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

Emailed to **PR_expdraft@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

I believe this proposed revision is an improvement over the current standards. Yet in some respects it does not go far enough. I discuss these issues and answer your questions below:

1. **Do you believe that the peer review relationship currently permitted by paragraph 159 is appropriate (e.g., if Firm A develops and markets QCM or CPE programs that have been independently peer reviewed and Firm B uses those materials or programs, is it appropriate for Firm A to perform the peer review of Firm B)?**

There must be independence in fact and independence in appearance. A firm that markets QCM or CPE material appears to have a vested interest in the success of those who use its materials. Thus, the provider appears to have an incentive to find that its materials are not defective. If there are issues found, the provider is likely to place the blame on the reviewed firm rather than on its own materials. Thus, Firm A should not be permitted to review Firm B. The independent review of the materials does not solve the appearance issue, especially since the reader of the peer review report on Firm B does not see the report on the QCM. The appearance issue is important to those who use peer review reports and auditor's reports.

2**. Are there any independence concerns that arise as a result of the peer review relationship currently permitted by paragraph 159?**
a) If no, please explain why you do not have any independence concerns.
b) If yes, please list your concerns and discuss whether you believe they represent an

impairment of independence in fact, appearance, or both.
c) If yes, do the proposed revisions appropriately address your independence concerns?

See above for a and b. I believe the proposal does not go far enough. The proposal seems to place the independence issue on the individuals who prepare or review QCMs and CPE materials. I believe the independence issue also relates to the firm. Thus, if Firm B uses Association A's material, Association A or its members should not be permitted to review Firm B. Further, members of Association A should not be permitted to serve on any peer review team that reviews Firm B. I believe the best way to do this would be to prohibit associations from conducting reviews of their members. The AICPA should also prohibit association members from reviewing each other since they are unlikely to challenge the QCM or CPE materials.

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)?**

Yes, but as noted above they do not go far enough.

4. **Is it more appropriate to have safeguards instead of prohibition? For example, using the scenario in question #1 between Firms A and B, would independence concerns be mitigated if the peer reviewers from Firm A were not involved in any way in the development or maintenance of the QCM or CPE programs? Or if there were periodic oversight of reviews performed by Firm A when the reviewed firm uses Firm A's materials or programs? Please provide your suggestions as to any appropriate safeguards you believe mitigate independence concerns.**

Safeguards are not adequate to deal with this issue. As noted above, prohibitions are needed.

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?**

I am retired, so I cannot comment on this issue. However, as an investor and user of auditor's reports, I hope the AICPA will do what is best in the public interest (rather than what is best for firms).

Other suggestions

1. **Reports on systems verses reports on the QCM**

I believe the purchaser of a QCM wants a high level of assurance that the materials themselves are reliable and meet professional standards. Although reviewing and reporting only on the QCM seems to be permitted by par .156, there is no guidance on the procedures for this or the report wording when the reviewer is reporting only on the QCM (not the system for developing the QCM).

2. **Report wording and assurance provided**

Report wording is provided for a systems report on CPE. It would be beneficial to provide wording for a report on a QCM. This should illustrate how to provide an opinion on both the system and on the QCM

The example report concludes: “In our opinion, the system of quality control for the development and maintenance of the continuing professional education programs of the XYZ Organization was suitably designed and was being complied with during the year ended December 31, 20XX, to provide users of the programs with reasonable assurance that the programs developed under the system of quality control are reliable aids to assist them in conforming with those professional standards the programs purport to encompass.

I believe systems of quality control are designed to provide assurance only to management to achieve management’s objectives. They are not designed to provide assurance to users. I would delete the phrase “users of the programs”.

Reporting on QCM’s seems to be analogous to reporting by service auditors. In both situations, there is a provider whose work is used by many users. Yet the reporting is not similar. I suggest that the Task Force consider whether similar reporting would be appropriate (including management’s assertion and description of controls).

3. Requirement for triennial reviews

The draft does not require reviews of QCMs. However, the draft indicates that if a review is done it should be a triennial review. This does not appear logical. A provider can have a review in year 1 and decide to no longer have a review in year 4 (since it is optional). That provider could decide to have a review in year 6. Since reviews are not required, provider management will decide how often they are done based primarily on user demand. The draft should be modified to indicate that reviews need not be triennial since they are optional. The draft should provide guidance on how to use reports that are slightly old –say 3.5 years old.

I thank you for considering my comments on these issues.

Sincerely,

Abraham D. Akresh, CPA, CGFM