To whom it may concern,

Stricter reviewer regulations are essential for the ethical and honest proceedings of a market. Although it may cost more time, money and resources to establish and maintain better reviewing standards; it is far cheaper than the effects of insufficient standards. It should be a priority of those in charge to ensure the companies running the markets are held to a generally accepted standard. With these being said stricter standards for reviewers is an essential part of this process.

Overwhelmingly changes were approved, however some points had some criticisms. In paragraph .148 it states that the board can assign corrective actions to reviewers that continuously have sub par performance. I believe these corrective actions should be listed out at least with more specifics. The fact that there is no real constructive advise to help poor reviewers means that the system can easily be corrupted. The board can assign less-than-useful corrective actions and potentially not reprimand or correct reviewers period because of the vagueness. Although I understand that this would be a case-by-case decision to correct individual reviewers, it seems that at least there could be categories of corrective actions.

Paragraph .152 states that reviewers refusing to abide by corrective action guidelines will be removed. I think it would be useful to place some sort of time line on that decision. This is hard to determine because paragraph .148 does not list specific corrective actions. Perhaps they would be required to take some sort of course, but that course is only offered once a year, meaning they should be on probation, but not banned because it is not there fault they cannot take the course. The language of this paragraph can be vague and say, the reviewer will be removed if they do not comply by the Board's agreed upon date.

Additionally after paragraph .154 there should be a paragraph .155 laying out the details of how a reviewee can appeal reviews of poor reviewers. This is an essential part of the process. Keeping reviewers up to high standards means that businesses and corporations are reporting honest values. However there maybe be deficient reviewers and perfectly respectable businesses and corporations might be unfairly treated. Just as if a police officer is found to be corrupt, old cases are reviewed, I find it to be appropriate that reviewees are allowed to appeal or have their cases reviewed.

Paragraph .31g goes on to state peer review requirements. Reviewing for specific industries would require training in the accounting of that industry. I feel this would be an essential place to start to break down the industries. The vagueness could cause complications in reviewers that may fit into grey areas between industries. It is unclear how specific these industries will need to be, and I feel to have the best of quality of reviewers but to also minimize the amount of courses the review board will offer specifics should be hammered out. The point is not to waste funds by offering thousands of courses, but to remain consistent at least some outlines of the break down should be provided in this section. Additionally paragraph .31g2 also says that there may be exceptions to the training requirements. This could be a way to cut funding in case offering x amount of courses becomes too much. However there should be some sort of review process for this. An easy way to do this would be to have a board of reviewers from academic institutions who could review the supplemental training and gauge whether or not it is an appropriate substitution.

In response to question 15-1, having to do with the removal of a non-compliant reviewer, I again feel that the “other corrective measures” should be more specifically laid out. Especially this time, there must be some much heftier corrective action needed in this scenario due to the non-compliance. Furthermore, there should be a clause exempting cases where the reviewer appeals the boards corrective actions if this is the reasons the reviewer has not satisfied the corrective action requirements. This clause would protect potentially innocent reviewers from unnecessary and unfair
standards.

Overall the proposed changes appear to be an excellent way to overall help the health of the American Market. These changes create more fair and consistent standards by better monitoring reviews. Weighing the increased cost of heftier standards appears to be justified by exhibits. In exhibit A it can be observed that time for remediation and removal of unsuited reviewers has been significantly reduced. These standards make catching faulty reviewers much easier and give businesses a better chance to have their statements fairly reviewed by excellent reviewers.

The addition of the terms “reviewer performance deficiencies” and “significant reviewer performance deficiencies” is another great step in consistently and fairly addressing poor reviewers. Keeping one category is insufficient for a range of potential problems. This can also be used in determining remediation as it quantifies how severe the offense. Different offenses should not retain the same penalty.

Overall these changes are excellent and verify AICPA's determination for honest and ethical reporting done by CPA's through this peer review process. It is overall a great way to ensure CPA's everywhere stand by honest and ethical statements and also that those reviewing understand the weight of their roles. These are great steps to ensure that fair values are reported and gives CPA's the ability to exercise their abilities in other facets.
December 10, 2014

Attn: Carl Mayes  
Senior Technical Manager  
AICPA Peer Review Program  
AICPA  
220 Leigh Farm Road  
Durham, NC 27707-8110

Dear Sir,

Regarding the issued exposure draft containing revisions to the AICPA Standards for Performing and Reporting on Peer Reviews (“Standards”) are the following comments and thoughts for your consideration.

Paragraph .31 revisions would require additional qualifications for reviewers that are not currently part of the standards. These additional requirements are designed to ensure that reviewers possess proper qualification for peer reviewing. Interpretation 31g-1 outlines these proposed changes and additionally requires that reviewers meet the boards existing requirements and must also be supervising or performing engagements in the appropriate relevant industry and be up to date on the current standards for that industry. The addition of this requirement would improve the quality of peer review by requiring reviewers to be knowledgeable in the industry they are reviewing as well as streamlining the review process. This streamlining would occur as a result of the reviewer already being knowledgeable and qualified in the industry that they are reviewing, reducing time that would otherwise be needed to bring the reviewer up to speed on the industry standards prior to beginning a review. Furthermore, .31 c also requires that reviewers be members of firms that have themselves been peer reviewed and received a passing rating. This additionally ensures that reviewers are not only qualified but capable at reviewing others since they have themselves been reviewed and found to be competent in the position that they will be reviewing.

Regarding revisions to paragraph .116 the proposed changes would require the peer review panel to reach a decision when resolving disagreements and then the relevant parties could appeal this decision to the board if they can make a strong case that the panel’s decision should be reviewed. This change is substantial compared to the current form of the standards in that it would force the peer review panel to reach a decision regarding disagreements rather than the current language which allows for the panel to refer to the board if a decision cannot be reached. While this could decrease the time it takes to resolve disagreements arising during review there is the possibility that it could also force the peer review panel to reach a decision that may not be the best outcome. It could be argued that if such a case were to arise then the new appeal to the board mechanism would be employed. However, the
standards are vague when it comes to how this appeal would be considered by the board since paragraph .116 states, “A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.” What does this process look like and have these procedures been established prior to the implementation of these new standards? If these procedures are not already in place then there is the possibility that the same or similar problem that this revision is attempting to fix could arise. These procedures should be clearly outlined and defined in accordance with establishing this new standard.

Changes to be made to paragraphs .148-.154 are designed to streamline the review of peer reviewer’s process and expedite remediation and removal of underperforming reviewers. Under the current standard the process can take up to 330 days to go from reporting a deficiency to removal of that reviewer from the qualified list of reviewers. The new revised standards would decrease this process to a 90 day process with a faster feedback system. There are many important changes being proposed here with the key ones being the decrease in the time window for feedback forms and remedial or removal action to be taken. In particular the 120 day deficiency letter window has been reduced to 30 days and the monitoring letter step removed entirely. By removing this step and allowing for feedback to be issued to a reviewer either in the form of a deficiency letter or recommendation for removal the RAB can more quickly take action when deficiencies in reviewers are found. The proposed revisions are a significant improvement over the current system by allowing for a deficient reviewer to be notified, allowed and opportunity to improve, and then further action can be taken without the burden of a large window during which time deficiencies can damage the review process. The obvious caution with these improvements is whether or not a reviewer who is issued a deficiency letter requiring remediation will be given an appropriate amount of time to correct the deficiencies. Under the current standards the process is too long and a danger of the new revisions is that the process may be too short. This pitfall may be avoided depending on how long a reviewer has to correct deficiencies as outlined by an issued deficiency letter. If the deficiency letter does not contain a timetable then this allows for a reviewer to either be unfairly punished by not allowing for sufficient correction time or the opposite could happen allowing for too long a period to pass before removal action could be taken. If it is clear how long a deficient reviewer has to correct deficiencies then under the new standards proposed the auditing of reviewers will be greatly improved by these changes.

In summary the overall comment to make regarding these revisions to the current standards is that they are a good set of changes to make to improve the peer review process both by improving the quality of reviewers and by making it easier to correct for deficiencies. Aside from the few concerns raised regarding specificity in timelines and possible unclear processes these changes represent a positive step to improving the AICPA standards. Thanks you for your time and thoughtful consideration.

Sincerely,

Andrew Hankins

416 Thayer Place

Unit B

Silver Spring, MD 20910
December 12, 2014

American Institute of Certified Public Accountants
PR_expdraft@aicpa.org

Re: Response to the AICPA Peer Review Board Exposure Draft: Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: Peer Reviewer Performance, Disagreements and Qualifications

Dear AICPA Peer Review Board members,

The California Peer Review Committee supports the AICPA Peer Review Board’s emphasis on changing peer review standards and procedures to improve the performance of peer reviewers. We administer peer reviews for California, Arizona, and Alaska and process 1,700 to 2,000 peer reviews a year. We have twenty committee members with firm sizes ranging from over 100 professionals to sole proprietors. Please accept the following comments on the Board’s recent exposure draft.

The focus of any change to the standards to improve reviewer performance should be related to changing the oversight process. We believe if we do not change our oversight process it is only a matter of time until there is another crisis of confidence in the peer review program. The most effective method we use to determine whether a peer reviewer has performed a peer review in accordance with peer review standards in all material respects is to perform a limited system or engagement oversight. Our limited oversight consists of a review of the financial statements and the work papers for one or more engagements previously reviewed by the peer reviewer. The limited system overlooks focus on must select engagements. In a recent oversight of an ERISA defined contribution plan the person conducting the oversight noted the following issues that were not identified by the peer reviewer: no testing of eligibility, no fraud inquiries with management, no documentation of internal control, no testing of employer payroll records and inadequate testing of participant loans where the certification did not include participant loans. This of course, is an extreme example, but we have uncovered many other instances of a reviewer’s failure to identify issues through our limited oversights. Since the peer reviewer found no matters, or only noted minor matters, the peer review work papers were pristine. The reviewer in the above example would never have received feedback, let alone a “reviewer performance deficiency” or a “significant reviewer performance deficiency” had we not conducted our limited oversight.

Under the AICPA Peer Review Program Oversight Handbook, administering entities are required to perform oversight each year on a minimum of two percent of all reviews performed in a twelve month period of time. Other than the two on-site oversights required each year, the other oversights may be performed on the checklists that the peer reviewer prepared without review of any financial statements or work papers. As mentioned above if a peer reviewer never finds anything, his or her work papers will be clean and devoid of issues. All of our oversights include a review of the financial statements and work papers of at least one engagement. We suggest that the current oversight procedures be changed
to require that all over sights include the review of the financial statements and work papers of at least one engagement. Administering entities have identified potential problem peer reviewers and are uniquely situated to choose the peer reviews to oversight. The two percent minimum would be retained and oversights would be conducted in proportion to the number of engagement and system reviews performed. While administering entities generally have the resources to oversight engagement reviews, they may find it helpful to have experts to perform the limited system oversights. We suggest maintaining the expert panel that you have assembled this year, and allow administering entities to draw from these resources when conducting limited system oversights. The AICPA could charge the administering entity for this service. Administering entities could use their own resources, the AICPA resources or a combination of the two.

Oversight reports would then become the basis for reviewer performance decisions. It will be important to clearly identify matters that the peer reviewer did not document in the oversight reports. Also, if there are team members involved in the review, it will be important to identify which member of the team looked at the engagement that is the subject of oversight. There are four possible outcomes from the oversight:

1. A significant deficiency conclusion, where one or more material matters are added to the peer review report. The significant deficiency conclusion would result in the peer reviewer being considered for removal from the databank.
2. A deficiency conclusion, where there are one or two matters added to the peer review report or multiple FFC additions.
3. A performed in accordance with standards conclusion, where there are minor matters that end up as FFCs.
4. A performed in accordance with standards conclusion, where there are no changes to the original report or FFCs.

Oversights may result in disagreement panels. When this occurs, the CPA performing the oversight submits the financial statements and work papers he or she reviewed to the administering entity. Three or four committee members review the documents and conduct a teleconference with the firm, the reviewer, and the person who conducted the oversight. The oversight report is replaced by the panel decision and should be used in the same ways that an oversight report is used. The AICPA would develop reporting guidance for panel decisions, so that their report contains similar information and conclusions to the oversight report.

We propose that paragraphs .147 through .154 of the standards apply to oversights, not feedback forms. It is only in Exhibit A that the feedback form is identified as the method that will be used to determine performance. The focus on team and review captain feedback forms is misguided. Many administering entities use phone calls and emails to resolve issues with peer reviews and the results of those calls or emails are sometimes not included in the documentation presented to the RAB. Therefore, a feedback form would not be initiated. Due to our high volume all communication with peer reviewers is through technical review notes that the RABs see, and therefore, more feedback forms are sent. Until there is more uniformity in the process, it is unfair to target administering entities that provide RABs with all communication with the peer reviewers.

We believe that the sample feedback forms in Exhibit A should be changed. The only significant deficiency would be the oversight report described above. In addition, there would be two items in the deficiency category: a deficiency from oversight as described above and a deficiency for suspension.
These items would be on a national database with the oversight reports or disagreement panel decisions attached and documentation of suspension attached.

**We do not agree with the Exhibit A categories of feedback forms under improving consistency.** The two items in the significant deficiency category are confusing and the second item will have an adverse effect on a reviewer’s decision to take on a potentially difficult review. These two issues and all the other issues listed as feedback should be listed in a category labeled “other” and not entered into the national database. Administering entities can assess the feedback forms for the “other” category and issue a monitoring letter if appropriate. Monitoring letters would be entered into the national database, along with the relevant feedback forms. Monitoring reports would serve as early warning for all administering entities and the peer reviewer and would not need to go through the lengthy due process for deficiency letters where corrective action is required. Of course deficiency letters and removal letters would also be included in the national database.

Good peer reviewers sometimes get feedback forms. Some peer reviews are difficult because there are multiple issues to address. Some peer reviewers write extensively and in great detail, so there is a great deal of information for the RAB to question, and inconsistencies inevitably arise. There are also good reviewers who identify the issues and issue the correct report but whose work papers may be a bit sloppy. We do not want to get rid of these reviewers and we do not want to frighten them from taking on problem firms. Many of our committee members have expressed the opinion that their acceptance policies will become more stringent if these rules are passed, meaning that they won’t accept potentially difficult reviews. This is contrary to the position that the Board should be supporting, namely that the most experienced reviewers take on the more challenging reviews.

**We find the timelines in Exhibit A unrealistic.** We believe the current timelines in the AICPA RAB Handbook are more realistic. We do not want timelines that allow poor peer reviewers who perform only a few reviews a year escape monitoring and deficiency letters, nor do we want reviewers who perform many reviews in a year to be punished if they haven’t had time to correct problems.

**While we agree with the change to require reviewers to be currently active in must select industries, we also believe the approach used to verify resumes needs to be changed.** The difficulty in the resume process is verifying that peer reviewers really perform engagements in the areas noted on the resume, and the process will only become more difficult with the changes suggested in the exposure draft. The current system relies on honesty but many peer reviewers believe they can review an engagement in any industry and adjust their resumes accordingly. We suggest that the AICPA Peer Review Board develop a form that a team captain must sign and submit with his or her work papers when there are peer reviewers in the firm being reviewed. The form would detail how many audits in each industry the firm performed within the peer review year, and which peer reviewers in the firm had engagement responsibility. For larger firms, numbers could be estimates, or noted as “more than 10”. Subsequent to the firm’s peer review if the firm adds an additional industry the firm can submit the audited financial statements to the team captain or the administering entity who would complete a form verifying that the peer reviewer now has expertise in that industry. These forms would be kept in the reviewer’s file.

**The proposed changes to require reviewers to be currently active in must select industries will result in many more rejections of peer review teams.** Administering entities could make more informed assessments if firms indicated the number of engagements in each industry on their scheduling form rather than just checking the box.
We are also concerned about the expertise of peer reviewers when they have SOC 1 and SOC 2 engagements on their resume. There are extensive technical requirements for non CPAs to peer review these engagements but there is nothing similar for CPAs. Stronger requirements should be developed for this high risk computer technical area.

We do not agree to the matching requirement for engagement reviews as noted in footnote 3 to the standards. The matching issue in system reviews is more important and already difficult. The proposed change to engagement reviews will be an administrator’s nightmare. Many experienced reviewers who formerly performed audits but now currently only perform compilations without disclosures still have the experience to review the other types of engagements. These reviews are done in the reviewer’s office where they have access to library materials in case questions arise. The oversight process previously suggested would address peer reviewers who do not perform the engagement reviews correctly.

The potential change to require administering entities to upload feedback forms to a web-based platform will be impracticable for some administering entities. The AICPA Peer Review Board needs to consider the effect of changes on large administering entities. It will be impossible for us to enter all the feedback forms onto a national data center as we do not have the manpower to do so.

We thank you for the opportunity to comment. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

David Vaughn, Chair
California Peer Review Committee
California Society of Certified Public Accountants
Dear Mr. Mayes

I just recently became aware of the exposure draft and find it interesting that something that affects so many peer reviews and peer reviewers was published immediately before the holidays, with the comment period ending during the holiday season. I also find it interesting that the reference to the exposure draft, included in the November Peer Review Update, also published immediately before the holidays, mentioned very little about the sweeping changes that were being proposed. Most small firms, and I understand that to mean over 90% of AICPAs membership, are extremely busy with year-end planning at this time of year and will not generally have the time to review exposure drafts.

There are a number of concerns I have with this exposure draft but the most significant that affects me and my peer review clients appears in footnote 3 at the bottom of page 7. In this footnote, unless I am not reading it correctly, you (referring to AICPA) are taking the old standards referring to qualifications as a peer reviewer, which indicated "reviewing, supervising, or performing auditing engagements", and striking out "reviewing", while also adding "in their own firm". Therefore, you are effectively eliminating me as a peer reviewer. I have had my own practice for 23 years, specializing in performing technical reviews for firms, which presently involves about 20 firms, from very small to fairly large firms. I not only perform their technical reviews but I also answer their questions on a daily basis regarding auditing concerns, disclosures, presentation and any other issues that arise in the practice of accounting and auditing. I fail to see how I am less qualified to perform a peer review than a partner in a firm that may have one audit engagement. To carry this thought process further, a partner in a firm that performs or reviews one A-133 audit is qualified but I, who probably review well over 100 a year, am somehow not qualified. If you somehow think that the wording of "in their own firm" implies more responsibility regarding engagements, I believe you are mistaken. If I showed no responsibility toward these engagements, I would soon not have any technical review clients. Contrary to what I believe to be your thought process, most firms consider me more responsible than their partners, since I do not care about due dates, engagement budgets, or personnel issues - my only concern is getting the engagement done correctly and the managing partners of these firms count on that.

I am copying my peer review clients on this email, since this will affect them all. Whether or not you realize it, finding peer reviewers is becoming a challenge for many firms. The frequent changes in peer review standards and interpretations and questioning of experienced reviewers' judgment has caused many peer reviewers to drop out of the process. I have been turning down many peer reviews for quite some time, simply because I already perform enough and any more would interfere with the timely completion of my primary practice of performing technical reviews. To implement some of the proposals included in this exposure draft would exasperate this situation significantly. To my peer review clients, please read the attached exposure draft and consider commenting upon it as soon as possible.

Some other practitioners have suggested to me and it is beginning to look like AICPA is leaning toward "professional peer reviewers". If that is the case, exactly what part of that is considered "peer"? And, if that is the case, are you going to include a referendum to the members, as was done when peer review was implemented in the late 1980s?
Sincerely,
Claude W. Spiron
Dear Mr. Mayes,

We find that there are already very few qualified peer reviewers for small firms who want to have a true peer review (i.e. a review by one of their peers, which is another small firm). Other than this exposure draft, has the AICPA performed a study or surveyed the current peer reviewers and AICPA members as to what effect the proposed changes will have? Will more peer reviewers for small firms leave the peer review system resulting in small firms not being able to find true peers to perform their review? Will the costs of peer review increase? Will the time and effort involve for peer reviews of small firms increase? What will be the benefit for small firms which invest this time and cost? Much time, effort and costs on peer review is already spent by small firms only to see many of the regulators and those in the profession believe that peer review system is not working. Has a thorough analysis of the deficiencies and benefits of peer review been performed to ensure these and any other proposed changes will be beneficial to all AICPAs (peer reviewers, small, medium and large firms)?

We are also very concerned about the additional qualifications on peer reviewers of small firms. Anything which could potentially reduce the number of peer reviewers of small firms needs to be weighed very cautiously as there is currently not enough qualified peer reviewers for these firms. Putting more requirements on small firm peer reviewers is very likely only going to reduce the number of qualified peer reviewers for small firms. If the AICPA is going to reduce the number of small firm peer reviewers, then there is a risk a small firm may no longer be able to have a true peer review (i.e. a small firm will need to get a larger firm to perform its peer review). If there is even a possibly that small firms will not be able to get peers to perform their peer reviews, then, at that point, the changes should really be put out to the members to approve as the system would no longer be a true “peer review.”

Thanks for your consideration.

Sincerely

David Torrillo, CPA/ABV, CVA
Managing Member
Torrillo & Associates, LLC
Dear Mr. Mayes:

We are responding to the proposed changes to peer reviews exposure draft. Most importantly we are responding in support of Claude W. Spiron and his comments to you on January 2, 2015 below. Claude has performed our firms last two peer reviews. His technical expertise is excellent. Claude has added value not only to our firm, but to the many firms he works with, to the profession, and peer review process. It would be a disservice to the profession to change the qualifications for peer reviewers in a way that would eliminate Claude and others like him from the practice of peer reviewing. It is challenging for small firms (like ours) to find quality peer reviewers with the appropriate technical knowledge and experience. We would recommend to the AICPA that it should reconsider the proposed revisions to allow qualified peer reviewers like Claude W. Spiron to continue to add value to the peer review process and to the CPA profession.

Warm regards,

Derek W. Schultz, CPA/CVA
Partner
Joseph M. Cahill, LLC
Certified Public Accountants and Advisors
189 West Lancaster Ave
Paoli, PA 19301
O: 610-889-3300
C: 484-639-4930
Dear Mr. Mays:

I recently became aware of the Exposure Draft regarding proposed changes to the AICPA standards for performing and recording of peer-reviews. I believe that these proposals are very serious and need a full discussion by the membership of the AICPA. However, for whatever reason the Peer Review Board chose to issue this Exposure Draft November 18, 2014 at the beginning of a very intense period of holidays and year-end planning. I think the timing of the Exposure Draft and the comment period was extremely poorly planned and may significantly limit the appropriate responses that are necessary.

While I have not had a chance to do a thorough review of the proposed changes, I do know one change which will have an impact on the peer reviewer my firm is currently using and who we find to be very qualified.

It has often been my experience that the unintended consequences of certain changes are more of a problem than the problem that was intended to be eliminated. I see the possibility for many unintended consequences in the regulations as they are presented in the Exposure Draft.

I am aware that not all peer-reviewers are performing audits or are part of a firm. Many self-employed peer-reviewers provide quality control services for a number of CPA firms who are not their peer review clients. The engagements they are reviewing as a quality control reviewer are not for their firm and the requirements that peer-reviewers be associated with a firm that is a member of an audit quality center, if an audit quality center serves the selected industry will be a problem.

I expect that you are more aware than I that it is getting more difficult to find quality peer-reviewers. Therefore, I believe that these proposed changes need to be looked at in terms of what effect they will have on peer-reviewers who are providing quality control services as independent contractors to CPA firms and get significant exposure to numerous audits in many cases more than their reviewer who is a member of an audit firm. I am concerned they will no longer qualify to be peer-reviewers because of the requirement that they be associated with a firm that is a member of an Audit Quality Center.

Anyone who has significant experience in practice knows that there are numerous ways to have experience in a particular area of practice and a sole practitioner may have the necessary experience on an ongoing basis through other means than being a member of a firm that is providing audit services to its clients.

I respectfully request that the proposed changes be reviewed to make sure that the unintended consequences do not outweigh the intended improvement in the peer review process.
After the committee reviews the responses to the Exposure Draft I hope that the committee would consider having another exposure period after the proposed changes have been tweaked so that membership will have another chance to review the proposed changes.

Very truly yours,

George R O'Connell

George R. O’Connell, CPA
O’Connell & Company LLC
165 Township Line Road
Suite 1100
Jenkintown, PA 19046
215.887.4425 (phone)
215.887.4429 (fax)
January 2, 2015

Carl Mayes  
Senior Technical Manager, AICPA Peer Review Program  
AICPA  
220 Leigh Farm Rd  
Durham, NC 27707-8110

Mr. Mayes,

The Georgia Society of CPAs Peer Review Executive Committee recently met to discuss the exposure draft related to Peer Reviewer Performance, Disagreements and Qualifications. The Georgia Society of CPAs (GSCPA) appreciates the time and effort the AICPA took in order to potentially strengthen the Peer Review Program by suggesting new guidelines for reviewers, especially those performing reviews of high risk industries.

GSCPA’s Peer Review Executive Committee agrees with expediting remediation and removal of reviewers who are performing subpar work or are continuously not providing documents in a timely manner to the administering entity. Under the current standards, it can take years to remove a reviewer and revisions to the standards to create a shorter timeframe for removal are strongly supported. However, the Executive Committee expresses concern over the changes in regards to the AICPA Peer Review Board potentially holding reviewer performance hearings without the administering entity’s committee recommendation. GSCPA believes this could lead to the AICPA not having all the information it needs from the administering entity in order to determine the outcome of the reviewer’s ability to perform reviews and recommends including the administering entity’s committee in each step of the process.

In regards to additional training and membership requirements, the Executive Committee believes that the current level of education a reviewer is required to obtain should be sufficient and requiring additional training creates higher costs for firms that are then passed along to their clients ultimately creating undue hardship on smaller firms who already feel the cost of peer review is too high.

Requiring reviewers who perform must-select reviews to join an audit quality center creates another additional cost that also becomes a burden on the reviewer and the clients they serve. While the Executive Committee understands Audit Quality Centers have provided a positive impact on firm’s that are enrolled, we are not sure how this impacts a reviewers performance especially when a reviewer’s firm must have a pass report on their most recent peer review to continue as a reviewer.

In conclusion, GSCPA supports the outlined proposal for expediting remediation and removal of reviewers with support from the administering entities Peer Review Committee, but does not support the additional qualifications for reviewers due to belief that the current requirements should be sufficient enough.

Sincerely,

Bob Bennett, CPA  
GSCPA Peer Review Executive Committee Chair

Boyd E. Search, CAE  
GSCPA Chief Executive Officer
December 19, 2014

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

Dear Mr. Mayes:

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: Peer Reviewer Performance, Disagreements and Qualifications. 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.

Enhanced Reviewer Qualifications

The Committee agrees with the AICPA Peer Review Board (PRB) that reviewers should have current experience in the must-select industries. The Committee believes further that a peer reviewer should not be approved as Team Captain on a review including must-select engagements unless he or she has at least one of the must-select engagement codes on his or her reviewer resume or the Team Member(s) used to cover the must-select engagements be at a partner level or equivalent.

The Committee strongly disagrees with the proposal for enhanced reviewer training in must-select industries or required membership in an AICPA Audit Quality Center.

Currently, reviewers must be associated with a firm (or firms) that received a report rating of pass on its most recent peer review and obtain at least 40 percent of their AICPA required CPE in subjects relating to accounting, auditing, and quality control. For Team Captains, their firm must have received a report rating of pass on its most recent System Review. On a System Review, a firm receives a report rating of pass when its system of quality control “has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.” As part of that System Review, conclusions are made regarding the adequacy and appropriateness of the reviewer’s firm policies and procedures as it relates to continuing professional education.
(CPE), third-party practice aids and other resources. It is unclear how requiring additional CPE and membership in an AICPA Audit Quality Center will improve the reviewer’s ability to perform peer reviews when it was already determined by an independent third party that the reviewer’s firm policies and procedures related to CPE, third-party practice aids and other resources were deemed appropriate.

In addition, peer reviewers performing engagements subject to Government Auditing Standards are already subject to the Yellow Book 24- and 80-hour CPE requirements every two years. Compliance with the Yellow Book CPE requirements are tested as part of the reviewer’s firm peer review as well as the reviewer resume verification procedures by the administering entity. It is unclear how requiring additional CPE would be beneficial when these reviewers are already taking 80 hours of accounting and auditing CPE every two years, which includes 24 hours directly related to governmental auditing, the government environment, or the specific or unique environment in which the audited entity operates.

Finally, the Committee wishes to remind the PRB that membership in the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) already has an 8-hour CPE requirement for partners who sign ERISA audit opinions. While the Committee does not support the proposal for a peer reviewer’s firm to join the audit quality centers if he or she has must-select engagement codes on his or her reviewer resume, the Committee questions the value in having additional CPE requirements for reviewers whose firms are already enrolled in the EBPAQC on top of the CPE requirements already required by audit quality center membership when, as noted above, the reviewer must be supervising or performing such engagements.

Addressing Disagreements between the Reviewer and the Reviewed Firm

The Committee supports the idea of establishing a National Committee to handle disagreements, but believes the PRB should not remove the administering entity (AE) full committee (or executive committee) consideration from the disagreement process. The Committee believes if properly implemented and enforced, the current disagreement process with a revision to step 4 of a National Committee rather than a panel of the Board could still handle all disagreements on the timely basis. If the PRB is intent on removing a step in the process, the Committee believes it would make more sense to eliminate step 2 rather than step 3. The Committee believes it is still important to involve the AE full committee (or executive committee) in any formal disagreements that cannot be resolved by technical reviewer involvement and/or administering entity oversight.

Expediting Remediation and Removal of Reviewers

The Committee acknowledges that there are a number of poor performing reviewers in the Peer Review Program. The Committee agrees with the PRB that steps should be taken to expedite remediation and removal of poorly performing peer reviewers. However, the Committee does not believe that the steps outlined in Exhibit A make sense based on the current landscape of peer review or that the new process will necessarily expedite the process.
According to Exhibit A, step 1 consists of the RAB issuing a feedback form, citing significant reviewer performance deficiencies. Step 2 involves the RAB considering the reviewer’s next review within 30 days. If a second reviewer performance deficiency is noted, the RAB would issue a performance monitoring letter, which does not require remedial action. Steps 3 and 4 involve the RAB sending either a deficiency letter or removal letter if there are still significant issues noted on a review submitted after the date of the monitoring letter.

Because most AEs have multiple RABs, there could be a significant lag time (i.e., more than 30 days) from the time a RAB first meets until that same RAB meets again to be able to accomplish steps 1 and 2. In such cases, it would be counter-productive for an AE to hold a reviewer’s second review until it could go to the same RAB that reviewed the reviewer’s first review.

Secondly, most significant reviewer performance issues do not occur with high volume reviewers, but rather reviewers who perform a small number of peer reviews per year (< 5). As a result, for these reviewers, step 2 would not be possible as most likely the RAB will not have another review to look at within 30 days. It could be several months before the specific reviewer performs another review.

Thirdly, RABs are charged with the difficult task of analyzing each peer review, making sure the peer reviewer issues the correct report rating, and checking that all documentation is done in accordance with the Peer Review Standards. The Committee believes it would place a tremendous burden on the RABs to also require them to handle reviewer performance matters. The Committee believes this could lead to an unintended consequence where the RABs are concerned more about reviewer performance and less time on the actual report acceptance. It is the Committee’s opinion that RABs should handle report acceptance and the full Committee (or Executive Committee) handle reviewer performance matters.

The Committee would also like to add that the guidance already in place, if properly followed, could and should address reviewer performance matters on a timely basis.

Currently, there are two types of reviewer performance letters – a performance monitoring letter (TCPER01), which serves as a warning letter, and a performance deficiency letter (TCPER02), which places a restriction on a reviewer if the reviewer is not remediating the issues noted in the performance monitoring letter. On the surface, this would appear to cause a long lag time from the time a significant reviewer performance deficiency is noted to the time a restriction is placed on the reviewer. However, current guidance provides that if the Peer Review Committee determines that a reviewer’s performance matters are of such significance that a restriction needs to be placed on the reviewer immediately, the committee may issue a performance deficiency letter (TCPER03) without issuing a performance monitoring letter. The Committee believes that this letter is greatly underutilized in the peer review community and, if properly promoted and utilized, would be an effective method of handling significant reviewer performance issues on a timely basis.
The Illinois CPA Society appreciates the opportunity to express its opinion on these matters and 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
December 29, 2014

Carl Mayes, Senior 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
Peer Reviewer Performance, Disagreements and Qualifications

Dear Mr. Mayes:

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 Peer Reviewer Performance, Disagreements and Qualifications. The Committee agrees with the AICPA Peer Review Board’s proposed changes to the Peer Review Standards as outlined in the exposure draft with suggestions and comments mentioned below:

Team Captain or Review Captain:
- Paragraph .32 A small typo. The reference should be “31.(a) – (h)”

Performing System Reviews:
Addressing Disagreements Between the Reviewer and the Reviewed Firm:
- Paragraph .93 The committee would respectfully suggest that the “panel members” involved with the disagreement between the Reviewer and the Reviewed Firm be excluded from the RAB approval process to avoid any bias.

Performing Engagement Reviews:
Addressing Disagreements Between the Reviewer and the Reviewed Firm:
- Paragraph .116 The committee would respectfully suggest that the “panel members” involved with the disagreement between the Reviewer and the Reviewed Firm be excluded from the RAB approval process to avoid any bias.

Peer Reviewer’s Performance and Cooperation:
- Paragraph .148 The committee would like to suggest that after the peer reviewer has had a deficiency(ies) in performing a peer review, the next step would be a bit tougher. Below is an example, “...If significant reviewer performance deficiencies are noted, then the
board or committee should either require the reviewer to complete additional corrective action and/or recommend to the board that the reviewer be prohibited from performing peer reviews in the future.”

- Paragraph .149 The committee would like to suggest the following: “.....In situations in which significant reviewer performance deficiencies are noted, the administrative entity must inform the AICPA staff and ....” This suggestion will expedite this process.

- Paragraph .151 and .152 The committee assumes that the “board” is the local administrative entity instead of the AICPA Peer Review board. A suggestion would be to add the words “administrative entity board” for clarification.

- Paragraph .153 The committee would like to suggest the following:
  
  o “...When the committee or board recommends that a reviewer....”
  
  o “...If the reviewer disagrees with the decision of the hearing panel, he or she may...”

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,

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

This is a comment regarding the proposed revision to the Peer Review Standards and Interpretations. I believe that the proposed changes discriminates against a CPA reviewer changing firms or “going out on his own”. Let me illustrate.

Say a reviewer has been doing 20 to 30 reviews a year as a partner in a local firm. Effective July 1 of any year, he decides to practice on his own as a sole proprietor. Under the present rules, he cannot perform a peer review of any engagement until he performs that type or classification of engagement. Although the standards look to his previous five years as qualifying him to perform certain engagements, the proposed rules do not allow him to perform any engagement review until his “new” firm has performed that type of engagement. That means that he would have to perform a “Single Audit” audit to be able to perform a Single Audit engagement peer review. Same for a financial statement review, a compilation or another type of audit. This means basically that he cannot perform peer reviews until he has performed all of the different kinds of engagements even though he has performed hundreds in the past and is an experienced peer reviewer. I don’t think this is fair nor does it consider the past five year’s experience of the owner.

There should be some way to protect the public and not have such a restraint of trade. There should be some way to rely on prior experience rather than current performance.

Thank you for your considerations.

C. Jack Emmons, CPA, CFE
Attn: Mr. Carl Mayes

Dear Mr. Mayes:

I am a single member local practitioner with four professional employees practicing primarily in Southeastern PA and Delaware. I am licensed to practice in the Commonwealth of Pennsylvania and the States of Delaware and New York. I am a member of the AICPA, PICPA, DSCPA and NYSSCPA’s. My firm provides accounting, tax and business consulting services to many small local businesses, along with providing individual income tax preparation services to over 300 individual clients. We also provide compilation, review and auditing services to many of our business clients, along with several employee benefit plans.

It was therefore of great interest and concern to me when I received a copy of an email correspondence this morning from our peer reviewer, Claude W. Spiron, CPA. The original correspondences was addressed to you, and was Mr. Spiron’s response to an Exposure Draft dated November 18, 2014 entitled “Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews” with comments requested by January 2, 2014.

The email correspondence I received from Mr. Spiron began as follows:

“Dear Mr. Mayes
I just recently became aware of the exposure draft and find it interesting that something that affects so many peer reviews and peer reviewers was published immediately before the holidays, with the comment period ending during the holiday season. I also find it interesting that the reference to the exposure draft, included in the November Peer Review Update, also published immediately before the holidays, mentioned very little about the sweeping changes that were being proposed. Most small firms, and I understand that to mean over 90% of AICPAs membership, are extremely busy with year-end planning at this time of year and will not generally have the time to review exposure drafts.

There are a number of concerns I have with this exposure draft but the most significant that affects me and my peer review clients appears in footnote 3 at the bottom pf page 7. In this footnote, unless I am not reading it correctly, you (referring to AICPA) are taking the old standards referring to qualifications as a peer reviewer, which indicated "reviewing, supervising, or performing auditing engagements", and striking out "reviewing", while also adding "in their own firm". Therefore, you are effectively eliminating me as a peer reviewer. I have had my own practice for 23 years, specializing in performing technical reviews for firms, which presently involves about 20 firms, from very small to fairly large firms. I not only perform their technical reviews but I also answer their questions on a daily basis regarding auditing concerns, disclosures, presentation and any other issues that arise in the practice of accounting and auditing. I fail to see how I am less qualified to perform a peer review than a partner in a firm that may have one audit engagement.”
As one of the “small firms” referenced in Mr. Spiron’s correspondence I can certainly verify that our firm’s primary focus over the last four to five weeks has been on providing information to our clients related to numerous tax compliance issues, providing accounting and income tax projections, assisting clients prepare for year end payroll tax filing, and preparing our computer systems for 2015 tax filing. In addition the next three monthly will be spent providing tax and financial reporting compliance services.

To issue an exposure draft at this time of year making such a significant change (buried in a footnote) on such an import issue with less than a two month comment period seems underhanded and disingenuous toward not only peer review firms but all firms relying on these reviewers.

We have undergone regular peer reviews since the inception of the AICPA Quality Review Program. Our first quality review took place in 1991.
We have continued with the current peer review program, and our most recent review took place in 2012. During our (required) participation in this program we have had four different peer reviewers.

When our third peer reviewer ceased performing peer reviews we were informed that it was because of the reasons outlined by Mr. Spiron in his letter to you:
“The frequent changes in peer review standards and interpretations and questioning of experienced reviewers’ judgment has caused many peer reviewers to drop out of the process”

It appears, based on over 25 years of experience as a CPA, that the ongoing changes in standards applicable to the CPA profession seem more and more weighted against the smaller practitioners.

At a recent PICPA CPE conference I attended one of the speakers told the audience that for the past several years accounting had been the number one declared major in universities across the country. He also indicated that should that trend continue for the next ten years there would still not be enough graduates to fill all of the positions being vacated by retiring practitioners. This does not sound like good news for our profession.

I have also participated in several lunch discussions at PICPA/DSCPA CPE conferences wherein the discussion has revolved around the early retirement of practitioners because of standards and law “overload”.
Several younger individuals have indicated to me that they no longer feel the need to become CPA’s since they can work in the accounting tax compliance fields without certification as employees to both CPA and non CPA firms.

Should these trends continue our country, and your organization, will be looking at an ever shrinking pool of qualified practitioners and membership, much of it the result of your own hubris in thinking that you can enact rules, regulations and laws designed to benefit the few, while the remainder simply acquiesce.

However, if your goal is to vest all financial reporting with a few large and mid-size firms or organizations of firms, you are well on your way to achieving that goal.
*** Confidential and Privileged ***
This e-mail message and any attachments are for the sole purpose of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail, or call (610) 558-6845, and destroy all copies of the original message and any attachments.
Dear Mr. Mayes:

I was made aware of the exposure draft today by the firm that performs my Peer Review. Since I am a "small firm", my full attention is devoted to year-end planning during the months of November and December. I write this response as I am very concerned about the effect that footnote # 3 at the bottom of page # 7 would have on a small firm's ability to retain a peer reviewer who is truly a "peer".

The search for a peer reviewer is at best exhausting for a small firm, let alone one that performs must-select engagements. My suggestion is to retain the word "reviewing" in footnote # 3.

Thank you for the opportunity to share my opinion with the Board.

Very truly yours,

Michael Giella

--

Michael Giella CPA
420 Route 46 E Ste 4
Fairfield, NJ 07004
973-882-0228
December 23, 2014

Carl Mayes  
Senior Technical Manager, AICPA Peer Review Program  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707-8110  
PR_expdraft@aicpa.org

Dear Mr. Mayes:

We appreciate the opportunity to respond to the AICPA Exposure Draft on “Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews: Peer Reviewer Performance, Disagreements and Qualifications.” Members of our staff have read the exposure draft and agree with the proposals in the exposure draft. We have no comments nor make any recommendations for changes.

If you need any additional information concerning our response, please contact me at (406) 444-3122 or by email at dosmanson@mt.gov.

Sincerely,

/s/ Delsi Osmanson

Delsi Osmanson, Senior Auditor  
Financial-Compliance Audits

By email
December 22, 2014

Carl Mayes
Senior Technical Manager
AICPA Peer Review Program
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 - Peer Reviewer Performance, Disagreements and Qualifications

Dear Mr. Mayes:

These comments are submitted on behalf of the Peer Review Committee of the Oklahoma Society of CPAs (the Committee). These comments have no official status and do not represent the approval or disapproval of the exposure draft by the Oklahoma Society of CPAs or its Board of Directors. However, 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 that would require additional qualifications for reviewers of must-select engagements as specified in Interpretation 31g-1 and 31g-2.

The Committee is concerned about continuing to impose additional requirements on the reviewers and the impact such changes would have on the reviewer bank. The Committee believes the majority of our reviewers are doing a good job. Reviewers who have identified deficiencies with respect to must-select engagements should be dealt with individually rather than imposing additional requirements on all reviewers.

The Committee takes special issue with the proposed mandatory membership in an AICPA Audit Quality Center if one does exist for the must-select engagement. This requirement puts an added burden on reviewers who are involved in such engagements since other reviewers where there is not an Audit Quality Center would be exempt from this requirement. This requirement also seems self-serving by the AICPA and does not ensure any better quality in peer reviewers. Mandatory membership in an Audit Quality Center does not guarantee the reviewer would make use of the resources available through membership in those Centers.

The proposed requirement that a reviewer be "Presently involved" in a must-select engagement area limits the number of reviewers. The Committee does not believe that experience fades away that quickly. Maybe we do need to look at whether 5 years is current but "presently" is too limiting.

The Committee is also concerned with imposing additional training requirements on reviewers of must-select engagements. The additional training requirements are not specified in the Exposure Draft and do not mention the number of CPE hours that would be required.
The Committee does agree with the other changes proposed to address problem reviewers on an expedited basis. Thank you again for the opportunity to comment on this exposure draft and your consideration of our comments.

Sincerely,

[Signature]

David L. Eatmon, CPA
Chair, Oklahoma Society of CPAs Peer Review Committee
Dear Mr. Spiron

You are correct in your email and I support your comments to Mr. Mayes. The comment period should be extended substantially. The fact that in the current format this proposal would eliminate competent technicians is to the detriment of the members of the AICPA.

Richard M. Zimny CPA
92 Read's Way
Suite 104
New Castle, DE  19720
302-325-6900 Main
302-325-6909 Fax
302-221-3288 Direct

To ensure compliance with Treasury Department regulations, we wish to inform you that, unless expressly stated otherwise in this communication (including any attachments) any tax advice that may be contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

This email is intended for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this email message is not the intended recipient, or the employee or agent responsible for delivery of the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is prohibited. If you have received this email in error, please notify us immediately by telephone at (302) 325-6900 and also indicate the sender's name. Thank you.

From: CLAUDE W. SPIRON [mailto:cwsqccpa@gmail.com]
Sent: Friday, January 02, 2015 8:53 AM
To: PR_expdraft@aicpa.org
Subject: Comments on Peer Review Exposure Draft Dated 11/18/14

Dear Mr. Mayes

I just recently became aware of the exposure draft and find it interesting that something that affects so many peer reviews and peer reviewers was published immediately before the holidays, with the comment period ending during the holiday season. I also find it interesting that the reference to the exposure draft, included in the November Peer Review Update, also published immediately before the holidays, mentioned very little about the sweeping changes that were being proposed. Most small firms, and I understand that to mean over 90% of AICPAs membership, are extremely busy with year-end planning at this time of year and will not generally have the time to review exposure drafts.

There are a number of concerns I have with this exposure draft but the most significant that affects me and my peer review clients appears in footnote 3 at the bottom of page 7. In this footnote, unless I am not reading it correctly, you (referring to AICPA) are taking the old standards referring to qualifications as a peer reviewer, which indicated "reviewing, supervising, or performing auditing engagements", and striking out "reviewing", while also adding "in their own firm". Therefore, you are effectively eliminating me as a peer reviewer. I have had my own
practice for 23 years, specializing in performing technical reviews for firms, which presently involves about 20 firms, from very small to fairly large firms. I not only perform their technical reviews but I also answer their questions on a daily basis regarding auditing concerns, disclosures, presentation and any other issues that arise in the practice of accounting and auditing. I fail to see how I am less qualified to perform a peer review than a partner in a firm that may have one audit engagement. To carry this thought process further, a partner in a firm that performs or reviews one A-133 audit is qualified but I, who probably review well over 100 a year, am somehow not qualified. If you somehow think that the wording of "in their own firm" implies more responsibility regarding engagements, I believe you are mistaken. If I showed no responsibility toward these engagements, I would soon not have any technical review clients. Contrary to what I believe to be your thought process, most firms consider me more responsible than their partners, since I do not care about due dates, engagement budgets, or personnel issues - my only concern is getting the engagement done correctly and the managing partners of these firms count on that.

I am copying my peer review clients on this email, since this will affect them all. Whether or not you realize it, finding peer reviewers is becoming a challenge for many firms. The frequent changes in peer review standards and interpretations and questioning of experienced reviewers' judgment has caused many peer reviewers to drop out of the process. I have been turning down many peer reviews for quite some time, simply because I already perform enough and any more would interfere with the timely completion of my primary practice of performing technical reviews. To implement some of the proposals included in this exposure draft would exasperate this situation significantly. To my peer review clients, please read the attached exposure draft and consider commenting upon it as soon as possible.

Some other practitioners have suggested to me and it is beginning to look like AICPA is leaning toward "professional peer reviewers". If that is the case, exactly what part of that is considered "peer"? And, if that is the case, are you going to include a referendum to the members, as was done when peer review was implemented in the late 1980s?

Sincerely,
Claude W. Spiron
While I am a chairman/president of a report acceptance body, my comments do not represent the views or considerations of the New England Peer Review, Inc. nor my firm of Vachon Clukay & Company PC.

**Consistency in Handling Reviews Performance Matters**

I agree that consistency in handling review performance matters is extremely important. However, my experience is that the party who is the most lenient and inconsistent is the AICPA Peer Review Board and its staff. In my more than 17 years on a report acceptance body I have found the AICPA, itself, to be the most inconsistent and non-supportive of the report acceptance bodies. My experience is that we have to fight with the AICPA to understand why we discipline reviewers and firms. There is always “let’s give them another chance” mentality at the AICPA level. I have always felt that the hallmark of what we do is to provide consistency to both firms and reviewers. IT IS EXTREMELY FRUSTRATING!

The current time period of 120 days is not close to being adhered to by the AICPA so I do not know how 90 days will work. I agree with 90 days but in the past it has been more than one year so changing the standard may not be any better at 90 days.

**Proposed Competency Testing of Reviewers in “Must Select” industries**

I have no issue with testing in these areas but the board needs to understand the ultimate impact of such testing. We will lose a number of reviewers (probably not a bad idea) and the hourly rates of peer reviews will increase dramatically. I believe that the biggest problem are reviewers who do not take the program seriously and pass firms who should not be passed. This will not change if there is “testing”. A major problem is where reviewers who perform one or two engagements in a must select category perform a peer review on a firm who performs substantially more engagements. A firm that performs a substantial portion in must select areas such as A-133 need to be reviewed by firms who perform similar number of engagements.

None of the problems in high risk areas may necessarily improve dramatically because of testing. Reviewers need to take the program seriously and not pass firms who are performing sub-standard work. Some reviewers are passing firms who do more than the must select engagements.

My experiences with oversight have been discouraging and “eye-opening”.

I think that the AICPA current project should select reviewers where firms may perform only one or two audits and one of the audits is in a high risk area.

**System Team Captains must be partners. Directors or owners**

I believe that the AICPA is very short-sighted on this issue. In the normal audit work, senior managers perform audit engagements under the direction of partners/owners. Senior Managers in my firm are extremely competent, have great communication skills and are highly trained to plan, perform and supervise engagements. In many cases, managers are more competent than partners since they perform the audit function on a regular basis. The AICPA should apply the same rules that audits are performed and that Partners who be in charge of peer reviewers could assign managers as “team leaders” to perform the engagement provided they have demonstrated competence, at least 3 years as a team member and have current experience in the required industries. We are ignoring the most competent portion of our staff. Partners would participate in the exit conference.
Mr. Mayes:
Once again it appears the AICPA is up to it’s old ways!
The timing of the exposure draft is challenging.
It seems once again the organization is trying to trim the crop of reviewers, leaving only “NON PEERS”.
As the reviewers have “grayed”, very little has been done to increase the number of reviewers and now it looks like you are trying to cut the forces even more.
Good luck, since I for one am tired of this and will be hanging up my peer review business, after 35 years.
Sanford D. Goldfine, CPA

SANDY GOLDFINE, CPA
CLAIRMONT PACIELLO &CO.,P.C.
250 TANGLEWOOD LANE
KING OF PRUSSIA,PA 19406
610-265-4122  FAX 610-382-5159

This message may contain privileged and confidential information intended only for the use of the addressee named above. If you are not the intended recipient of this message, you are hereby notified that any use, distribution or reproduction of this message, partial or in its entirety, is prohibited. If you have received this message in error, please notify the sender immediately.
Carl,
There’s a typo in the GAQC’s name in the interpretation included in the ED. It should be “Governmental” instead of Government. Thanks.

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

31g-1 Question—Paragraph .31(g) of the standards states that reviewers must possess specific additional qualifications to review engagements that must be selected in a System Review under paragraph .63. What additional qualifications must the reviewer possess?

Interpretation—The additional qualifications that reviewers must possess in order to review must-select engagements are

a. The reviewer should have completed additional training focused on must-select engagements that meets the requirements of the board. Peer review training and criteria for demonstrating proficiency in the standards, interpretations and guidance of the program is established by the board. Those criteria are located on the Peer Review page of the AICPA website.

b. The reviewer must be currently (presently involved in) supervising or performing engagements, in his or her own firm, in the must-select industry or area; or carrying out reviews of engagements in the must-select industry or area in his or her own firm as part of the firm’s monitoring or inspection process and currently meeting relevant, industry specific educational requirements, as applicable.

c. Where AICPA Audit Quality Centers exist (such as, but not limited to, the Employee Benefit Plan and Government Audit Quality Centers), reviewers of must-select engagements must be associated with firms that are members of the respective Audit Quality Center.
Dear Mr. Mayes

I just recently became aware of the exposure draft that affects a large number of small companies who have peer reviews completed.

There are a number of concerns I have with this exposure draft but the most significant that affects me and many other small Firms appears in footnote 3 at the bottom of page 7. In this footnote, unless I am not reading it correctly, you (referring to AICPA) are taking the old standards referring to qualifications as a peer reviewer, which indicated "reviewing, supervising, or performing auditing engagements", and striking out "reviewing", while also adding "in their own firm". Therefore, you are effectively eliminating many small company peer reviewers. My peer reviewer has owned his practice for 23 years, specializing in performing technical reviews for firms, which presently involves about 20 firms, from very small to fairly large firms. He not only performs their technical reviews but he also answers questions on a daily basis regarding auditing concerns, disclosures, presentation and any other issues that arise in the practice of accounting and auditing. I fail to see how he is less qualified to perform a peer review than a partner in a firm that may have one audit engagement. To carry this thought process further, a partner in a firm that performs or reviews one A-133 audit is qualified but he who probably reviews well over 100 a year, is somehow not qualified. If you somehow think that the wording of "in their own firm" implies more responsibility regarding engagements, I believe you are mistaken.

My concern as a small Firm is that with the proposed changes it is going to become additional difficult to find a qualified peer reviewer who is familiar with a small practice to perform my peer review. As you know the issues and concerns of a small practitioner are different than those of a large Firm. I value my peer review process as it is an opportunity for someone else to review my processes and my accounting and auditing quality. It is also an opportunity for me to ask questions and gain insight into what practices other small Firms are using which maybe more efficient. My concern is that if small Firm peer reviewers are reduced that the value I see in the peer review process will be greatly reduced. It is beginning to look like AICPA is leaning toward "professional peer reviewers". If that is the case, exactly what part of that is considered "peer"? And, if that is the case, are you going to include a referendum to the members, as was done when peer review was implemented in the late 1980s? I believe the perceptive of the small Firm should be consider in any changes being made to the peer review process.

Sincerely,
Timothy M. Ronan

Timothy M. Ronan CPA
The Ronan Group, P.C.
724 S Atherton Street, Suite C
State College, PA 16801
Tel (814) 237-2009
Fax (877) 427-5191
www.ronangroup.com
January 2, 2015

Mr. Carl Mayes  
Senior Technical Manager, AICPA Peer Review Program  
AICPA  
220 Leigh Farm Road  
Durham, NC  27707-8110

Via email:  PR_expdraft@aicpa.org

Dear Mr. Mayes:

I just became aware of the exposure draft and find it disappointing that something that affects so many peer reviews was published immediately before the holidays, with the comment period ending during the holiday season. This time of the year, most practitioners are focused on their client year-end planning and didn’t have the time to fully understand the proposed sweeping changes, especially in light of the late passage of the tax extenders. Asking for comments during the window that you did makes me wonder how seriously you want member input.

While I agree there is a need for quick identification of recurring peer reviewer deficiencies, I’m not aware of any published listing of reviewer monitoring or deficiency letters. As a buyer of peer review services I’m not aware of anything other than the resume database of approved peer reviewers on the AICPA’s website. As a reviewed firm, if we have a letter of comment and response, that information is available online.

That being said, I have a few concerns:

1. I often hear that there is a shortage of peer reviewers. I see nothing in this proposal that would help this situation; rather I see it driving some good people from the program which will eventually lead to full-time reviewers, removing “peer” from the process.

2. Footnote 1 of the Explanatory Memorandum – indicates that non-AQC member firms are more than two times likely to have performed a materially non-conforming engagement – taking this at face value, I’m not sure that you can make the same statement that peer reviewers who are not AQC members are
more than two times likely to have performed a materially non-conforming peer review. This seems like a bit of a reach as I like to think that peer reviewers are among the best in our profession. Absent information as to the number of problem reviewers or the issues that they are missing the requirement to join the AQC(s) looks like a money grab by the Institute.

3. Paragraph .31 would prevent individuals who specialize in quality control as an outside contractor to multiple firms in lieu of their own A&A clients from performing peer reviews. From my perspective, doing QC for multiple firms greatly expands the reviewer’s knowledge and experience as they see things presented from different perspectives. As a reviewed firm, I appreciate suggestions for improvement and feel that they would be limited if they only come from one firm especially if the reviewer only has one engagement of the type they are reviewing.

I ask the committee to reconsider and re-expose these changes preferably with a longer period to comment. I wish I would have had some more time to get the thoughts of my father who was a member of the AICPA Quality Review Executive Committee in 1989 before submitting this. However, client responsibilities, the holidays and the short reply window did not allow this.

Sincerely,

William G. Koch, Jr.

William G. Koch, Jr., CPA, CGMA

C: William G. Koch, Sr., CPA