements or otherwise report on the financial statements. Therefore, there would be little value derived from a public interest perspective in requiring preparation services to be subject to peer review.

TIC has not commented on the second question for respondents, since TIC does not include representatives from the State Boards of Accountancy.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Scot Phillips". The signature is written in a cursive, slightly slanted style.

Scot Phillips, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees

Hoover CPA Group, Inc.

Certified Public Accountants

October 28, 2014

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

Re: Exposure Draft - Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review

Dear Technical Manager, Board Members and Staff:

I am pleased to respond to the invitation to comment on the proposed changes to the AICPA Standards for Performing and Reporting on Peer Reviews: *Preparation of Financial Statements Performed under SSARS and the Impact on the Scope of Peer Review*.

I believe that if preparation standards are part of the professional standards they should not be excluded from peer review. The public interest would not be served by excluding these services from the scope of peer review.

I feel that there are sufficient requirements within the standards to allow peer review to occur. There would be the review of the engagement letter relating to the preparation of financial statements, since it establishes the applicable financial reporting framework. Preparation procedures also require that the applicable financial reporting framework is disclosed on the face of the financial statements, along with a "no assurance" legend (or an accompanying disclaimer.) I believe that in many cases, preparation will result in departures from the applicable financial reporting framework, the omission of statements of cash flows, and/or the omission of substantially all disclosures; these matters are also required by SSARS to be disclosed on the face of the financial statements or in a note. Non-compliance with these standards would result in misleading financial statements which are clearly not in the public interest. I believe that there is a high risk of non-compliance with these provisions which could be reduced by including preparation services within the scope of a peer review.

I appreciate the opportunity to provide feedback on the proposed changes.

Sincerely,



Del Hoover, CPA