

August 30, 2010

AICPA Peer Review Board  
c/o Ms. LaShaun King, CPA  
220 Leigh Farm Road  
Durham, NC 27707-8110

To the AICPA Peer Review Board:

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

In order to focus my response on what I believe to be the most important aspects of the Exposure Draft, I have not addressed all questions in the draft. Also, I have more experience in the areas I have addressed.

While I believe the Exposure Draft is well intentioned, it is unnecessarily broad in its application to various constituents in that the level of involvement in the development of QCM materials or CPE programs is not considered. With respect to the proposed revision to Interpretation 21-1c., the level of involvement in developing or assisting in developing QCM materials or CPE programs should dictate the individual's ability to perform a peer review of firms using those materials or programs. For example, I currently serve as a contributing author on two Practitioner's Publishing Company (PPC) guides. I have never provided source materials for these publications and I am not paid. My contribution is just that – contribution, as my involvement is simply to provide feedback on the changes made in the guides from year to year from the perspective of a practitioner. The purpose of this feedback is not to assist in developing the guides; it is simply to corroborate that the changes made are 1) in accordance with professional standards, and 2) are presented in such a way that practitioners will understand and be able to implement the changes. Clearly, a contributing author for PPC is independent with respect to the firms using the materials.

With respect to question No. 5, I believe that if the Exposure Draft is adopted as written, there will be a negative impact on my firm's ability to find qualified peer reviewers. As you know, the pool of qualified peer reviewers is shrinking and this will shrink the pool even further. This unintended consequence is not acceptable if the profession is to maintain any hope of retaining self regulation.

In addition to numerous other professional committees, I served on the Auditing Standards Board (ASB) from 1998 to 2001. As a part of the ASB, I assisted with a revision of the non-authoritative AICPA practice guide *Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. In fact, I wrote the chapter that is now *CHAPTER 5: SYSTEM OF QUALITY CONTROL FOR AN ALTERNATIVE PRACTICE STRUCTURE*. There have been several revisions since that I did not participate in, but my contribution has not changed much. So, if a firm has used this guide or referred to it in developing internal QCM materials, does that mean I cannot perform the peer review of that firm? Several of my peer review clients that are in alternative practice structures have utilized this guidance. The unintended consequence here is the same – additional restrictions on individuals with significant expertise will no longer be able to perform peer review. For example, I am very knowledgeable on the threats to quality control posed by alternative practice structures and the safeguards that must be in place to mitigate those threats. I do not believe that other peer reviewers of these firms possess the same level of knowledge I have with respect to these threats.

AICPA Peer Review Board

August 30, 2010

Page 2

Extended further, are professional standards or non-authoritative guidance developed by the AICPA quality control materials? If anyone helped develop professional standards, i.e. members of ASB, ACSEC, etc., does this mean independence with respect to peer review is impaired? Extended even further, if an individual comments on an exposure draft, does that mean the participation in the process of shaping a professional standard involves that individual in developing QCM materials?

Finally, the arbitrary effective date of November 1, 2010 which will, in effect, determine firm or individual independence does provide for a meaningful and fair transition period. Under current professional standards, firms or individuals that develop or assist in developing QCM materials or CPE programs are now independent. To suggest that independence is impaired as of a certain date does not seem appropriate. I believe firms and individuals that currently are involved in these activities should be grandfathered and allowed to withdraw from these activities within a reasonable period of time.

Again, thank you for the opportunity to comment on this Exposure Draft and I would be pleased to discuss this with the Board or AICPA staff any time.

Very truly yours,

DAVIS KINARD & CO, PC

A handwritten signature in black ink, appearing to read "Scott McDonald", with a stylized flourish at the end.

Scott McDonald, CPA  
Shareholder