

Robert D. Goldstein, CPA

2603 Augusta Drive • Suite 1100 • Houston, TX 77057-5639
(713) 787-9927 • Fax (713) 789-7082 • e-mail RDGTexas@aol.com
Member of the TSCPA and the AICPA Center for Audit Quality

August 12, 2010

AICPA Peer Review Board
c/o LaShaun King, Technical Manager
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

Via e-mail to: PR_expdraft@aicpa.org

To the AICPA Peer Review Board:

Thank you for this opportunity to respond to the June 1, 2010 Exposure Draft titled *Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs*.

This letter is to comment upon the discussion questions that accompanied the Exposure Draft and which were also distributed at the 2010 AICPA Peer Review Program Conference last week.

1. Do you believe that the peer review relationship currently permitted by paragraph 159 is appropriate?

Response—This question is not subject to a simple “yes” or “no” answer. There should be common sense applied on a case by case basis in order to best protect the public interest. If an individual provides only minor technical comments to an unrelated developer of QCM or CPE, or perhaps serves as an instructor for a CPE presentation developed by someone else, it is only logical that the individual (and his or her firm) remains *de facto* independent to peer review a firm that happens to use the QCM or CPE. On the other hand, a party who *materially* develops or markets QCM or CPE is most likely not independent to perform a peer review of CPA firms who *significantly* rely upon those materials.

2. Are there independence concerns that arise as a result of the peer review relationship currently permitted by paragraph 159?

Response—If one poses an independence query to a regulatory authority, it is not unusual for the response to mention that “independence is in the eye of the beholder.” I believe that, even when independence is in fact intact, the wrong message is probably being sent to the “beholder” when a significant provider of QCM or CPE (such as a firm that develops and markets the materials) seeks to peer review a firm that relies upon those materials. This seems particularly true when an association of CPA firms is involved.

3. Do you believe that the proposed revisions are necessary to serve the main goal of the AICPA Peer Review Program (promoting quality in the accounting and auditing services provided by AICPA members and their CPA firms in order to serve the public interest and enhance the significance of AICPA membership)?

Response—No, at least not as presently written. I believe that a better solution would be for the AICPA to identify relationships that are indeed abusive of independence expectations and to provide a mechanism for Administering Entities to deny approval to conduct those particular peer reviews on a case by case basis. Even if formal revisions to the standards were to be issued, there would need to be changes to the Exposure Draft to clarify that minor involvement with a QCM or CPE provider does not constitute a lack of independence as to the provider’s customers. See also my further comments below.

4. Is it more appropriate to have safeguards instead of prohibition?

Response—Yes. Paragraphs 21 and 22 of the Peer Review Standards already require independence in fact and in appearance. Safeguards could include a more robust mechanism, as I mentioned above, to identify and to prevent the scheduling of peer reviews where independence is lacking or where it would likely be questioned by a reasonable third party. Safeguards could also include the existing provisions to peer review QCM and CPE or enhanced oversight in specific situations where independence questions might arise.

5. If the proposed revisions are implemented, do you believe there will be a negative impact on your firm’s ability to obtain QCM or CPE programs and/or ability to find qualified peer reviewers?

AICPA Peer Review Board
c/o LaShaun King, Technical Manager
August 12, 2010
Page Three

Response—Yes. There is already a shortage of qualified peer reviewers and the AICPA is well aware that the existing pool of reviewers is ageing. Despite my own efforts to recruit capable younger reviewers, I am not seeing many new reviewers emerging to take the place of those who will soon be retiring. As a peer reviewer, I am already turning away more requests to perform peer reviews than I am accepting, and a common theme that I often hear is that the firms are having difficulty finding a peer reviewer. The proposed revisions, as written, will have the unintentional effect of further reducing the reviewer pool.

Allow me to illustrate my point by using myself as an example. Each winter, I provide a few hours of technical support to Practitioners Publishing Company (PPC) concerning two inter-related publications. I do not write their materials, nor do I have any editorial decision-making authority. I simply read drafts of selected chapters that PPC has written and I comment, on an exception basis, if I happen to see anything that is incorrect or if I think of something that I believe should be added. Another well-known peer reviewer also provides the exact same limited service on the same publication. PPC makes all the decisions. We do not receive a royalty nor do we share in any profits. We have no stake in the success of the publication. We do receive a small payment for devoting time to this project during the winter audit season; the amount is clearly immaterial to our practices and I consider it to be more like the honorariums I once received when I used to serve as an instructor for AICPA and state society CPE courses. This *de minimus* contact with PPC does *not* impair our independence in any way with regard to a CPA firm that happens to use PPC materials in its practice. But the wording currently proposed for Interpretation 21-1 implies that it would be a problem, because phrases such as “that any member of the review team helped to develop or maintain” are far too rigid and too restrictive.

I doubt that the two of us in my above example are the only ones that would be affected. PPC uses professionals from many CPA firms to perform the same function as I have described on its numerous other publications. I have not conducted research on this, but I believe it is reasonable to assume that some of those persons are also peer reviewers, or that their *firms* conduct peer reviews. The same would surely hold true for other publishers.

What about Peer Review Board members? Three of the former members of the Peer Review Board served on the quality control task force that worked on Statement on Quality Control Standards No. 7. Didn't they participate in developing related QCMs that were used by many AICPA member firms? Do they have to cease performing peer reviews of those firms? The Peer Review Board itself has issued guidance and checklists to firms regarding how to prepare for a peer review. Does this mean all the Board members who approved those materials are no longer independent of firms that utilized them? Peer reviewers often serve as CPE discussion leaders. Wouldn't that become an independence problem too?

AICPA Peer Review Board
c/o LaShaun King, Technical Manager
August 12, 2010
Page Four

Again, I predict that the unanticipated result of the Exposure Draft, as now worded, would be that some of the most experienced peer reviewers could be eliminated from the pool of reviewers and that providers of QCM and CPE could lose some of their most experienced technical consultants. That certainly does not seem to serve the public interest.

Finally, the setting of an arbitrary effective date (reviews scheduled after November 1, 2010) creates a separate issue. If someone was independent on October 31, how can they suddenly be not independent on November 1 if nothing else has changed? If the revision were to be adopted, there would need to be a more reasonable implementation mechanism. It appears to me that, in most existing circumstances, an agreement to cease and desist from future involvement in QCM and CPE activities would be better than setting an arbitrary date that affects what has already been done and cannot be changed. If a true independence issue were to arise in a specific situation, the Administering Entity could always refuse to schedule that particular peer review, regardless of the date.

In conclusion, it is my recommendation that the Peer Review Board consider whether the proposed revisions in the Exposure Draft are really necessary at all, or whether the goal could be better reached through common sense and case-by-case guidance. I hope my comments will be taken in the constructive spirit in which they are submitted. I have been involved in AICPA peer reviews since 1983 (and with inspections within a major national CPA firm as far back as 1975). I have served on state peer review committees for more than 20 years, including twice as chair. I have also served on the AICPA's PCPS Peer Review Committee from 1993 to 1995 and on the AICPA Peer Review Board from 2004 to 2008. Please feel free to contact me if you need any further information on the matters I have discussed, as I am always happy to assist the Board.

Sincerely,

A handwritten signature in blue ink that reads "Robert D. Goldstein, CPA". The signature is written in a cursive style.

Robert D. Goldstein, CPA