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Via email: lking@aicpa.org

Re: Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs

Dear AICPA Peer Review Board Members:

The Peer Review Acceptance Committee of the Florida Institute of Certified Public Accountants (the "Committee") has reviewed and discussed the aforementioned Proposed Revision to the AICPA Standards for Performing and Reporting on Peer Reviews. The Committee has the following comments:

The Committee does not have any issues with the proposed revisions to Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Profession Education (CPE) Programs.

The Committee, however, disagrees with the whole notion of trying to put parameters on specific actions that would impair independence for Quality Control Materials and Continuing Professional Education Programs. Independence is a state of mind and more often than not involves professional judgment. The Committee believes that independence of the review team should be determined by professional judgment of both the reviewed firm and the review team as it relates to QCM and CPE. This would be impacted by the degree of reliance placed on those QCM or CPE programs by the reviewed firm as part of their system of quality control and how much involvement the review team had in producing those materials and/or programs. When you start determining the degree of reliance that a firm places on such materials or programs you cannot put a number or specific parameter around the issue, such as 50% of all of the firm's CPE, etc. That is why independence in this situation should be left up to the professional judgment of the firms involved. As a result, the Committee believes that you should eliminate the proposed additional paragraph in Interpretation 21-1, and eliminate Interpretation 21-7, 21-9 and 21-20. In its place the 3rd paragraph of the Interpretation 21-1 should state "Similarly, independence would be considered impaired by <u>significant</u> sharing arrangements involving, for example, frequent CPE programs, extensive consultation, preissuance reviews of financial statements and reports, or <u>QCM used extensively by the reviewed firm</u>."

As part of the process above, the Committee believes that the “Information Required for Scheduling Reviews” should be expanded in question 22 or a separate question to ask reviewed firms if they rely substantially on quality control materials developed by members of the review team or firm.

Alternative Position

If the Peer Review Board continues to elect to move forward with the proposed revisions, the Committee believes that there could be some unintended consequences as discussed below.

Interpretation 21-1

As to the additional paragraph added to this interpretation the Committee **strongly** believes that this paragraph needs to be defined to a great extent and additional clarification is needed in a number of situations:

- The proposed revision of the new paragraph indicates that “this is applicable regardless of whether the materials or programs are developed by a CPA firm, association, or any other type of entity. Additionally, if an entity that develops and maintains materials or programs is affiliated with a reviewing firm, the independence of the reviewing firm to peer review a firm that uses those materials is impaired.” The Committee is concerned as to how this impacts state societies that provide CART reviews. It could appear, based on the definition above, that state societies are an association or firm that develops CPE programs. Since a CART review is engaged by the state society and the report is issued on state society letterhead, are we in effect limiting the ability to perform CART reviews if the firm uses the state society as a CPE provider? The committee does not believe that was the intent of the revisions, but could the revisions be expanded to address such a situation?
- The Committee believes that some threshold to impair independence should be assigned as to the use of QCM and CPE programs in the reviewed firm’s practice. Does the use of practice aids, such as a materiality worksheet or some other practice aid that clearly does not affect the conduct of an engagement to a large extent cause independence to be impaired by a reviewer firm that provides such materials? One would not think so. In addition, if a firm uses the AICPA Peer Review Program Manual checklist as part of its Quality Control Materials does this eliminate AICPA Peer Review Board members from performing peer reviews on those firms? The same goes for authors of PPC products. More often that not these are our best reviewers and by (potentially) eliminating those reviewers we are in effect lowering the level of quality in performing peer reviews. Also, how many hours of CPE would a CPA have to take from a provider for independence to be impaired? How many of the firm’s professional staff would need to attend such CPE programs? Does a reviewer that provides one hour of CPE at an accounting show on peer review or quality control, disqualify a reviewer from performing a peer review on the 400+ attendees?

Interpretation 21-7

As mentioned above how do state societies fit into this equation? The FICPA uses many peer reviewers to produce courses, webcasts, and conference segments each year. The Committee believes that independence should not be impaired by reviewers that provide courses and the like offered by state societies. If an exemption is not granted in this situation we believe there will be a significant imbalance in the supply and demand of peer reviewers.

The Committee thanks you for the opportunity to comment on this matter. We would be glad to discuss any of the responses with you further should you have any questions or concerns.

Very truly yours,

Scott A. Williams, Chair
FICPA Peer Review Acceptance Committee