

Exhibit C: Responses to Issue 1, Should self-inspection be precluded?

Number	Position	Coded Text
002	Oppose	<p>I am writing to express my concern with the proposed self-inspection standards as documented on page 27ff of the proposed SQMS. As a sole practitioner who has been operating since 2009, I have found the prior position on self-inspection to be more than satisfactory. I believe that the new standards put a much higher burden on small firms and solo practitioners who will be forced to reach outside of their firm on an annual basis to comply with the new standards. The concerns raised by the AICPA PCPS Technical Issues Committee and listed in the proposed standards on page 29 resonate with me as a small practitioner. Audits that concerned areas of identified elevated risk already required a EQCR, which would have required outside consult for these same small firms. The EQCR will assess the QC for riskier engagements in between peer reviews, and then the system as a whole will be assessed in depth during the peer review every three years. Adding this extra inspection of non-EQCR engagements every year by an outside party will only serve to increase cost and compliance in areas of admittedly lower risk. The self-review threat is alleviated by the EQCR on specified engagements, the peer review every three years, continuing education that helps an auditor stay aware of requirements. Perhaps a better solution would be for firms that have a clean peer review report to be exempt from this requirement as they have demonstrated competence and professionalism, but for new firms or those with peer reviews with concerns to be subject to this self review standard since they have not yet demonstrated a proper QC environment at their firm.</p>
004	Oppose	<p>So, you folks are determined to put us smaller firms out of business. Now it has become very, very clear that you are completely out of touch and have no idea what is going on out here in the real world with small businesses like myself and my clients. I have been a CPA longer than most and I used to enjoy what I do but now, it is ridiculous. These mindless regulations and rules have made this just an exercise of complying with your rules that add absolutely nothing except for more cost to us and our clients for no good reason.</p> <p>Now, you may have successfully eliminated me from the business to the absolute detriment of my clients and my family. Thanks - you guys are just great.</p>

Number	Position	Coded Text
005	Oppose	<p>I oppose the proposed new requirement described at paragraph 40a of the proposed SQMS that would preclude inspection of completed accounting and auditing engagements by those who had been involved in the engagements. This would be a disservice to the thousands of smaller CPA firms with a limited number of professionals. These firms would be forced to endure an expensive out of pocket financial burden without the likelihood of significant enhancement of engagement quality. When a similar requirement was discussed many years ago in conjunction with the creation of Statement on Quality Controls No. 7, there was initially some incorrect belief that only sole practitioners would be deeply affected. In reality, however, there are numerous multi- professional CPA firms that would be equally affected. Although some firms may, on the surface, seemingly possess sufficient personnel to avoid any self-review threat, many of these firms have one or only a few persons involved in financial statement engagements while most of their personnel are involved in tax services, litigation support, management advisory services, or other professional services. As a result, these firms would also be forced to outsource their annual inspections because most of their personnel work in other areas and do not possess the skills, knowledge or experience to inspect accounting and auditing engagements nor the firm’s system of quality control or quality management for accounting and auditing engagements. The existing Statements on Quality Controls, as they were eventually issued, correctly avoided imposing disruptive burdens on smaller CPA firms.</p>

The sufficient safeguards that already exist to mitigate self-inspection risk contraindicate the need for the increased overreach that is being proposed. As pointed out at page 27 of the Exposure Draft, peer review already “provides a safeguard and provides evidence that monitoring procedures involving self-inspection can be effective.” Also, a pre-issuance Engagement Quality Control Review is part of the existing and proposed professional standards for quality control and it is already stipulated that such reviews, as part of engagement performance, must be conducted by a person who is independent of being an engagement team member. Other existing quality control standards, such as those governing leadership, engagement acceptance, and human resources (especially continuing professional education) further provide additional safeguards. Page 28 of the Exposure Draft emphasizes the importance for an individual to be able to “critically review his

or her own performance, assess his or her own strengths and weaknesses, and maintain an attitude of continual improvement.” Shouldn’t a certified public accountant already possess these abilities? In most CPA firms, monitoring and inspection tasks are conducted by a CPA or at least closely supervised by one. The proposed SQMS prescribes a risk-based approach to a system of quality management. Accordingly, the outsourcing of monitoring and inspection functions to outside parties should be relevant only in those risk-based instances where it is evident that a CPA firm’s personnel lack the skills, knowledge and experience to conduct those functions, which in turn raises a more fundamental question regarding whether such a firm should even be accepting accounting and auditing engagements to begin with.

The proposed requirement replaces professional judgment with a cookbook approach that lacks scalability (the capacity for change). Inspection decisions should instead be made by each CPA firm in response to the unique characteristics of each practice.

Number	Position	Coded Text
		<p>I previously responded on April 29, 2021, and the purpose of today’s response is to add additional commentary regarding other areas. This additional response does not change my previous position that I oppose the proposed new requirement described at paragraph 40a of the proposed SQMS that would preclude inspection of completed accounting and auditing engagements by those who had been involved in the engagements. I continue to believe that this would be a disservice to the thousands of smaller CPA firms with a limited number of professionals. As noted in greater detail in my previous response, sufficient safeguards already exist to mitigate self-inspection risk. Inspection decisions should be scalable and should be made by each CPA firm in response to the unique characteristics of each practice.</p> <p>As a general comment, it should be noted that the Explanatory Memorandum to the proposed standards specifically mentions “high-profile business failures.” This is certainly where most of the public interest truly resides. If a key objective of the proposed standards is to promote scalability, the standards should focus on the CPA firms who perform high-profile and risk laden audits rather than, in some instances, what amounts to the de facto punishment of smaller CPA firms who perform less risky engagements. Perhaps an example of scalability would be to allow small practitioners the ability to determine for themselves whether any significant self-inspection risk exists within their practices.</p>
008	Oppose	<p>Under these proposed standards, the demographics of these small firms will not provide eligible individuals within those firms to perform monitoring and inspections in compliance with these proposed standards. That means contracting outside the firm for those services – more cost that these small firms cannot pass on to their typical clients. The typical smaller clients (governmental, small contractors, CIRAs and NFPO), that these smaller CPA firms service, will not financially support the hiring of outside quality reviewers. T</p>
009	Oppose	<p>I highly encourage you not to force small firms to have outside annual evaluations. This is an unnecessary financial and time consuming burden on small firms. The A&A department is already considered to be the “loss leader” in small firms. Therefore, the financial burden will be difficult for the small firms to absorb and will require small firms to pass on such expenditures to their clients, which in most cases are small companies/nonprofits. In most instances, the clients will be unlikely to easily accept/afford the price increase and will look into moving to larger firms. I am concerned that this will have small firms considering closing the A&A portion of their practice.</p> <p>The peer review is already a financial burden on small firms. The hourly rate paid for our annual peer review was significantly more than the partner’s hourly rate on the engagements being reviewed.</p> <p>I would recommend that any firms that have not received any significant findings during their peer review not be subject to such a requirement.</p>

Number	Position	Coded Text
011	Oppose	<p>However, one aspect of the proposed standard is concerning to me – the prohibition on inspections being able to be performed by members of the engagement team. As a sole practitioner, I already have to go outside my firm for EQR’s on broker/dealer audits (currently 20+ annually) and every three years for a peer review. The annualized cost for these services is approximately \$20,000 as it is. As an auditor of broker/dealers, I am also subject to PCAOB inspection – which I have had every three years since the interim inspection program was implemented. As it stands, only a handful of my audits are not subject to EQR and those are subject to peer review, so adding inspection being performed by a person outside my firm seems unnecessary and overly burdensome. Also, I’m not sure the resources exist for those services to be performed. Over the last 10 years it has become increasing difficult to find competent and reasonably priced peer reviewers (I am fortunate to have one of them).</p> <p>I want to ask you to remove the prohibition on inspections being able to be performed by members of the engagement team, or if you do keep that in the standards to provide for some sort of ability for small firms that do high quality work to be able to be exempted from it – maybe by allowing firms that receive a PASS on their most recent peer review to be able to do the inspections internally.</p>
014	Oppose	<p>For smaller firms with 1-2 CPA’s on staff (yes, there are thousands of them out here!) this will be very difficult and expensive to implement. Let’s be honest – the economics of implementation and maintenance will force many of them out of business. Given the current market conditions, it is doubtful that there would be enough people willing to take on the role of performing inspections and EQCR’s for these smaller firms. The requirement that the firm’s peer reviewer can’t play this role will further limit the pool of available resources. In addition, the liability issues surrounding an outsider performing those functions will further reduce the number of professionals willing to take on those roles.</p>

Number	Position	Coded Text
015	Oppose	<p>With that background, I now want to address what I see as an unfair item in the Proposed Quality Management Standards. We perform self-inspections as part of our quality control within the firm. As asserted above, we believe no one knows our client issues better than the CPA resources within the firm. As a result, we are able to properly self-inspect our engagements while maintaining professional integrity for them. Your proposal to end self-inspections would have been no issue during my days working at PriceWaterhouse, but, for the small firm and small business community, this is a problem. For example, audit costs are real and significant within the small business community. We find pressure to keep costs down even greater at the ERISA audit level. While we will not compromise on time and quality to perform these audits, these additional costs of engaging a partner outside our firm will potentially force us to raise audit prices. Contrast this to a larger firm that has partner resources to keep inspections in-house while abiding by your proposed changes simply by shifting to a partner not involved in that particular engagement. This is an unfair advantage to larger firms, it is an additional cost to smaller firms, and, ultimately, the small business clients have no choice but to pay more for the audit.</p> <p>Not only does this have the affect of raising costs where dollars count the most, the small business backbone of our country, it is totally unnecessary. As I described above, we eliminate most of our audit issues by not accepting clients in which we do not have the expertise to perform the audit. You currently have rules in place that demand an auditor have quality controls in place, including engaging outside expertise when issues arise in which the firm cannot handle. If there are firms that are not abiding by the current rules, then the answer is to punish these firms and not to punish all firms. The current rules, when followed properly, allow all firms, from a sole proprietor to a firm with hundreds of partners to govern themselves, use professional judgment and only engage outside personnel when it is necessary. If the current rules are not being followed by certain firms, why do you think they would follow the proposed rules? It is firms such as ours that do care about high quality engagements and are committed to following the current standards that will be punished.</p> <p>Finally, is not one of the purposes of the changes in quality management standards to move beyond a rules based approach to a principles based approach of quality management? Why then would we create a new rule that removes professional judgement when the answer is to enforce the rules already in place? I strongly urge you to remove the disallowance of self-examination from the proposed standards. Please consider the unique world of small business, the rising costs, the logistics with allowing competitors inside small business engagements and the fact there are rules in placed for firms that are not complying with current standards. I believe you will see the removal of self-examination is an unfair burden on smaller firms and their clients.</p>
016	Oppose	<p>This is ridiculous proposal. Requiring an outside CPA to review our work will only allow them to solicit the client and increase costs. We will have done all the hard work, they will have our pricing and all client contact info. In addition this is also redundant with peer review.</p> <p>You will force every small firm out of the attest business, is that what you want.....</p>

Number	Position	Coded Text
017	Oppose	I am commenting in response to the “Proposed Quality Management Standards”. I am appalled by the proposal that self review will be prohibited under this new standard. This strikes at the heart of the CPA profession by challenging a CPAs ethics. CPAs are required to maintain objectivity when reviewing engagements that they have participated in. Beyond this, the proposal will place an undue financial hardship on the sole practitioners by requiring them to hire an outside firm for this element of their quality control. EQRs are already in place and require an independent person to review engagements for which the firm feels is necessary. This proposal will be detrimental to the profession and will mark the end for sole-practitioner firms performing audits. Sole-practitioners play a very important role in the profession and help keep costs down for smaller attestation clients.
018	Oppose	am writing in response to the proposed changes to Quality Management Standards (QMS). I am concerned that there is no floor related to firm-size in proposed QMS changes. We are a one-partner firm, meaning that I perform the final quality review on all compiled financial statements that are issued by our office. The idea to require an independent partner-level review outside my own would mean having to obtain outside services for us. This would be cost-prohibitive and likely lead us to no longer issue compiled financial statements and leave the AICPA peer-review program. Rather than increase your quality standards for smaller firms, I feel your proposal will have the opposite effect by encouraging firms to no longer use any AICPA standards and simply issue financial statements as “No Assurance Provided.” Please re-consider the lack of a firm-size floor in your proposal. Thank you for your consideration.
019	Oppose	As a small successful CPA owner/firm, I strongly urge you to oppose the removal of internal self-inspections. It’s been far too long, that the requirements being placed on firms, especially smaller ones, are being overburdened with new parameters from varying outside parties; IRS,SBA,Banks,AICPA,States,Lenders,etc. We see the dwindling entry of new CPA’s numbers, no longer migrating in, and us small owners in rural states are going out of business. Please leave well enough alone and keep internal inspections rather than outsourcing.
020	Oppose	A couple of the larger proposed changes that we are completely against is the requirement that we will need to have annual outside self inspections. You would be adding more work to our staff in coordinating and working with the outside firm, and greatly increasing costs to have a reviewer in each year to do the self inspection. While the larger firms may be able to absorb those costs, smaller firms like ours take a big hit with this proposal.
023	Oppose	Requiring an annual external peer review is unattainable. We were barely able to get a reviewer for the year required as there were only two reviewers to chose from in the state of Iowa. There are not enough reviewers available to implement an annual requirement. Internal review is done each year as well which allows for another level of training. Firms are not going to chose an unqualified individual to perform these self-inspections which will lower the self-review threat. We are neutral that inspection of completed engagements by those involved in the engagements should be precluded to enhance audit quality.

Number	Position	Coded Text
024	Oppose	<p>It is my feeling that aspects of the proposed quality management standard would greatly impact and place a large burden on small firms. By eliminating the ability to use an engagement team member for inspections, smaller firms would be required to engage another firm or individuals outside the firm to perform inspections. This would significantly increase the price/cost required to perform the engagements. This is a big concern of ours and other similar size firm leaders I've spoken with.</p> <p>As the leader of a small firm that specializes in performing SOC engagements for TPAs, it is difficult to find individuals outside of the firm that have the knowledge and expertise needed to effectively inspect our work. We take pride in our expertise and commitment to serve a specific industry and type of engagement. When utilizing individuals and/or firms outside our firm, we are often required to spend a significant amount of time training and educating the individuals outside our firm in order to feel comfortable with their performance. If we were required to hire individuals outside our firm, we would be forced to significantly increase the price of our engagements while also spending more time (due to the training aspect). We feel like this only benefits firms large enough to have the personnel necessary to meet this requirement. It also benefits larger firms because they are often the only resource available for us to use because smaller firms rarely have the personnel with the necessary expertise to perform the inspections.</p> <p>At a time when most of our clients are struggling to remain in operation, we wouldn't be able to pass along the additional cost associated with this proposed requirement. To summarize, this proposed change would just shift more engagements away from smaller firms to the big 4 and larger firms that wouldn't be significantly impacted by the change.</p> <p>I have never commented on any standard change, but this proposed change has the potential to significantly hinder our ability to serve our clients in an effective and cost-efficient manner.</p>
027	Oppose	<p>As a small firm owner, I want to formally object to the proposed change whereby firms will need to amend/adapt/evolve their system of quality control to incorporate a new system of quality management by disallowing self inspections for smaller firms. This will force these firms, already on a tight budget, to engage outside parties to perform those annual inspections. This will likely further weed out the smaller firms, which certainly serve a need in our nation.</p> <p>I believe that if there is something wrong with self-inspections, more guidance should be put forth and have it be more scrutinized during the peer review process. In other words, fix what we have rather than completely replace it.</p>

Number	Position	Coded Text
028	Oppose	<p>Please do not implement the proposed quality management standards. The self-inspection standard is especially burdensome. It is difficult enough to find a peer reviewer every three years. We have a two CPA firm and may possibly be reduced to one in the near future. In order to comply with this, I will need to engage one firm to do my ECQR, one firm to do monitoring and one to do my peer review. I contacted dozens of firms just to find a replacement Peer Reviewer when mine notified me he was retiring. I was looking in other states for a peer reviewer.</p> <p>It is frustrating that the AICPA has not regards for the impact there regulations will have on small firms. If self-inspection and cooling-off periods for EGR's are an issue for a firm, then it will be addressed in a peer review. At that time, these additional hurdles can be put in place for firms with insufficient EQCR. However, it seems to be unnecessary for all firms to be subject to more stringent guidelines when not all firms are having issues.</p>
029	Oppose	<p>An annual inspection would cost my firm approximately \$10,000, as opposed to hiring another highly qualified CPA for approximately 100,000 per year, if not more based on the qualifications they need to perform quality audits. Making the changes as stated in the ED would dramatically impact smaller firms and may push many to retire early or cut back on services, which would only impact the shortage of qualified CPAs to perform the needed audits of various industries. Many CPAs become sole practitioners or start smaller firms to offer services in just one industry or attestation area, which they are able to complete work more efficiently, with greater quality and profitably than their peers in medium to large firms.</p> <p>This will also affect many accounting majors that are considering becoming a CPA to start their own practice. Additional burdens will have to be overcome and they may see a venture off on their own as unattainable based on the additional changes, doubled with its affordability. The country is in dire need of more CPAs with the older generations retiring and leaving the field and accounting majors declining, as noted here in The CPA Journal in 2020 https://www.cpajournal.com/2020/10/12/the-future-of-accounting-education/.</p> <p>Many CPAs that were once considering purchasing a sole practice or small firm may also pass on the opportunity if the changes in the ED are passed. CPAs are usually very conservative and not the most risk taking individuals, so adding additional monetary and regulatory pressures on them may constrain the dream of having one's own practice.</p>
032	Oppose	<p>While self-inspection has never made any sense to me, the prospect of tripling the quality control costs for small firms (essentially requiring a peer review every year, instead of every third year) would be a significant economic cost to those small firms and would likely result in some small firms either discontinuing audit, review and compilation services, or finding it necessary to merger with a larger firm. Neither of those results would be in the best interest of the profession as a whole.</p>

Number	Position	Coded Text
033	Oppose	<p>I am writing regarding the proposed Quality Management Standards. I am the managing partner of a small CPA firm. We have 2 CPAs and 2 non-CPA accountants on staff. Our firm does not perform audits, however we do perform review engagements and, of course, have the ability to engage in other assurance services. The proposed new measures that would eliminate the self-inspection and the implementation of a two year cooling-off period would cause a burden on small firms like mine. The profession is one of integrity. We've even created a self-regulation system to ensure the quality of work performed by our profession. Adding these new rules will only add cost to already low margin engagements and will result in lost revenue to smaller firms who will now need to engage others to do the inspection of the engagements and will need to turn away existing clients due to new proposed cooling-off period.</p> <p>Please consider these points as this initiative moves forward. I believe the profession has adequate measures already in place to address the concerns these 2 things are meant to address.</p>
037	Oppose	<p>Do you realize the costs to hire an outside firm to do the self inspection on the 2 years there is no peer review? Is the intent to get rid of small firms? Do they realize that especially in downstate Illinois many entities can not afford the larger firms and come to small firms as we relate more to them being small govts and their budgetary concerns. Will this really do any good? We strive to stay current on issues and only become involved in audits we feel qualified to perform. We will have to pass these costs along. We are in central Illinois and there is a huge issue with having enough attorneys in the area to handle the work and if you try to remove all of us small accounting firms where will people go – we do many small governments and their budget won't allow for the larger firms to come in and do the work – they are seeing this with attorneys – many are not even using legal counsel unless there is an absolute need which can also lead to issues. Are there enough firms to do this self inspection? We struggle to find qualified peer reviewers for what our practice has – ours is from Iowa now. Young people already don't want to enter this profession. Having been a CPA for over 30 years I really don't feel we need more regulations – all the standards now really aren't for the small business/govt but these are the backbones of society. It sounds like we don't trust our own peers to do what is right. You may force many small quality firms out of business – is that your intent – what are you saying to young CPA's who maybe dream of owning their own firm in a small town. I have enough work for another CPA besides the other full time and part time CPA that I have but they don't want to locate to small areas so it has been impossible to find anyone. Please think about the small firms and the smaller clients that rely on them. We can't all be Chicago.</p> <p>Thank you for your time.</p>
038	Oppose	<p>I am a sole practitioner CPA. I only do compilation reports. I preform NO review or audit engagements. From my understanding from the peer review update email is that the proposed changes would require myself to hire an outside CPA every year to check over my compilation reports even though I have a peer review done every three years. If I am correct in reading the email, this will be huge financial burden on my single CPA firm which may require me to change the services my firm offers to clients.</p>

Number	Position	Coded Text
039	Oppose	Adding another level of inspection only seeks to increase the costs and administrative burden on firms that are currently complying with the requirements. There is no additional benefit to this procedure. It is overkill. Is the next step to review the reviewers who review the reviewers.
041	Oppose	<p>Current quality control (QC) standards permit individuals associated with an engagement or who perform the engagement quality control review (EQCR) on an engagement to also inspect the engagement as part of the firm’s annual monitoring process. Under the proposed quality management (QM) standards, self-inspection will not be permitted. Thus, smaller firms with fewer individuals capable of performing the monitoring procedures may be required to engage individuals outside their firms to perform their annual inspections.</p> <p>Please note the following:</p> <p>1) The cost of this outside annual inspection will be time by me for the process and fees due to the outside reviewer. I know that if I add such cost to some audits those clients will cease having services or go to a lower service. I do not think this will serve them or the public. If I do not add the cost to the fee then I am working for free and having a smaller take home pay to my family.</p> <p>2) Who is going to approve these inspection results and what will be there time line for completion? I work with the Illinois CPA Society for my peer reviews. My last two peer reviews took seven months on average to complete. A large percentage of this time was my waiting. The peer reviewer had other reviews in progress and then the waiting for final approvals. The later took several months. It is common knowledge among the CPAs I have spoken with that there are not enough reviewers on my end and not enough persons on the approval end to provide a timely peer review. This will add to the already over stretched timeline. That will not benefit anyone.</p> <p>3) This standard will place a higher burden on smaller firms. This will move some CPA firms out of the business of providing services covered by this standard. Any time a pool of providers shrinks the cost goes up for those accessing the service. Some may choose to not have the service. How is this serving the organizations and the public? Especially how is this serving smaller organizations requesting or requiring services?</p>
042	Oppose	<p>I am concerned about the proposed changes to the Quality Management Standards. I am a small sole proprietary, but I work hard to do good audit work. I am concern about the additional cost to my firm if the proposals go through.</p> <p>I would need to pay for someone outside my firm to do the inspections.</p> <p>Most of my audits are governmental audits (school districts). All of the school district audits in Kentucky are reviewed annually by the Kentucky State Auditors Office. Would this be considered acceptable for inspection?</p>

Agenda Item 4C – QM Comment Letter Analysis: Self-inspection

Number	Position	Coded Text
043	Oppose	<p>I do not agree with the proposed changes regarding the self monitoring between the 2 years of the peer review. I have always had a good peer review every 3 years and received good feedback and support from the reviewer.</p> <p>If I am forced to hire another firm to do my self monitoring I most likely would close my business. It would cost me additional fees every year instead of every 3 years. Also, it would be hard to find another firm to do this in my area. Most firms in my area are very busy doing the same types of audits I do.</p>
046	Oppose	<p>The EQR and inspection requirements in the new QM standard will set many small firms up for failure. I believe it is onerous on many to need to go to an outside firm for EQR (and in many cases for annual inspections), and unwarranted in some cases. I know firms that the main A&A partner is a peer reviewer (or qualified to do so if he wanted to perform such reviews), and would better qualified to objectively “look back” at his/her engagements when performing inspection than going to an outside firm.</p>
048	Oppose	<p>The self-inspection proposal is just driving up the costs that a sole proprietor or small practice has to absorb. Why not just be honest and dictate the firm's size that you want to anoint to do the engagements (audits, compilations, etc.).</p>
049	Oppose	<p>Specifically, the prohibition of self-monitoring and the partner cooling off requirement, will prevent most rural, main street accounting firms and all sole practitioners from being able to achieve compliance with the proposed standard without the aid of an outside firm for even the most straight forward and simple of attest engagements, and for its overall risk assessments for the management of their practices.</p>
050	Oppose	<p>These standards will have a decimating effect on solo practitioners. Small firms simply don't have the margins to cover the costs of outside review of each of their engagements. We already have peer reviews, why is this additional layer of monitoring needed? Y</p>
054	Oppose	<p>To add the cost of professional service would be cost prohibitive and I am not sure I can pass the cost along.</p>

Number	Position	Coded Text
055	Oppose	<p>The Committee members do not agree with the implicit assumption (by precluding those involved in engagements from performing inspection) that a third-party review invariably enhances audit quality. To the contrary, some risk may increase by using a third-party reviewer who otherwise may be suitably qualified, but who may not have the equivalent expertise, or an in-depth knowledge of the industry or the client, to perform a high-quality inspection for certain complex engagements. For example, not all single audit or employee benefit plan audits have the same complexity. The Committee recommends using peer review results as an alternative safeguard, instead of independent third-party reviews, to achieve the same goal of enhanced audit quality. This alternative safeguard is better aligned with a risk-based approach to Quality Management. If a firm receives a “Pass” report on its peer review, from a risk-based perspective the inspection process is effective and adequate for the firm, thus not necessarily requiring an independent inspection. If a firm receives a “non-Pass” report and the inspection process was determined to not be effective or not performed at all, then the firm should consider its risk in the inspection process and determine if an independent inspection might be needed. At that time the firm should consider modifying its policies and procedures for one or two years, until such time the firm has corrected issues noted in its peer review and/or inspection reports. This alternative gives firms some leeway in its approach and is not a mandated inspection approach.</p>
056	Oppose	<p>SELF-INSPECTION- Purpose of a Peer Review? Cost factor? Peer Reviews have escalated in costs in recent years. Why should the small firm/sole practitioner have to pay for a self-inspection by an outside firm in each of the two years when a Peer Review serves the same purpose in year three? Again what is the purpose of a Peer Review if you are being forced to accomplishing the same task each year? This will be an additional cost which is totally unnecessary.</p>

Number	Position	Coded Text
057	Oppose	<p>Thanx for your response. I'm sorry, but I'm trying to wrap my head around how I can feasibly implement bringing in an independent person for self-inspection. I was on the AICPA's Peer Review Home Page. For my home state, Massachusetts, I noticed that there were only 23 peer reviewers listed. And there were 1,644 Public CPA firms listed that underwent peer review. As I mentioned to you on the Mass. Society of CPAs Zoom webinar, I had enough trouble finding a peer reviewer.</p> <p>I'm not sure that it's feasible to find another qualified outside person to inspect my engagements. I suspect that the other 22 peer reviewers are busy. And, if I select a person not listed above, how do I know if that individual is qualified? Does this mean that I have to interview this individual? And then check references? And if I have to hire an independent person every year to review my system, why do I need to undergo peer review every three years? I might as well ask this individual to review my workpapers as well.</p> <p>It took me almost six months to find my last peer reviewer because my previous peer reviewer quit, and the five people they recommended also quit. Also, at least one individual of the above 23 peer reviewers isn't accepting any new clients. This is a very time-consuming and costly because I'm spending a significant amount of time on non-value/non-billable work to find an individual.</p> <p>I feel confident in my current self-inspection process. Like tax returns, I have a checklist for the financial statements/agreed-upon procedures I perform. I usually review/update this checklist about 1-2 weeks after I've prepared a draft of the independent accountant's report. If I've missed something, I correct it for current & future engagements. I do this for all tax returns that I prepare (including my niece's taxes – a single W2 and ROTH contribution.)</p> <p>I'm confident that I'm not alone and that other solo/small practitioners face the same challenges.</p>
059	Oppose	<p>We as CPA's not only have to survive the toughest licensing examine for any professional, but we have stringent guidelines we have to follow year in and year out. Currently a peer review costs a small firm \$4,000 to \$6,500 every three years. Now with the new proposal that cost will now become annual and then double the cost in the year the peer review is required. So now instead of \$4,000 to \$6,500 every three years it will be \$16,000 to \$26,.000 every three years. For a firm whose auditing fees annually are \$30,000 to \$40,000 this is half the fees eaten up with the new costs associated with being licensed to perform audits. Does this seem reasonable to you? This could be the difference in hiring new employees or going out of business.</p>

Number	Position	Coded Text
061	Oppose	The standard does not need to suggest that small firms must hire an external person to carry out inspections or monitoring activities. This would essentially be an annual peer review and costly. In addition, clarity should be provided on what is considered a “small” firm. Assuming “small” firms are those that do not have the internal capabilities to perform the “independent” inspections, there may be safeguards that could be identified for those firms. For example, additional CPE in the areas of quality management related to the engagement types within those firms could be required of those individuals who perform inspections but are not “independent” of those engagements. Another safeguard could be to bridge the self-inspections with the peer review process by requiring a review of the self-inspected engagements as part of the firm’s peer review.
062	Oppose	As a seasoned CPA within a small firm, I would like to request that these new standards not be imposed upon myself nor my fellow CPAs. In my opinion the current Peer Review requirements, including the current engagement quality review, is more than adequate to ensure that the CPA profession is meeting its standards to protect and safeguard the users of our financial statements. These additional proposed requirements are overkill and pose additional unnecessary financial commitments on the profession, particularly us smaller firms. Currently, I believe that the professions is doing an outstanding job of self-policing itself and further requirements at this time would most definitely be a hardship for many to meet.
063	Oppose	It will diminish the standing of smaller firms who will have to explain to long term clients why we can no longer provide attestation services as we have always done, or try to explain why we cannot release the financial statements we have prepared because an accountant from another firm must inspect them first and he or she is too busy this week. The AICPA has to realize that this will put small firms at a severe competitive disadvantage.
064	Oppose	The cost to engage an outside firm to perform annual inspections erodes the margins from audit engagements and creates an unfair playing field for the smaller firms.
067	Oppose	Self-Inspection: Prohibiting this would be detrimental to smaller firms, as they will not do it (causes peer review issues) or they will have to spend money to have someone else do it. This also hurts larger firms as if a firm specializes in one area and as example only has 3 staff in that area, they would not have anyone qualified internally to do the inspection. In addition from a peer reviewer (which I am one), if this passes as is, I might decide to do inspections for firms that need it, and get out of the peer review program, and it is already projected we will be short of peer reviewers in the future. Strongly against prohibiting self-inspection

Number	Position	Coded Text
068	Oppose	<p>Self inspection should continue to be allowed for the following reasons"</p> <p>-We are already subject to peer review every three years, this should be enough. If self inspection is not allowed and my firm has to get an outside service to perform a review of our work, then peer review should be eliminated for the small firm. Effectively, an outside review is a realtime peer review. Please stop making it difficult for small firms to survive by imposing ridiculous impossible standards on us.</p> <p>-Small firms all over the US will not survive and audit quality will be reduced. If we perform an audit for \$6,000 and have to pay 1,500 or 2,000 for an outside firm to review our work not only will we lose money but our emphasis will simply be on passing the outside QC review and distract from the main purpose of the audit which is to gather enough evidence to express an opinion.</p> <p>-Once again, the future of our profession is being dictated by individuals that have never served in a small firm. Individuals that don't understand the dynamics of a small firm. My firm consists of four professionals, two of which perform audits. I don't have "teams" of "young talent" as they are often called in the JOA and other publications. I am the "team" My firm is truly a small firm. My firm is already subject to peer review and by making my firm subject to a constant realtime peer review of sorts is ridiculous, redundant and being suggested by those who only understand quality from a big accounting firm prospective</p> <p>To sum it up, self inspection should be allowed in the proposed changes. Disallowance of self inspection will only hurt small non profit and Mom and Pop organizations that are subject to audit (by increasing their fees to cover extra costs), it will hurt small firms by forcing many out of the profession because of this ludicrous idea. We already have peer review, where does the regulation end?</p>

Number	Position	Coded Text
069	Oppose	<p>While we acknowledge that inspection of completed engagements by personnel with no previous involvement on the engagement may or may not lead to more effective inspection results, there is an incorrect presumption that knowledge of the client lacks objectivity. We believe client knowledge is beneficial in an effective review. In addition, we believe the requirement will place an unfair burden on firms with a limited number of personnel.</p> <p>Sole practitioners and other small firms will often have to hire an outside firm to perform this inspection. These firms are less able to pass these additional costs on to clients and may also have trouble finding a comparable-sized firm with the appropriate industry expertise to perform the work. There are less peer reviewers and other outside firms may not have the expertise to provide the appropriate external inspection. If a small firm is already performing well, including getting pass ratings on its peer review and avoiding nonconforming issues, the requirement would seem to be an unnecessary cost burden. This could also cause some of these peer reviewers to make certain economic decisions such as performing services for a firm two out of three years. It may create a situation where it is more economically advantageous to avoid performing peer review and only perform firm on firm internal inspections.</p> <p>There are further safeguards that can be implemented to lower self-review threat and enhance audit quality. First there could be a requirement of an internal inspection by manager level or higher. The reviewer should be required to have twenty-four hours of A&A CPE in the previous two years. In addition, practice aids should be developed on how to perform an effective review and should involve such items as a focus on new standards applicable to the client, key audit matters related to the engagement and the high-risk areas of the engagement. For sole proprietors performing their own review, there should be a cooling off period of 6 months before the internal inspection is performed for the engagement. Personnel performing inspections should have a minimum of eight hours CPE every three years that specifically relate to performing internal inspections or engagement quality reviews.</p> <p>Larger firms with multiple technical experts on staff are likely to already have this policy in place and therefore, will not have to make operational changes or incur additional cost to implement this requirement. Again, one could make the argument to make a more standard uniform across all firms, that every firm would need to seek an outside quality control reviewer to keep the impacts of the new standard fair across all firm types and sizes.</p> <p>Another possible impact would be more small firms leaving the auditing profession creating less competitive options for the general public when hiring an auditor creating more expense for an audit. Increased fees because of this requirement and possible reduction in available auditors could discourage clients, including smaller nonprofits, from having an audit performed. This would not serve the public interest.</p>

Number	Position	Coded Text
070	Oppose	Adding a third set of eyes will not significantly improve audit quality. The proposal assumes that if a firm has a third individual, unrelated to an attest engagement, that person will have the superior knowledge and experience to properly fulfill the quality review position. Getting someone from outside the firm with the knowledge and experience necessary can be difficult for a smaller firm. If I understand this proposed standard, the ideal is to have a reviewer with the same knowledge and credentials as a peer reviewer look at every engagement. The number of reviewers required under this scenario is exponentially greater than the number of Peer Reviewers and I have no idea where they would come from.
070	Oppose	The number/percentage of failed attest engagements has not been disclosed and is key to understanding the need for independent review beyond Peer Review. If upon Peer Review, a firm receives a Fail rating then it is understandable that there should be a requirement for use of an independent third-party reviewer until such time that an independent reviewer indicates that there is no longer a problem. If a firm gets a "pass" rating, then why should it have to bear the cost and other issues that comes with third party inspection.
070	Oppose	What happens if after using a third-party reviewer there is still a problem identified by a Peer Review. Do we then start adding more and more levels of review. Not passing a Peer Review should result in remediation and if that does not work then AICPA membership and license revocation should be imposed.
071	Oppose	For the SFSPs, the Group believes that practices may be put in place to comply with the standard that will diminish audit quality. Some such considerations would be a) for the firm to determine on a risk-based approach that no engagements require an engagement quality review, and b) that terminology such as "concurrent review" will be used in order to avoid the engagement quality review requirements. Further, we note that at a smaller firm, the designated quality control partner is likely to have client service responsibilities as well, and that just the act of changing the engagement partner automatically changes the perspective on the engagement without further safeguards. In order to comply with the proposed standard, smaller firms may be required to seek outside engagement quality reviewers, who may be less qualified than firm partners.
071	Oppose	<p>The Group believes precluding individuals involved in the engagement from inspecting completed engagements will not necessarily enhance audit quality. The Group believes the following safeguards will reduce the risk associated with self-review to an acceptable level.</p> <p>The passage of time - typically an engagement inspection would occur at least several months after the engagement was performed, giving the audit professional time to take an objective look at the engagement;</p> <p>Using checklists and practice can provide a more objective and unbiased perspective when performing an engagement inspection that did not exist when the engagement was originally performed; and</p> <p>Peer review provides a thorough, unbiased inspection of the firm's engagements at least every three years, and provides the firm with guidance on implementing best practices.</p>

Number	Position	Coded Text
073	Oppose	<p data-bbox="454 216 1510 430">My main area of concern is with “Self-inspection” and smaller firms. You guys always state that everything should be based on risk. Therefore my inspections would identify the same engagements that my firm is ALREADY paying an outside CPA to perform an “External Quality Control Review” on before the report is issued. Why is this necessary other than to drive my costs up? However, there are no CPAs out there with time to do this inspection for me because the qualified CPAs are out doing their own audits.</p> <p data-bbox="454 462 1510 567">My contention is that the large firms want to eliminate the small guy (eliminate competition) by driving up costs and creating bars that are so high no one can jump over them. This in my book is another form of socialism.</p> <p data-bbox="454 598 1510 777">The audits that I do KPMG or even a large local firm does not want to do them. I am already receiving numerous calls from small organizations stating that their former CPA had fired them because their audits weren’t worth their time. All your rules will only drive out the honest CPA who is trying to follow the standards but is getting fed up with it all.</p> <p data-bbox="454 808 1510 892">The unethical people in our profession will remain and be the only ones left because they will find a way around your rules probably in an unethical manner.</p>
074 TN Dept of Audit	Oppose	<p data-bbox="454 903 1510 1008">We believe the self-review should be discouraged but not prohibited if sufficient mitigation existed. The rule should not immediately prohibit the self-review action without consideration of mitigating factors.</p>
075 coastal- peer- review	Oppose	<p data-bbox="454 1018 1510 1266">Inspection, however, has a more indirect impact on quality. We recognize that inspection plays a role in the overall system of QM, however its benefits are generally prospective. Also, as noted in paragraph A167, the objective of a peer review is similar to that of inspection procedures. Therefore, all firms are subject to a complete totally independent inspection (peer review) every three years. These comments are made to add perspective and a cost benefit consideration to the discussion about self-inspection below.</p>

Number	Position	Coded Text
075 coastal- peer- review	Oppose	<p>Many smaller firms do not have the resources to form an inspection team of qualified individuals with no involvement in the engagements to be inspected. A total prohibition on self-inspection will cause them to either use a person who is not qualified to inspect the engagement which likely will not add to quality; or hire outside the firm which is similar to having a peer review every year. To firms conducting quality engagements this is overkill.</p> <p>To firms with quality issues, the peer review process already has a corrective action process which can involve directives regarding inspection (see below).</p> <p>We agree that self-inspection should be avoided when another qualified person in the firm is available. We think the standard should address the risks of self-inspection, but not prohibit self-inspection where it cannot be avoided. Instead, safeguards responsive to the risk of self-inspection can be required. The risk of “not knowing what they don’t know” can be mitigated by the use of an appropriate practice aid (different from any practice aides used to perform the engagement) such as AICPA peer review checklists, which can be an effective safeguard.</p> <p>We believe that for most firms this can be more than sufficient, and to require those firms that generally perform quality work to hire outside inspectors is not cost effective or necessary.</p> <p>For firms with quality issues, the peer review process already has a process for remediation through required corrective actions. Ineffective monitoring is a possible systemic cause when evaluating findings and deficiencies in a peer review. Peer review committees could focus on self-inspection as a root cause when ineffective monitoring is identified and assign corrective action accordingly. These corrective actions usually involve hiring a qualified person acceptable to the peer review committee to perform pre- or post-issuance review of engagements or the entire inspection. These corrective actions are done at the firm’s expense. Therefore, there already exists a system in the United States for firms where it is considered necessary to improve quality. However, this added cost should not be imposed when the results of peer review indicate the firm’s QM system is operating effectively.</p>
076	Oppose	<p>In a small firm setting, the involvement of a 2nd partner during completion of the audit may be a necessity in order to get work done. In our firm, we at times will have a second partner work on an engagement as a "staff" member while the audit partner in charge remains in his or her normal role. In this instance, we fully disagree with the proposed guidance as we feel the 2nd partner involved would be able to complete a QC review... it's their firm to so why would they want to issue reports that are substandard? We do feel if a firm has enough partners available, then a partner that does not have any involvement with the engagement should be charged with any QC reviews.</p>

Number	Position	Coded Text
079	Oppose	Prohibition of self-review on inspections. (1) the prohibition of self-inspection is totally inconsistent with a risk based approach to quality firm management as it bars the firm from making its own professional judgment. (2) the prohibition of self-inspection flies in the face of the overall results of peer reviews, which reflects that the vast majority of firms are receiving peer review report ratings of pass, both in system and in engagement reviews. Since from the stats previous noted about 99% of the firms in the US are small firms, and since the overall fail rate is no more than 10%, one has to conclude that small firms are not the problem SQMS 2 standards are designed to cure. (3) Peer Review pass rates seem to show that many firms that use self-review are passing peer review, which stands as prima facia evidence that self-review can work. (4) My conclusion is that the prohibition to self-review for inspection starts with the false straw man that it can't work, and that something needs to be fixed. The AICPA's Peer Review statistics show that this is a false premise. (5) Peer reviews of firms that do self-inspection and that are found to not be performing in accordance with professional standards are already subject to a process of corrective action that often includes having to have their inspections done by third parties acceptable to the peer reviewing administering entity. The system that is in place already provides the safeguard for the public if a firm doesn't perform in accordance with professional standards.
079	Oppose	Strongly disagree
080	Oppose	In our case it would mean pulling a great field auditor from our 10 SOC audits so that they can perform QC work. Taking that auditor off the audit in fact could diminish the quality of the audit, which defeats the idea of quality control. The idea of hiring a third party is going to be extremely expensive and time consuming.

Number	Position	Coded Text
082	Oppose	<p>“More bricks, less straw” - It has become increasingly difficult for most accountants to manage their workloads, and adding additional administrative burdens is not helping. I have had many conversations with other practitioners of firms varied in size. Many are exiting the profession, and there are very few students of accounting entering the pipeline. I have turned away a lot of work in order to maintain an acceptable level of quality on engagements, and many others are doing the same. It is becoming ever more difficult to schedule outside EQ reviews. Currently, there is only one CPA I have found with the necessary skills to perform EQCR work on my engagements. His schedule is very busy. Lauren Corey Consulting’s current arrangement with his firm for this service includes a hold harmless clause (I maintain full responsibility for engagement quality). The ASB should consider the overall impacts of these proposed changes on the profession (specifically, the prohibition of self-inspection for sole practitioners). My understanding is that peer reviewers and professionals doing EQ work are stretched very thin and many of them are retiring and not being replaced with incoming peer reviewers. Honestly, I am not sure how I will find someone, or a firm, to perform my entire annual inspection from soup to nuts (CPE, licensing, updated QCD, etc.) although I might find someone to look at a job or two. The proposed changes remind me of the decision years ago to require CPA candidates to earn 150 credit hours in order to qualify for licensing. It is not a surprise to me that the number of students entering the accounting field has dried up in recent years. I do not see how that decision improved quality in our profession. I am trying to understand how the proposed changes to quality management (QM) requirements on CPAs, who are already at capacity, will help quality. It is clear to me that more available time is needed to focus on attest engagements and related issues. I worry these proposed changes may push CPAs into retirement. Although I personally appreciate outside review of my work because it enhances the overall product, the administrative burdens of this proposal could likely prove to be too much. These changes may result in a further escalation of the existing shortage of skilled CPAs.</p>
084	Oppose	<p>2. To place the burden of having a "system review" and requiring outside reviewers on sole practitioners who do not perform audits is a very costly and unpractical idea. Most of us cannot hope to pass these costs on to our small non-profit and business clients and still retain them. Many will not go elsewhere, they just will not have the service performed.</p>
085	Oppose	<p>am against the proposed self-inspection change. I am a sole practitioner and would have to engage and pay an outside CPA to perform the self-inspection.</p>

Number	Position	Coded Text
086	Oppose	<p>Proposed SQMS No. 1 would prohibit the use of an engagement team member or the engagement quality reviewer of an engagement from performing any inspections on that engagement. We believe that this prohibition will create a struggle for qualified resources as firms will have to identify and engage multiple qualified quality review experts to</p> <p>meet this compliance requirement. This could be challenging given the significant shortage of peer reviewers and other qualified professionals. This would impact smaller firms considerably as well as those firms that operate in niche practice areas. Consider the sole practitioner who will need an EQR professional or another qualified practitioner to perform inspections and a third expert to perform their peer review. This is excessive.</p> <p>The Auditing Standards Board requested input regarding potential safeguards to reduce the self-review threat. The committees suggest a more flexible approach to developing self-inspection policies that take into consideration the risks associated with the firm’s engagements, whether the firm’s engagements are high risk, standards changes, or changes in the auditee’s operating environment (e.g., COVID-19 impact); whether the firm is undergoing peer review in the current year; and whether the firm has had an engagement quality review for a selection of its attest work.</p>
087	Oppose	<p>The proposed standards offer a modicum of scalability in some key areas. This is commendable. Yet, what they grant with one hand they take away with the other, by mandating that no member of an engagement team can inspect an engagement that he or she participated in. It has been well-noted that this will impose a costly burden on small firms, and will have the effect of driving many out of A&A practice altogether. This is first of all, anti-competitive. Secondly, it is bad public policy because it will reduce the supply of accounting firms available to report on financial statements. Many small businesses need only to submit full disclosure compiled statements to their banks for credit purposes.</p> <p>It makes sense to have the same firm that does their taxes and bookkeeping do this, rather than searching out some other firm, after the existing firm has gotten out of A&A practice. This will have particular effect on small businesses in rural areas where accounting services are scarce. And it will likely raise prices to those businesses. The proposed standard should have an exemption for firms that perform only compilations and preparations. The accountant expresses no assurance in these engagements, and there is no public interest served by mandating this outside inspection requirement. It will only drive small firms out of the compilation business, and force their clients to seek more expensive services from larger firms. Having an exception for compilation/preparation-only firms would provide relief to the many firms that would be impacted by this proposed standard.</p> <p>There is also the fact that there are many small firms that are doing excellent A&A work. This proposed approach tars them all with the same brush as the bad actors.</p>

Number	Position	Coded Text
089	Oppose	<p>We disagree that the inspection of completed engagements by those involved in the engagement should be precluded to enhance quality. For the standard to be scalable yet still provide for enhanced audit quality, we recommend that firms explicitly be required to evaluate the risk of self-inspection considering the specific nature of their engagements and practice, and document their specific responses to mitigate the threats identified. The documentation should reflect that the ability to mitigate this threat is expected to be rare, but we do not believe it can never be overcome. More specific examples should be provided of the level of involvement in the engagement for which the self-review threat cannot be overcome.</p> <p>The cost-benefit ratio of precluding all potentially involved parties is too great, resulting in a standard that is not scalable to the smallest practices, and will restrict audit supply to the detriment of the profession. We believe that for some parties (e.g., the firm’s QC partner,) for system reviews with prior good experience, or for engagement reviews with low risk in the nature of the firm’s engagements, the self-review threat could potentially be mitigated.</p>
093	Oppose	<p>While we acknowledge that inspection of completed engagements by personnel with no previous involvement on the engagement may or may not lead to more effective inspection results, there is an incorrect presumption that knowledge of the client lacks objectivity. We believe client knowledge is beneficial in an effective review. In addition, we believe the requirement will place an unfair burden on firms with a limited number of personnel.</p> <p>Sole practitioners and other small firms will often have to hire an outside firm to perform this inspection. These firms are less able to pass these additional costs on to clients and may also have trouble finding a comparable- sized firm with the appropriate industry expertise to perform the work. There are less peer reviewers and other outside firms may not have the expertise to provide the appropriate external inspection. If a small firm is already performing well, including getting pass ratings on its peer review and avoiding nonconforming issues, the requirement would seem to be an unnecessary cost burden. This could also cause some of these peer reviewers to make certain economic decisions such as performing services for a firm two out of three years. It may create a situation where it is more economically advantageous to avoid performing peer review and only perform firm on firm internal inspections.</p> <p>There are further safeguards that can be implemented to lower self-review threat and enhance audit quality. First there could be a requirement of an internal inspection by manager level or higher. The reviewer should be required to have twenty-four hours of A&A CPE in the previous two years. In addition, practice aids should be developed on how to perform an effective review and should involve such items as a focus on new standards applicable to the client, key audit matters related to the engagement and the high-risk areas of the engagement. For sole proprietors performing their own review, there should be a cooling off period of 6 months before the internal inspection is performed for the engagement. Personnel performing inspections should have a minimum of eight hours CPE every three years that specifically relate to performing internal inspections or engagement quality reviews.</p> <p>Larger firms with multiple technical experts on staff are likely to already have this policy</p>

Number	Position	Coded Text
		in place and therefore, will not have to make operational changes or incur additional cost to implement this requirement. Again, one could make the argument to make a more standard uniform across all firms, that every firm would need to seek an outside quality control reviewer to keep the impacts of the new standard fair across all firm types and sizes.
094	Oppose	Shifting firms from engagement level monitoring to system monitoring will require many firms and sole practitioners to engage outside resources simply because they are limited in people who meet the requirements. This incurs additional costs and adds to the time required and steps of an engagement, while not necessarily improving audit quality or providing enhanced service to the public interest.
095	Oppose	Both committees agree that it would be a best practice to preclude inspection of completed engagements by those involved in the engagement in order to enhance audit quality. However, the committees are not convinced of the benefit of such a requirement. Persons involved in the engagement are more likely to notice irregularities executed by the client, since they have experience with the client’s operations. Therefore, the committees believe that this should be a “best practice” recommendation rather than a requirement. While inspections outside the firm may be more objective, there is no certainty that they would improve audit quality since firms may arrange reciprocal agreements with other audit firms to exchange review services.
097	Oppose	We don’t see how this work for small firms that don’t have the personnel capacity to handle the segregation desired. Related to most of the concerns above, this fails to acknowledge small firms who do not have that luxury. A safeguard of lowering the objectivity threat is placing a higher reliance on peer reviewers as their purpose is to review our quality of work.

Number	Position	Coded Text
098	Oppose	<p>We believe there is an incorrect presumption that knowledge of the client creates and environment where there is a lack of objectivity. We believe client knowledge is beneficial in an effective review and improves overall audit quality. In addition, we believe the requirement will place an unfair burden on firms with a limited number of personnel.</p> <p>Sole practitioners and other small firms will often have to hire an outside firm to perform this inspection. These firms are less able to pass these additional costs on to clients and may also have trouble finding a comparable-sized firm with the appropriate industry expertise to perform the work. There are less peer reviewers and other outside firms may not have the expertise to provide the appropriate external inspection. If a small firm is already performing well, including getting pass ratings on its peer review and avoiding nonconforming engagement issues, the requirement would seem to be an unnecessary cost burden. This could also cause some of these peer reviewers to make certain economic decisions such as performing services for a firm two out of three years. It may create a situation where it is more economically advantageous to avoid performing peer reviews altogether, further decreasing peer reviewer availability.</p> <p>There are further safeguards that can be implemented to lower self-review threat and enhance audit quality. First there could be a requirement of an internal inspection by manager level or higher. The reviewer should be required to have twenty-four hours of accounting and auditing continuing professional education (CPE) in the previous two years. In addition, practice aids should be developed on how to perform an effective review and should involve such items as a focus on new standards applicable to the client, key audit matters related to the engagement and the high-risk areas of the engagement. For sole proprietors performing their own review, there should be waiting period of 6 months before the internal inspection is performed for the engagement. Personnel performing inspections should have a minimum of eight hours CPE every three years that specifically relate to performing internal inspections or engagement quality reviews.</p> <p>Larger firms with multiple technical experts on staff are likely to already have this policy in place and therefore, will not have to make operational changes or incur additional cost to implement this requirement. Again, one could make the argument to make a more standard uniform across all firms, that every firm would need to seek an outside quality control reviewer to keep the impacts of the new standard fair across all firm types and sizes.</p>
099	Oppose	<p>Strongly disagree. In small firms there may not be anyone else to do it. Small firms should not be forced to go outside the firm for this. P</p>
100 TIC	Oppose	<p>While TIC acknowledges that there is a self-review threat when an inspection is completed by an individual who was involved in those engagements, TIC disagrees with inclusion of such a restriction, as we believe that adequate safeguards can be put in place to address the self-review risk in this area. Our concerns in this area as well as our suggestions can be found in Section 2 above.</p>

Number	Position	Coded Text
100 TIC	Oppose	<p>While TIC understands the position of the Board as outlined in the SQMS with regard to self- inspection and the importance of convergence with international standards when possible, TIC respectfully disagrees with the Board’s conclusion “that this requirement is necessary to enhance audit quality” as indicated on page 28 of the proposed SQMS. The specific prohibition on self- inspection is an area where TIC believes that a divergence from international standards would be acceptable in certain circumstances with safeguards or other requirements as discussed elsewhere in this letter.</p> <p>TIC is concerned that this prohibition may create undue operational and cost burdens on smaller firms or firms with specialized niches, as in many cases they simply do not have the resources to comply with this requirement. Our concerns regarding both the impact on quality and firm operations in this area as well as potential solutions to those concerns are documented in Section 2 below on Scalability.</p>
101	Oppose	believe that the ASB can maintain current quality control standards, with some modification and still be substantially compliant with IAASB standards on this standard.
101	Oppose	As a peer reviewer I work with a large number of smaller firms that I believe will have significant challenges implementing the proposed standard as currently written. I wish to remind the ASB that 70% its public member firms are comprised of firms with five (5) or less professionals. In my experience, the overwhelming number of these firms have only one individual qualified to act as an audit engagement partner and to supervise and perform the firm's internal monitoring procedures. As a result, substantially all of these nearly 16,000 firms will incur additional outside costs to comply with this proposed standard because of the "self-review" requirements for monitoring. The proposal does not include any criteria or evidence that the benefits of implementing this standard will exceed the costs other than an unsupported belief by the ASB that this is the case.

Number	Position	Coded Text
102	Oppose	<p>engagement quality reviewer from performing monitoring activities.</p> <p>The members contend that there are small and medium sized firms that are perfectly capable of inspecting engagements and properly performing monitoring so that their monitoring is in accordance with standards.</p> <p>The members have two basic concerns. The concerns are cost of bringing outside reviewers to perform monitoring plus the availability and timely scheduling of those outside reviewers to perform monitoring services for small and medium sized firms. Members concerns on the timely scheduling of the outside reviewer is that the lack of availability will not meet client needs and/or deadlines.</p> <p>The Committee puts forth three possible "safeguards" to overcome this self-inspection threat. The Committee has tried to tie these safeguards into peer review standards.</p> <p>As part of the Firm's regular peer review, if a firm's work is not up to standard in a significant way the peer reviewer should take a close look at the design of the monitoring element. If the firm relies on self-inspection as part of monitoring and it proves to be ineffective in causing the firm to comply with professional standards, that would, at a minimum, generate a design MFC and the remediation of that might be to change away from self-inspection and retain an outside person to perform monitoring until the next peer review. This way, for firms that presently perform self-inspection and it is working for them, they can continue that policy.</p> <p>This provision is a presently built into the Peer Review Standards</p>

Number	Position	Coded Text
103	Oppose	<p>Performing an inspection of completed engagements by individuals not involved on the engagement may have a significant detrimental effect on small and medium size firms. This proposal would likely have limited impacts on the larger and regional firms as their inspection process may already include inspections by individuals not involved on the engagement. If not, the provisions of this proposal could be easily adopted due to the size, resources and nature of these firms. This proposal would also have minimal effect for firms that have a diverse practice with individuals with a broad range of practice experience. New York State has many small CPA firms with fewer than five CPAs as partners or owners. In these smaller firms, exclusive of firms that specialize in a particular field, each of the partners generally have a certain niche within the practice and would not easily be able to adopt these provisions due to their lack of experience in all the industries in which their firm practices. This proposal would require these firms to go outside their firm and hire an individual on “each” engagement it performs in order to complete a quality control review in accordance with proposed SQMS No. 1.</p> <p>If the proposal is adopted as written, the industry will likely see firms with small attest practices exit the attest field, the field that they have strived to become a member of since their first days studying accounting. The primary reason for exiting would be an increase in time required to complete engagements and the additional costs involved to perform the quality control inspection aspect of the engagement. This requirement would be detrimental to small and medium size businesses that are in need of accounting and auditing services, as well as numerous New York State not-for-profit entities, which are required to have an audit when their revenues are in excess of \$750,000. These organizations rely on smaller local firms for personalized services and reasonable fees. Many in the not-for-profit arena are hard pressed as it is in paying such fees to these local CPA firms and would not be able to withstand the fees of larger and regional firms.</p> <p>In our view, requiring small and medium size firms to seek monitoring assistance outside their firm will damage these firms economically, causing an exit from the industry. We believe no other profession requires its members to have an independent review of their work nor does any other profession have as much oversight as the field of public accounting. We believe this additional oversight will shrink the profession, leaving only the larger and regional firms remaining.</p> <p>An inspection or quality review of completed engagements by those involved on the engagement should not be precluded in order to enhance audit quality, as long as the individual performing the inspection has the requisite experience, knowledge, and objectivity to perform such function.</p>

Number	Position	Coded Text
106	Oppose	<p>Our firm would like to provide feedback on one of the specific areas of the proposed changes to Quality Management. The ability for an accounting and auditing practice to be able to be self inspect is vital for smaller firms. Taking away this ability will continue to push smaller firms out of the accounting and auditing practice.</p> <p>Our firm performs multiple engagements and also performs peer reviews for many firms. The amount of firms dropping out of the program because of technical oversight and the hard pass or fail rules has been worrisome and is starting to be a disservice to the profession. Many good firms are no longer available to help clients with these specific needs due to the overwhelming requirement on documentation matters that do not benefit the financial statements user and high review and compliance fees. If firms are then required to hire an outside party to inspect their material every year this will further push those out of the program.</p> <p>The need for reviewers and engagement performers is becoming strained in our area of Texas. When a firm is no longer able to review their engagements in what we describe as a “cold review” to double check their system and reporting matters, this will be the end to many firms’ services. It is already difficult to find a reviewer for peer review matters. If even more firms drop out from performing engagements then there will also be a limited amount of people who are qualified to perform an outside inspection. There are many small firms that work hard and produce wonderful work for their clients and these proposed changes will only further the current professional issues we are seeing.</p>
109	Oppose	<p>The Committee does not agree that inspection of completed engagements by those involved in the engagement should be precluded for smaller, less complex firms.</p> <p>The ASB has improperly interpreted ISQC 1. The ASB states that ISQC 1 Par. 48 prohibits engagement team members or the engagement quality reviewer from performing any inspection of that engagement, which is accurate as a standalone statement. However, the ASB proceeds to quote the application material in extant ISQC 1, which specifically allows small firms to use individuals responsible for the design and implementation of the firm's quality control or who may be involved in performing the engagement quality control review.</p> <p>A68. In the case of small firms, monitoring procedures may need to be performed by individuals who are responsible for the design and implementation of the firm's quality control policies and procedures or who may be involved in performing the engagement quality control review.</p> <p>The ASB should provide guidance for smaller firms similar to that of ISQC 1 to reduce the financial burden of the proposed standard on smaller firms.</p> <p>The Committee believes a better standard would be harsher punishment for those firms that continuously fail peer review and for those peer reviewers who do not perform their duties with professional due care.</p>

Number	Position	Coded Text
110	Oppose	<p>We agree that inspections of completed engagements by qualified independent personnel are typically more effective. However, we believe that self-inspection should be retained and not precluded to enhance audit quality and allow for customization based on each firm’s unique risks identified in their risk assessment. The size of the firm may not always be indicative with quality. We believe self-inspection is a choice that needs to be assessed by each firm based on their commitment to quality, understanding of standards, underlying risks, experience in certain industries, and involvement of professionals in the standard setting process. We ask the Board to consider permitting an engagement quality reviewer to serve on internal inspections since they are already independent and technically qualified to act in the role and for engagements undergoing an engagement quality review to count as an internal inspection selection based on the thoroughness and in-depth nature of the “pre-issuance” engagement quality review. Additionally, we note that the resource challenges that are associated with this aspect of the proposed standards may cause unanticipated results, as they may discourage firms from performing an engagement quality review, which is a very useful and effective quality measure. Such a result would be in contradiction to the underlying goal of the proposed standards.</p>
111	Oppose	<p>I disagree with the thought process of the ASB related to disallowing Self Inspection. In the past, the ASB had understood and concluded that the existence of the peer review process in the United States provided a monitoring safeguard that was not prevalent in other areas of the world and allowed self-inspection.</p> <p>Since that assertion, the involvement and review that I have experienced in my own firm’s peer review (and likely all firms as well) has increased substantially such that peer review today is even more advanced than when the ASB took the initial position. The peer review process is certainly capable of addressing issues that may present themselves related to this area. Further, it is not justifiable to automatically assume that individuals who have been part of the audit process are not capable of independently making the self- inspection engagement quality review process effective. Certified public accountants have made a commitment to integrity and honesty. If the ASB truly wants to make the assertion that a change should be made overall in this area, it would certainly be reasonable to implement the same thought process to ALL firms and not allow any firm to utilize their own employees to perform the engagement quality review.</p> <p>Firms of all sizes can have similar issues in this arena. Just because a larger firm may have an individual that is not part of the audit engagement review conduct the engagement quality review, the individual is still part of the same firm. If the firm does not have proper protocol and culture, the fact that someone outside the audit engagement team performs the engagement quality review is meaningless. Therefore, I strongly object to the ASB’s change of course in its position related to this. I believe that the peer review process has advanced itself to being a good safeguard in this area for all firms. However, if a change is made, I encourage the change to be universal for ALL firms such that all firms would need to utilize an individual outside of its own firm to provide the engagement quality review.</p>

Number	Position	Coded Text
112	Oppose	<p>The most burdensome provisions in the proposed standard involve the requirements for independent reviewers not otherwise involved in the engagement. This puts a HUGE burden on small firms, and also impacts medium sized firms that have a limited number of experts in the A&A area. I know of a firm of 100 professionals that has two partners in charge of the quality control of the A&A practice. Since they are both involved at some level in every A&A engagement, they would need to hire an outside expert to perform reviews that are independent of any engagement personnel.</p>
113	Oppose	<p>The proposed SQMS 1 prohibits the use of an engagement team member or the engagement quality reviewer of an engagement from performing any inspections on the engagement (i.e. prohibition against self-inspection).</p> <p>On p. 27 the exposure draft, under Issue 1- Self-Inspection, the ASB notes that current QC section 10 did not include this prohibition, and thus did not converge with ISQC 1, because "the ASB has previously concluded that it was not necessary to change existing practice to converge with ISQC 1 because in the United States, the peer review process provides a safeguard and provides evidence that monitoring procedures involving self-inspection can be effective."</p> <p>On p. 29 of the exposure draft: "Other than the peer review process, the ASB was unable to identify anything unique in the United States with regard to self-inspection, nor did the ASB believe that safeguards exist that could lower the self-review threat to an acceptable level. The ASB recognizes that the extant standard permits those involved in the engagement to inspect their own work, and some practitioners may be capable of doing so effectively. However, while concerned about the impact on smaller firms, the ASB believes that this requirement is necessary to enhance audit quality. Accordingly, proposed SQMS No. 1 converges with the IAASB standards with respect to self-inspection."</p> <p>Response to this argument: In the United States, no firm with an accounting and auditing (A&A) practice relies solely on self inspection, because peer review includes a review of selected A&A engagements by an independent party on a periodic basis of no less often than every three years. In the application guidance for SQMS 1, a three-year inspection cycle for partners who perform audits is given as an example of a reasonable cycle (every five years who partners not involved in audit engagements). Can a similar cycle apply to firms who have limited personnel either in the firm as a whole or in a specific narrow practice area? The ASB had "previously concluded that the peer review process provided evidence that monitoring procedures involving self-inspection can be effective." The implication is that the ASB has now arrived at the opposite conclusion. But peer review results provide ample evidence that there continue to be many firms who have an effective monitoring process that involves self inspection, with external inspection done only in the peer review year by the peer reviewer. Why must the firms who are successfully self-monitoring be required to add the cost of a "mini peer review" every year, when there is no evidence that to do so would enhance quality beyond what they are already achieving?</p>

Number	Position	Coded Text
		<p>Review by a party other than the preparer is no guarantee of enhanced quality. Peer reviewers are specially trained individuals who must meet certain qualifications and are subject to much oversight. If the ASB is concluding that the existing peer review process is not doing enough to catch poor quality, why does it believe that involving another reviewer - who may have less training and qualification than the firm's peer reviewer - would be likely to enhance quality on a significant basis?</p> <p>The ASB believes that this prohibition is necessary to enhance audit quality. Many CPA firms do not perform audits but only compilations and/or reviews. These types of engagements provide a higher level of financial attestation than preparation engagements, and thus is of value to the marketplace. It is also important to note that preparation engagements are not subject to any oversight when they are the highest level of service a firm provides. With the elimination of self inspection, and if there were no allowance for a three-year inspection cycle as noted in the next comment, a potential outcome is that more firms drop compilation and review engagements and move to preparations, which could lead to a decrease in quality and we would argue reduces public protection.</p> <p>We recommend that the standard allow for self-review as a legitimate monitoring activity, even if it does not meet the level of formal "inspection."</p>
115	Oppose	<p>As a local public accounting practice, our firm provides a much-needed service to those in our community. Clients often prefer to deal with someone local who can understand them more, and we have been blessed with the CPA credential which allows us to provide the services they need. However, if the AICPA prohibits self-inspection, we would be one of many firms that would be forced to have increased fees in order to cover the costs of external inspections. T</p>

Number	Position	Coded Text
116	Oppose	<p>We do not agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. Using a party that has no knowledge of the client and/or client activities, can in fact be detrimental and decrease audit quality.</p> <p>An automatic preclusion of an involved party in a completed inspection discounts the value of the detailed knowledge that an experienced partner, sole practitioner, or staff member has obtained on an engagement. In most cases, the engagement partner or sole practitioner has the most knowledge about the client’s financial activities. The presumption that a sole practitioner, engagement partner, or experienced staff member automatically lacks objectivity due to the knowledge gained about a client is flawed.</p> <p>Also, there appears to be a presumption made that a sole practitioner or small firm would inevitably and/or automatically find itself facing a familiarity threat with a long-term client relationship. This is not necessarily true. In certain industries, such as governmental and nonprofit entities, mid- and upper-level management positions change frequently with elections and/or natural turnover for higher-level political positions. There are many client relationships that produce increased levels of professional skepticism rather than decreased levels of professional skepticism as time progresses due to the rapid turnover and/or complete turnover of a slate of office holders depending upon the political wave in any given election year. Auditors in these circumstances are not developing long-term relationships with mid- to upper-level management that present familiarity threats. Instead, auditors find themselves working with new management in the lead financial and executive office holder positions frequently and needing to respond to the risks that new management brings accordingly. Keeping procedures fresh in response to key management position turnover is not a new concept for sole practitioners or small firms under these circumstances. Accordingly, with the introduction of appropriate targeted training materials introducing procedures for self- inspections, sole practitioners and small firms can also achieve the same self-sufficient and resilient results.</p>
118	Oppose	<p>In addition to the costs of engaging outside individuals, implementing these proposed standards will create additional burdens on small firms. Currently, these small firms can quickly and efficiently communicate the results of annual monitoring and the EQCRs to staff and implement training to address any areas of concern. If the annual monitoring and EQCRs were outsourced, the firm would have to wait for the outside individual to complete these reviews and deliver their findings before they could provide meaningful feedback to staff and implement changes in their audit process. One of the strengths of small firms is their ability to implement changes efficiently, which will be reduced or eliminated by forcing small firms to rely on outside individuals.</p>
118	Oppose	<p>The proposed standards will no longer allow self-review for the annual monitoring process. Small CPA firms may only have a few staff members who are qualified to perform an engagement quality control review and the monitoring procedures for the annual inspections. Small firms would be forced to engage an outside party to perform the annual inspections which would significantly increase the cost of the annual inspection. This increase would force small firms to increase their audit fees and would likely result in the loss of clients.</p>

Number	Position	Coded Text
119	Oppose	<p>Proposed SQMS No. 1 would prohibit the use of an engagement team member or the engagement quality reviewer of an engagement from performing any inspections on that engagement. We believe that this prohibition will create a struggle for qualified resources as firms will have to identify and engage multiple qualified quality review experts to meet this compliance requirement. This could be challenging given the significant shortage of peer reviewers and other qualified professionals. This would impact smaller firms considerably as well as those firms that operate in niche practice areas. Consider the sole practitioner who will need an EQR professional or another qualified practitioner to perform inspections and a third expert to perform their peer review. This is excessive, and the related costs would trickle down to clients, including non-profits and small businesses.</p> <p>The Auditing Standards Board requested input regarding potential safeguards to reduce the self-review threat. We suggest a more flexible approach to developing self-inspection policies that take into consideration the risks associated with the firm's engagements, whether the firm's engagements are high risk, standards changes, or changes in the auditee's operating environment (e.g., COVID-19 impact); whether the firm is undergoing peer review in the current year; and whether the firm has had an engagement quality review for a selection of its attest work.</p>
120	Oppose	<p>I also disagree that self-inspection should be prohibited. This should also be part of the risk assessment. The firm again needs to be able to assess the risk– and here primarily we are talking about small firms. Numerous factors could mitigate the threat – positive peer review results certainly an important factor. Firms should consider other mitigating factors – how much time has elapsed since issuance – enough to look critically?, what type of CPE does this individual have, was an EQR already performed with respect to the engagement to be included for inspection, does the individual routinely review the work of others and recommend improvements, does this often consult with others to ensure compliance. The firm should also consider high risk factors – are there new standards out, what level of service are the engagements, how complex are the clients, are the industries high risk. An individual needs to be able to assess whether or not they have the time, the energy, the expertise to self-inspect. If they cannot make that assessment, likely they cannot assess other factors either – like whether they are qualified to perform a certain engagement. I am sure that many of us can look critically at something we did in the past and find something we could have done better. If an individual cannot, then he should not self-inspect. Here again, the assessment including the factors considered should be documented to support the conclusion that self-inspection will be effective.</p> <p>In numerous instances, peer review will require follow-up that includes a pre-issuance review or outside monitoring. These are clearly situations where the firm needs outside assistance but has not identified it. The majority of firms have never had to have a pre-issuance review or outside monitoring. So what is likely to happen? The firms that are not doing a good job will not comply, but will end up with unfavorable peer review results. We need to find a way to provide quality firms with the opportunity to decide what works best for their firm, but also helps firms who really should not self-inspect conclude that they need to go outside.</p>

Number	Position	Coded Text
122	Oppose	I disagree strongly with your proposal to change monitoring standards in circumstances where a firm would have to obtain an external quality control reviewer to comply.

First, a little bit about our firm. I have been in the profession since 1998 and was licensed in 2002. I have been a partner in our firm since 2007. Our firm is a two partner practice (myself and Johnny Fricke, Jr.). Johnny Fricke, Jr. has been in the profession since 1964 and was licensed in 1968. Our firm performs several audits and reviews for clients with assets ranging up to \$50,000,000. Our firm collectively has over 50 years of experience in performing auditing and accounting services.

My reasons for disagreement are numerous, and are as follows:

This proposal is not warranted in the first place based on the evidence presented. The proposal indicates in a VERY brief background that there have been "issues and challenges" faced by firms as pointed out by peer reviewers and regulators. What you don't cite is the size of firms involved in those challenges and the degree of issues or how big the problem really is among local firms (I'll define them as firms with 20 or less professionals, which make up the VAST majority of CPA firms in the United States). I have searched for results of peer reviews from the last three years and can't find the "issues" you are basing this standard on from the perspective of local firms. We all know it was the "big boys and girls" that embarrassed our profession greatly back at the turn of 2000 but SOX only applies to them, not to the entire body of CPA firms. Could you possibly be talking about the national ethics embarrassment that another big firm has become (search \$50,000,000 fine, cheating on ethics exams that were punishment for cheating on PCAOB examinations and you'll see what firm I reference)? Once again, that's not the problem of local firm America. Show me, in statistics, the exact degree of the problems cited caused by local firms. We are not the ones involved in "high-profile" business failures (which are also undefined in the background section of the proposal). I certainly don't see "Local Firm Involved in Parmalat Failure" anywhere in the newspapers in Cullman, Alabama or even in Birmingham, Alabama. I imagine what you could be referring to may be the failures in the Employee Benefit Plan (EBP) area quite a few years ago. The failures resulted in the government threatening to remove the audits of those plans from the private sector. Those studies resulted in the AICPA charging firms like mine \$300 per partner per year to fund an oversight committee which does not even directly benefit a firm that doesn't do EBP work. In addition, AICPA personnel were quoted as basically saying "if you do less than 10-15 EBP audits, you need not to be doing them". There is little doubt among local practitioners that the AICPA has taken the bully pulpit to practitioners who work in the EBP area. Could this proposal be a continuation of "never letting that EBP crisis go to waste" in tormenting all local firms for the substandard work of a select few?

As to the IASSB issue, I see no benefit whatsoever to making all firms subject to the standard just because an insignificant number of local firms have IFRS work. Do you have any statistics as to how many local firms issue a financial statement that is used outside their community, much less outside the country? This rationale is confounding at best. I work in Cullman, Alabama, not Paris. Just as the convergence project stopped short of selling all firms out to IFRS, I encourage the Board to stop short again. Local firms DO NOT equal international firms in our need for overregulation! If I ever have clients in

Number	Position	Coded Text
		<p>Germany or other foreign country, I will contemplate how they do things over there. Are we not the gold standard? Has that changed?</p> <p>I don't believe you have obtained adequate information from local firms as regards to this proposal. The proposal indicates that the Board consulted the PCPS Technical Issues Committee (TIC) as all its (TIC) members "are from small firms". Your definition of "small firm" and mine differ greatly. While I searched diligently for a complete listing of the 14 members of the TIC, I was unable to find one. However, I was able to locate the names and CPA firm employers of the last three chairs of the committee that "represents" all small firms. One works for BKD, which lists its current employees on its website at 2,981. One works for PKF Texas which lists its current employees at 137 (Texas office only, probably a few thousand nationwide). And lastly, the current chair works for Dixon Hughes Goodman, which lists 2,000 employees on its website. Now, let's take a look at accurate statistics of how many a "small firm" employs. An article in Accounting Today from September of 2018 states "there are around 46,000 CPA firms in the United States and the 500th largest has about 20 people and \$3 million in revenue." That equates to 45,500 firms with 20 or less employees (99% of the total). While TIC is labeled a "volunteer committee", its members are appointed to it by the AICPA. In my opinion, at least 7 of the members of TIC should be from firms of 20 or less before it could ever be considered "representative" of the CPA firm population. I am unaware of any "real" local firms that have indicated support for this proposal. However, I am aware of fear and disdain of the perceived inappropriate and overreaching regulation of their practice and, thus, their clients. Item number 3 below lists reasons why local firms don't like this proposal.</p> <p>The proposal leaves only bad choices for local firms.</p> <p>The firm can:</p> <p>Utilize the services of an external reviewer who has to complete the review and sign off before the issuance of the audit report. Given that many audits performed by local firms are in the midst of "busy season", what firm in the local area would have the resources to loan experienced professionals to do the work of another firm without asking astronomical rates, which, of course, then would have to be passed on to the client? How am I supposed to explain that fee increase to my client? "Well, our regulators think we aren't big enough to do your job appropriately?" Hmm. Where does the client then go? Correct! To the larger firms who would be largely unaffected by this provision. And who is the Board looking for in relation to guidance (and who will be voting) on this provision? Right! Firms that meet that profile; NOT true local firms.</p> <p>Other practical issues would be finding a quality reviewer that exists in, say, rural locations where the local firm is also the local expert in a particular industry, coordinating schedules so the poor client in all of this doesn't have their reports needlessly delayed. In addition, what are the legal ramifications if all parties miss something? Can you sue your quality reviewer? Wouldn't the client need to know that their files were being examined by someone other than the CPA Firm? What about risk of client poaching by the quality reviewer? Who breaks the tie if the local firm disagrees with the quality reviewer and the reviewer is clearly wrong in their position? Would</p>

Number	Position	Coded Text
		<p>there be another AICPA hotline for that "(Non employee technical reviewer hotline, can I help you?") I mean it's what happens in peer reviews. Don't</p> <p>think it wouldn't happen under this new proposal. Finally, this would set up a situation where other reviewers may "squeeze" one of their competitors by ganging up and refusing to quality review their files so as to force the "victim" firm to either not comply with the rules, skip the engagement quality review altogether or release the client. None of these options are an appropriate outcome.</p> <p>Let's be honest. The true objective in this proposal is to have continuous peer reviews of most all local firms. The Peer Review Committee had an idea 5 plus years ago to place hardware in a firm whereby all engagements could be continuously monitored with little flags popping up to indicate a potential deficiency occurring which required action by a partner or the AICPA would swoop in to "help" and that proposal didn't come close to happening. So, now, the Board is looking to accomplish that utilizing another path. We have peer review for a reason every three years. That is all we need! It would be incredibly burdensome on local firms to add an outside quality reviewer mandate to the list of things we have to look after and ask our clients to cover the costs.</p> <p>Firms may not subject as many engagements to quality reviews. Since firms are allowed to determine which engagements will be subject to engagement quality control reviews in the current standard, this could certainly occur. Of course, that would devastate the original intent to look closer at our engagements.</p> <p>Firms may get out of the audit business. The AICPA made it clear a few years back telling firms in the EBP business to, in essence, "go deep or get out" (nice advice from a trade organization) . One wonders if this is just the next step to forcibly consolidate audits in the hand of much bigger firms by making it impossible for local firms to compete. In my opinion, this provision would be dangerously close, if not over the line, to being an "unreasonable restraint on trade" under the Sherman Act for local firms.</p> <p>Can the ASB prove that change, if necessary, would be successful in improving local firm audits? Given that the ASB has not provided the statistics related to the "issues" related to local firms in the United States (where we live and work and our clients live and work), it is hard to make a case that a change would succeed as the problem hasn't even been quantified or defined in the case of local firms. The ASB makes a vague statement in the background that there is too much dependence on third-party materials (a vague reference no doubt to the AICPA's product nemesis PPC). How would that change if you have to hire some external experienced person who most likely utilizes PPC themselves? Is the AICPA intending to maintain a list of approved Quality Control Reviewers who swear allegiance to only using AICPA materials? In fact, if rules and regulations didn't change so much and so often, we wouldn't need nearly as much third party guidance!</p> <p>The next part of my response to this provision is alternative suggestions. I would respond like this: Usually in a debate or court case, the plaintiff (in this case that would be the ASB) makes a case indicting the status quo (what is referred to as "extant" in the professional literature) with specific evidence to establish that the current way we do</p>

Number	Position	Coded Text
		<p>things as local firms is flawed . As indicated above, that evidence has not been presented so there is nothing to change from our three year peer review approach or extensive CPE requirements currently utilized. However, I'll play along.</p> <p>If the Board believes there is still a problem in the EBP area, then require that EBP engagements get additional scrutiny and have additional CPE in that area.</p> <p>For firms who have had clean peer reviews for the past three cycles, extend their cycle to four years or five years from three. Then, take the resources you would save on that vast majority of firms and shorten the failing firms cycle to 1-2 years or continuous.</p> <p>As a last thought on the matter, I can sum up my response to this proposal quite succinctly: You (the Board) keep trying to punish the entire population for the sins of a very few. There is nothing in any concept of equity that supports that treatment among local firms. In fact, as I understand it, a requirement to have an external reviewer on engagements is currently a punishment dispensed out for peer review or ethical violations of the very few. Why must all local firms be treated as if we are and were the problem? If you must pass this proposition, I would give an exception to it for firms who would have to hire an outside quality reviewer.</p>
124	Oppose	<p>The committee disagrees that inspection of completed engagements by those involved in the engagements should be precluded. In a smaller firm environment, there are limited qualified review resources. This will drive the firm to engage people to perform quality control functions that may not be as qualified as those who are part of the smaller pool of resources within the small firm, which has a potentially adverse effect on audit quality.</p> <p>Examples of safeguards that could lower the self-review threat to an acceptable level include: Guidance as to how long is an appropriate cooling off period to a fresh perspective to inspection of the engagement.? Guidance could include consideration of other factors such as prior peer review results and results of review by other outside parties, including the results of review by regulatory agencies.?</p>

Number	Position	Coded Text
125	Oppose	<p>We noted that there is a question as to whether self-inspection by those involved in the engagements should be prohibited. For the same reasons this was not included in QC Section 10, we believe this should be carried forward to SQMS 2. The reason stated that QC Section 10 did not require an independent inspection of engagements was that the peer review process provides a safeguard and provides evidence that the monitoring procedures involving self-inspection can be effective. Since QC Section 10 became effective, the peer review program has become more robust with various levels of oversight, and the statistics on the effectiveness of that additional oversight has shown significant engagement quality improvements. Accordingly, there is even more evidence that these improvements, and the potential self-review threat is reduced. If the proposed change prohibiting self-review is implemented, there will also be a significant increase to firm costs; generally, firms will need to undergo the equivalent of a peer review every year, albeit, without the review acceptance process. Lastly, the inspection of the completed engagements generally occurs weeks or months, perhaps up to nearly a year, after the engagements were performed; accordingly, there is ample time for those inspecting the engagements to be able to take a skeptical approach to reviewing their work</p> <p>Similar to our comment above regarding engaging an external reviewer, it is also highly likely that firms will reach into the peer reviewer pool to find individuals to perform the inspections. Also as noted above, the pool of reviewers is shrinking and highly probable that firms will have a difficult time finding individuals with the time and resources to perform the inspections. Again, as a litigious country, there becomes more risk to external resources as courts (plaintiffs) will look at these ongoing engagements as creating a relationship in which the reviewer is now a part of the firm’s system of quality management; accordingly, the inspector and their firm will be subject to additional risks. This risk is mitigated in the peer review program due to (1) the frequency of the peer review, (2) the requirement is imposed by most (if not all) State Boards, and (3) under the peer review standards there is very limited documentation that is retained by the reviewer.</p> <p>We suggest removal from the final standards the prohibition that those involved in the engagement be precluded from inspecting the completed engagement.</p>
126	Oppose	<p>I disagree emphatically with your proposal to change monitoring standards in circumstances where a firm would have to obtain an external quality control reviewer to comply.</p> <p>First, a little bit about me. I have been in the profession since 1986 and was licensed in 1988. Starting in 1997, I added an A&A CPE presentation division to my practice and since then have provided live presentations (with the majority being 8 hour, single speaker) approximately 2300 times to "true" local firms across the United States. I reach an average of 6,000 - 8,000 practitioners per year. My firm is a single partner practice (me) and performs several audits and reviews for clients with assets ranging up to \$50,000,000.</p> <p>My reasons for disagreement are numerous, and are as follows:</p> <p>This proposal is not warranted in the first place based on the evidence presented. The</p>

Number	Position	Coded Text
		<p>proposal indicates in a VERY brief background that there have been " issues and challenges " faced by firms as pointed out by peer reviewers and regulators. What you don't cite is the size of firms involved in those challenges and the degree of issues or how big the problem really is among local firms (I'll define them as firms with 20 or less professionals, which make up the VAST majority of CPA firms in the United States). I have searched for results of peer reviews from the last three years and can't find the "issues" you are basing this standard on from the perspective of local firms. We all know it was the "big boys and girls" that embarrassed our profession greatly back at the turn of 2000 but SOX only applies to them, not to the entire body of CPA firms. Could you possibly be talking about the national ethics embarrassment that another big firm has become (search \$50,000,000 fine, cheating on ethics exams that were punishment for cheating on PCAOB examinations and you'll see what firm I reference)? Once again, that's the not problem of local firm America. Show me, in statistics, the exact degree of the problems cited caused by local firms. We are not the ones involved in " high-profile" business failures (which are also undefined in the background section of the proposal). I certainly don't see "Local Firm Involved in Parmalat Failure" anywhere in the newspapers in Atlanta. I imagine what you could be referring to may be the failures in the Employee Benefit Plan (EPB) area quite a few years ago. The failures that resulted in the government threatening to remove the audits of those plans from the private sector. Those studies resulted in the AICPA charging firms like mine \$300 per partner per year to fund an oversight committee which directly benefits no firm that doesn't do EBP work. In addition, AICPA personnel were quoted as basically saying " if you do less than 10-15 EPB audits, you need not to be doing them". There is little doubt among local practitioners that the AICPA has taken the bully pulpit to practitioners who work in the EPB area. Could this proposal be a continuation of "never letting that EBP crisis go to waste" in tormenting all local firms for the substandard work of a select few.</p> <p>As to the IASSB issue, I see no benefit whatsoever to making all firms subject to the standard just because an insignificant number of local firms have IFRS work. Do you have any statistics as to how many local firms issue a financial statement that is used outside their community, much less outside the country? This rationale is confounding at best. I work in Atlanta, not Brussels. Just as the convergence project stopped short of selling all firms out to IFRS, I encourage the Board to stop short again. Local firms DO NOT equal international firms in our need for overregulation! When I have clients on the Riviera, I will contemplate how they do things over there. I thought we were the gold standard? Has that changed? Please see my further comments regarding the "cut and paste approach" you have taken from the IASSB standard in my response to the Issue 2 proposition.</p> <p>I don't believe you have obtained adequate information from local firms as regards to this proposal. The proposal indicates that the Board consulted the PCPS Technical Issues Committee (TIC) as all its (TIC) members "are from small firms" . Your definition of "small firm" and mine differ greatly. While I searched diligently for a complete listing of the 14 members of the TIC, I was unable to find one. However, I was able to locate the names and CPA firm employers of the last three chairs of the committee that "represents" all small firms. One works for BKD, which lists its current employees on its website at 2,981. One works for PKF Texas which lists its current employees at 137 (Texas office only, probably a few thousand nationwide). And lastly, the current chair</p>

Number	Position	Coded Text
		<p>works for Dixon Hughes Goodman , which lists 2,000 employees on its website. Now, accurate statistics of how many a "small firm" employs. An article in Accounting Today from September of 2018 states "there are around 46,000 CPA firms in the United States and the 500th largest has about 20 people and \$3 million in revenue." That equates to 45,500 firms with 20 or less employees (99% of the total). While TIC is labeled a "volunteer committ ee", one has to be appointed to it by the AICPA. May I suggest that at least 7 of the members of TIC be from firms of 20 or less before it could be considered "representative" of the CPA firm population. Of the thousands I talk to each year from "real" local firms, no one has indicated support for this proposal, only fear and disdain of perceived inappropriate and overreaching regulation of their practice and , thus, their clients.</p> <p>Now, we can get around to why local firms don't like this proposal. The proposal leaves only bad choices for local firms.</p> <p>The firm can:</p> <p>Utilize the services of an external reviewer who has to complete the review and sign off before the issuance of the audit report. Given that many audits performed by local firms are in the midst of "busy season", what firm in the local area would have the resources to loan experienced professionals to do the work of another firm without asking astronomical rates, which, of course, the beleaguered local firm would have to pass on to their client? How do you explain that fee increase to your client? "Well, our regulators think we aren't big enough to do our job appropriately?" Hmm. Where does the client then go? Correct! To the larger firms who would be largely unaffected by this provision. And who is the Board looking for in relation to guidance (and who will be voting) on this provision? Right! Firms that meet that profile; NOT true local firms.</p> <p>Other practical issues would be finding a quality reviewer that exists in, say, rural locations where the local firm is also the local expert in a particular industry, coordinating schedules so the poor client in all of this doesn't have their reports needlessly delayed. In addition, what are the legal ramifications if all parties miss something? Can you sue your outside quality reviewer? Wouldn't the client need to know that their files were being examined by someone other than the CPA Firm? What about risk of client poaching by the quality reviewer? Who breaks the tie if the local firm disagrees with the quality reviewer and the reviewer is clearly wrong in their position? Would there be another AICPA hotline for that "(Non-employee technical reviewer hotline, can I help you?)" I mean it's what happens in peer reviews. Don't think it wouldn't happen under this new proposal. Finally, this would set up a situation where other reviewers may "squeeze" one of their competitors by ganging up and refusing to quality review their files so as to force the "victim" firm to either not comply with the rules, skip the engagement quality review altogether or release the client. None of which are an appropriate outcome.</p> <p>Let's be honest. The true objective in this proposal is to have continuous peer reviews of most all local firms. The Peer Review Committee had an idea 7 years ago to place hardware in a firm whereby all engagements could be continuously monitored with little flags popping up to indicate a potential deficiency occurring which required action by a</p>

Number	Position	Coded Text
		<p>partner or the AICPA would swoop in to "help" and that proposal didn't come close to happening because local practitioners saw through what it was proposing (see "Evolving the CPA Profession's Peer Review Program for the Future", AICPA, September 15, 2014). So, now, the Board is looking to accomplish that utilizing another path. We have peer review for a reason every three years. Because that is all we need! It would be incredibly burdensome on local firms to add an outside quality reviewer mandate to the list of things we have to look after and ask our clients to cover the costs.</p> <p>Firms may not subject as many engagements to quality reviews. This could certainly occur which, of course, would devastate the original intent to look closer at our engagements as local firms.</p> <p>Firms may get out of the audit business. The AICPA made it clear a few years back telling firms in the EBP business to, in essence, "go deep or get out" (nice advice from a trade organization). One wonders if this is just the next step to forcibly consolidate audits in the hand of much bigger firms by making it impossible for local firms to compete. In my opinion, this provision would be dangerously close, if not over the line, to being an "unreasonable restraint on trade" under the Sherman Act for local firms.</p> <p>Can the ASB prove that change, if necessary, would be successful in improving local firm audits? Given that the ASB has not provided the statistics related to the "issues" related to local firms in the United States (where we live and work and our clients live and work), it is hard to make a case that a change would succeed as the problem hasn't even been quantified or defined in the case of local firms .</p> <p>The ASB makes a vague statement in the background section that there is too much dependence on third-party materials (a vague reference no doubt to the AICPA's product nemesis PPC). How would that change if you have to hire some external experienced person who most likely utilizes PPC themselves? I mean is the AICPA intending to maintain a list of approved Quality Control Reviewers who swear allegiance to only using AICPA materials? In fact, if rules and regulations didn't change so much and so often. we wouldn't need nearly as much third party guidance!</p> <p>The next part of my response to this provision is alternative suggestions. I would respond like this: Usually in a debate or court case, the plaintiff (in this case that would be the ASB) makes a case indicting the status quo (what is referred to as "extant" in the professional literature) with specific evidence to establish that the current way we do things as local firms is flawed . As indicated above, that evidence has not been presented so there is nothing to change from our three year peer review approach or extensive CPE requirements currently utilized. However, I'll play along.</p> <p>If the Board believes there is still a problem in the EBP area, then require that EBP engagements get additional scrutiny and have additional CPE in that area.</p> <p>For firms who have had clean peer reviews for the past three cycles, extend their cycle to four years or five years from three. Take the resources you would save on the vast majority of firms and shorten the failing firms cycle to 1-2 years, or continuous.</p> <p>As a last thought on the matter, I can sum up my response to this proposal quite</p>

Number	Position	Coded Text
		<p>succinctly: You (the Board) keep trying to punish the entire population for the sins of a very few. There is nothing in any concept of equity that supports that treatment among local firms. In fact, as I understand it, a requirement to have an external reviewer on engagements is currently a punishment meted out for peer review or ethical violations of the very few. Why must all local firms be treated as if we are and were the problem? If you must pass this proposition, I would give an exception to it for firms who would have to hire an outside quality reviewer to comply.</p>
129	Oppose	<p>If the AICPA wants to make a requirement that all EQCR and inspections be performed by persons hired outside the firm, why aren't they just saying that? In my reading of the standards; we do this often to ourselves. We don't just say in the standard what we really want. I know the AICPA didn't write the YB but as an example, we saw it with the 2011 YB and the safeguards for nonattest. It had to be clarified in the 2018 YB. We thought we said what we meant but we got so tied up in not taking judgement away from the firms, we ended up being vague. If you just said it has to be an outside qualified person approved by the AE, I still wouldn't like it, but we'd have a lot easier time as peer reviewers defending why we'll be failing firms left and right for the next 9 years. Firms are going to tie themselves in pretzels to "interpret" the standard in a way other than the way the AICPA wants.</p> <p>I believe I'm qualified and can perform this task better and more efficiently for my firm and my clients. In my firm, my expertise is too valuable to be placed on a shelf. That's exactly what this new standard would do. Sure; I could be 2nd partner review and get all tangled up in audits whenever 2nd opinions are required...but I'd still have to hire someone to give a 3rd opinion -and you can bet, I'll pay for a quality person. So from a business perspective, why would I choose to triple review a file? Hiring an outside EQCR would also require scheduling logistics which will delay the issuance of the audits. Peer reviewers are busy and they're usually busy at the same time of the year that firms will need EQCR and Inspection. If you care about quality you'll plan to hire a peer reviewer. So now we're cutting an already small number of reviewers in a third. You're not just going to have to find 1 reviewer every three years. You're going to need a different one throughout the year for EQCR and a 3rd one to do inspection each year. If you're a member of EBPAQC and GAQC you're also going to hire an inspector in the same 6 month period you're hiring a peer reviewer to look at most of the exact same engagements at the exact same time.</p> <p>Certainly there would be cost concerns but there will also be an illusion of better quality without actual quality. Many firms will hire an EQCR or inspector who is not qualified but cheap. See my above comments about them needing to go through scheduling with the AE's if they do this. So now, because we are a quality firm and we will always take the standards seriously, we will be at a competitive disadvantage against firm's who cheap out.</p>

Number	Position	Coded Text
		<p>I understand the AICPA wants to know why we think we can be effective at doing it ourselves. We have always had a pass peer review report and that should be considered. I am in CPE throughout the year and not just crammed all into the last few months. At our firm we don't all sit in the same CPE class, learning the same material, from the same instructor. We've identified that as a risk. So some of us will attend the TSCPA EBP conference, while others attend the AICPA EBP conference. We choose different classes and different providers and then assign tasks at audit meetings to discuss what we learned in our individual classes. If we all do take the same webinar, it's best to have it on demand. When it's on demand, we can pause it and explain to the young auditors how what we're learning relates to our specific clients so they have examples and we have discussions about it. A 2 hour webinar might take us 3 hours or more to complete. My knowledge of the standards is different and complex from my staff's knowledge and therefore I can provide effective quality control. Occasionally my staff will push back on review notes and I encourage that because I have smart auditors. They have taken different CPE than me and have a different perspective. A healthy debate of the standards means they've done independent research and they don't just take my word for it. It's my favorite thing when they are right.</p> <p>If the AICPA goes forward with this as written they need to: be more specific so firms are not going out of their way not to get it make more of an effort to make sure firms know the stds have changed – think big advertisement campaign make it mandatory to hire outside (qualified and approved through AE's) EQCR and inspectors or you need to remove it altogether if they make it mandatory or leave it vague (the way it is) you should have to schedule your EQCR and Inspectors through PRIMA so we know they are qualified</p>
130	Oppose	<p>We disagree. While it is desirable that the inspection be completely independent, we believe that in certain instances it is unavoidable. For instance, a smaller firm may only have 2-3 partners serving attest clients. This proposed requirement and the one with the cooling off period may make it impractical to achieve given that one partner serves as engagement partner and another serves as the quality control reviewer. We believe that effective resources and other practice aids already exist to allow a firm to make the appropriate decisions on which individuals to assign in the various roles of engagement partner, quality reviewer and engagement inspector. This requirement is overly burdensome for smaller firms and there is not sufficient evidence supporting the cost benefit relationship.</p>
132	Oppose	<p>I do not. As discussed previously, in a principles-based engagement process, the CPA practitioner is required to provide due professional care, make the applicable assessments dictated by the performance obligations and the responsibilities in ET 1.100 and ET 1.200, and apply appropriate levels of expertise to conduct the engagement., While it is definitely appropriate and necessary to stipulate the responsibilities of all parties in conjunction with the quality performance of the engagement in the public interest, the framework conveyed both devalues and borderline prohibits smaller CPA firms with regards to the providing attest engagements.</p>

Number	Position	Coded Text
135	Oppose	<p>Considering the lack of a well-known network of qualified inspectors, the AICPA could leverage the current peer reviewer search system to assist firms in identifying qualified inspectors. This may include further promoting this system and allowing entry of resumes for inspectors that do not also perform peer reviews. In addition, implementation guidance should include consideration of how to select a qualified inspector.</p> <p>The challenge of locating a qualified party to complete the inspection outside the firm may not be overcome without significant expense to the firm. Also, the availability of outside qualified inspectors may be limited. The incorporation of bullet points 4 and 5 can assist sole practitioners and small firms in obtaining uniform inspections by qualified individuals at minimal expense for firms; but it may result in reducing the pool of individuals willing and able to perform external peer reviews.</p> <p>In addition, if sole practitioners and small firms are required to outsource inspections, the same requirements should be extended to firms of all sizes. The premise that having another partner within the same firm or sister office reviewing engagements and always resulting in a quality inspection is flawed. A familiarity threat still exists within the firm. Also, while two firms could work together to perform each other's inspections and technically meet the new proposed standard, such cross reviews may not result in the desired improvements in audit quality.</p>

Number	Position	Coded Text
135	Oppose	<p>We do not agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. Using a party that has no knowledge of the client and/or client activities, can in fact be detrimental and decrease audit quality.</p> <p>An automatic preclusion of an involved party in a completed inspection discounts the value of the detailed knowledge that an experienced partner, sole practitioner, or staff member has obtained on an engagement. In most cases, the engagement partner or sole practitioner has the most knowledge about the client’s financial activities. The presumption that a sole practitioner, engagement partner, or experienced staff member automatically lacks objectivity due to the knowledge gained about a client is flawed. In most cases, the sole practitioner, engagement partner, or experienced staff member is lacking an overarching professional standards- based approach to inspection of engagements. Assisting firms in designing a new approach to self-inspection services that is designed to be focused on the language from professional standards rather than repeating audit procedures from audit programs will be beneficial in enhancing the firm’s ability to perform self-inspections.</p> <p>Also, there appears to be a presumption made that a sole practitioner or small firm would inevitably and/or automatically find itself facing a familiarity threat with a long-term client relationship. This is not necessarily true. In certain industries, such as governmental and nonprofit entities, mid- and upper-level management positions change frequently with elections and/or natural turnover for higher-level political positions. There are many client relationships that produce increased levels of professional skepticism rather than decreased levels of professional skepticism as time progresses due to the rapid turnover and/or complete turnover of a slate of office holders depending upon the political wave in any given election year. Auditors in these circumstances are not developing long-term relationships with mid- to upper-level management that present familiarity threats. Instead, auditors find themselves working with new management in the lead financial and executive office holder positions frequently and needing to respond to the risks that new management brings accordingly. Keeping procedures fresh in response to key management position turnover is not a new concept for sole practitioners or small firms under these circumstances. Accordingly, with the introduction of appropriate targeted training materials introducing procedures for self-inspections, sole practitioners and small firms can also achieve the same self-sufficient and resilient results.</p>

Number	Position	Coded Text
136	Oppose	<p>Specifically, The engagement quality review and my understanding that small firms with for example, only one Partner having knowledge for an industry, will need to outsource the engagement quality review function. This will add a burden on the firm and ultimately the cost to the client without necessarily adding to the quality of the product. An outside reviewer does not necessarily have the proper knowledge of a client to assess the related financial reporting requirements.</p> <p>I am not aware of the international standards (that are referenced in the proposed statement) but to me in a small practice, we are affected on a national and local level. That is in Illinois, there is a requirement that not-for-profit charitable organizations with gross contributions in excess of \$300,000 have an audit. Also, the state of Illinois requires all municipalities with a utility system to submit an audit, regardless of its size. In the state of Illinois, approximately 1,600 audit reports are submitted to the Illinois Comptroller's office by counties, municipalities, and special districts, many of which have less than \$1,000,000 in revenue. In addition, there are approximately 850 school districts, all of which require audits under Government Auditing Standards. These governmental entities make up the majority of many small firms' audit practices in Illinois. This underscores the need to be able to affordably implement these new standards.</p> <p>So, the requirement of an external engagement review will be an additional financial burden to taller client base. When, if all things are the same year to year and no other issues have been identified, the self-review threat risk can be overcome by a cool down period by the engagement partner and their subsequent review.</p>
137	Oppose	<p>Self-Inspection: We are concerned that requiring a qualified independent party will have an unintended impact upon small firms. There may simply not be enough people available within small firms to meet the standard as written in the exposure draft. Although a firm might reach outside for assistance, locating qualified individuals that are available and willing to assist may be a significant challenge. In addition to limitations in availability of appropriate resources, the additional costs related to implementing outside review likely will impact firm costs and client costs significantly. These hurdles may drive firms out of their A&A practice. Allowing firms to scale this to their individual circumstances and to allow alternate safeguards that individually or collectively result in a quality practice may prevent potential negative quality results. There are small firms providing high quality A&A services to their clients as evidenced by consistent Pass Peer Review Reports and in some cases regulatory oversight with no comments of significance. Adding this requirement will add cost without adding quality for these firms. We encourage allowing firms with limited available resources to scale alternate safeguards or to provide for outside independent assistance in limited circumstances. For instance, requiring outside independent inspections for one of multiple engagements in a single industry would be an example of an alternate safeguard. We also believe that small firms receiving pass peer review system reports should be able to take their peer review reports along with alternative safeguards into account in designing appropriate safeguards.</p>

Number	Position	Coded Text
139	Oppose	<p>Self-Inspection Prohibition</p> <p>We do not agree that self-inspection should be precluded. Sole proprietors and small firms can, and often do, meet the objective in SQMS No. 1 of the system of quality management. This objective is to provide reasonable assurance that (a) the firm and their personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements and (b) engagement reports issued by the firm are appropriate in the circumstances. As long as the sole proprietor or small firm is meeting this objective, why is it necessary to add an additional burden to these firms which would be unnecessary? Peer review of these firms can determine if the objective is being met and if not, the RABs can assign implementation plans or corrective action to address this inability to meet this objective.</p>
146	Oppose	Strongly disagree
146	Oppose	This requirement will be significant for smaller firms. Not allowing self-inspection would be cost-prohibitive for these smaller firms, especially those located in less populated towns or rural communities.
148 QMS Exposure Draft KyCPA Comments 8-31-2021	Oppose	<p>The preclusion of individuals that conduct inspections of completed engagements who are also involved in those engagements can be beneficial. A third-party review of an engagement allows for detection of errors that the engaging parties may not detect in their own work. Familiarity with clients can lead to overlooked mistakes however, there are concerns amongst KyCPA members on the standards that govern third-party inspections of engagements.</p> <p>Conversely, the preclusion of individuals that conduct inspections of completed engagements who are also involved in those engagements does not guarantee enhanced and improved audit quality. Requiring a firm to utilize an alternative inspection of a completed engagement that has no background experience with the specific client can potentially be a detriment to audit quality due to unfamiliarity with the assessed client. In addition, these precluding requirements could create financial burdens on sole-practitioners and small firms that participate in these engagements. The process of obtaining and securing a third-party review of an engagement would be less cost-effective than utilizing self-inspection procedures.</p>
149	Oppose	<p>I very strongly disagree with the ASB’s decision to prohibit self inspection. As a sole practitioner this change would now require me to high someone to do inspections when necessary. This is just another added cost that will simply need to be passed onto the client. When this added cost is passed on to the client now they will have to make the decision as to whether or not to stay with me for auditing services if a larger firm can complete this requirement from within their own firm.</p> <p>The premise behind this proposed change seems to be the perception that self inspection in some way may lessen the quality of an audit. My firm only performs governmental audits so therefore I am very versed in the rules and regulations of this industry and feel that I am more then qualified to perform a self inspection. I obtain all of my continuing professional education with topics directly or indirectly related to governmental auditing and attend and annual government auditing and accounting conference to make sure that I am up to date with all aspects related to governmental</p>

Number	Position	Coded Text
		<p>accounting and auditing. The premise that I would not be qualified to perform a self inspection of the engagements that I perform would be incorrect.</p> <p>The comments received from small firms included in the exposure draft seem to indicate a number of burdens that eliminating the self review threat would create for small firms. One question that I would pose is whether or not the referenced technical issues committee which states that it is made up of members of small firms actually include any sole practitioners. Any member of a small firm is not a sole practitioner as they would most likely refer to themselves as such. Without specifically considering all types of firms or sole practitioners who perform audit engagements for all types of clients how is an adequate evaluation of the effects of such a change possible. As I referenced earlier there is an economy of scale within the auditing world though this particular change seems to simply be tailored to larger firms that can very easily implement such a change then from a sole practitioner who would be seriously affected by the change.</p> <p>The respondent that stated “a self inspection cannot identify one’s own lack of knowledge” is exactly correct. However, the obvious response to that statement is that simply because a review is being performed by someone other than the individual who performed the engagement doesn’t mean that they can’t miss something based on their own lack of knowledge. It seems like the quality of an audit is being directly linked to whether someone outside of the engagement performance is reviewing the engagement. That someone outside of the engagement performance can somehow do a better job of reviewing the engagement. The document states that the ASB could not find anything unique in the United States in regard to self inspection and as such considered that in their determination that it should be prohibited in the new proposed standard. That statement creates the obvious question that I would presume that the ASB considered in relation to why is the international standard automatically correct in prohibiting self inspection? Why is their standard correct and ours wasn’t correct in relation to self inspection? If I performed any audits under the international standards I would have disagreed with the inclusion of this prohibition in their standards as well. I certainly would agree that self inspection would be a threat but I would not agree that safeguards can’t be put in place to lower the threat to an acceptable level. The first issue with this is that applying safeguards to reducing any threats to an acceptable level should be a matter of professional judgement based on the specific circumstances surrounding any such threat and not just the self inspection threat. As stated earlier, I only perform governmental audit engagements. Though I would not consider myself an expert in the field in relation to GASB standard setters I would consider myself highly qualified to perform the audits and very knowledgeable within the field. The level of expertise within a specific field should certainly be able to be a safeguard which is applied to this threat. My firm quality policies relating to the continuing education I am required to take and the field related periodicals and guidance I am required to have available seems like an adequate safeguard. If I were required to hire an external individual to perform inspections then I would be looking for an individual who has the exact qualifications within the field that I do. So if they have the exact same qualifications and they had nothing to do with performing the engagement then how can it be said that they would do a better job of performing the review and thus the quality of the audit being higher? I liken this question to clients who feel that having a new auditing firm every so many years will somehow increase the quality of their audit. My</p>

Number	Position	Coded Text
		<p>thoughts are that it should be looked upon in the opposite way as the longer an individual or firm performs an audit the more things they know to look for and the more objective an opinion can be derived. This is similar to a self inspection. The current standards seem to indicate that at the end of an audit an experienced auditor should be able to look at the audit documentation and follow everything that was done. I don't believe that any auditor would honestly be able to simply open someone else's audit documentation and follow it as if they had performed the audit. That philosophy seems to downplay the amount of work and documentation that goes into an auditing engagement. This relates back to the self inspection conversation in that the person who performed the engagement can in my opinion more effectively and efficiently review the engagement documentation as they intimately know what was done.</p> <p>Another aspect about having someone outside of my firm performing a review of my audit documentation that confuses me is that they would be following the same exact standards to review the engagement documentation that I would? If they end up using the same review checklists that I would then why can't I simply perform the inspection?</p> <p>There are some simple safeguards that I feel could be implemented to reduce the self inspection threat to an acceptable level. The first safeguard would be your quality control system requiring a certain level of competencies in relation to the type of engagement being performed. If you can't document that you have attained these competencies then you wouldn't be able to perform a self inspection of the engagement. Another safeguard would relate to including within your quality control system a specific set of circumstances that would result in the requirement for an external review similar to the current external quality control review parameters established within a quality control system. For example if the engagement is in a field for which you have not previously practiced then you wouldn't be able to perform a self inspection. If there were an accounting situation that occurred during the engagement period that was not normal to the client such as an advance refunding or asset impairments or a new business type activity for which you have no previous experience then you wouldn't be able to perform a self inspection. At some point professional judgement and common sense need to be considered. If I have a governmental auditing engagement whereby the client has had no significant changes in their operations or types of operations for years then shouldn't I be able to perform a self inspection of that engagement?</p> <p>I guess in conclusion I don't feel as though the new standard should try to change or fix an aspect of the current system which isn't broken. I would urge the ASB to step back and look at the situation and realize that you can't specifically associate audit quality with this one aspect. As I have stated earlier it is about the individual or firm who is performing the task or the planning of the engagement that dictates the quality of the ending product. If adequate rules and regulations are in place that simply aren't being followed then creating new rules and regulation won't make those people follow them any more then they were before.</p>

Number	Position	Coded Text
150	Oppose	<p>We do not agree that the inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. In a small firm context, it is impossible to have an outside party inspect completed engagements. Additionally, the only person qualified in the majority of the cases is the one that knows the client-Le the engagement partner. Requiring outside inspection is just another cost to incur that small firms and their attestation clients simply cannot absorb. The safeguard is the engagement partner knows the client, has evaluated the associated risks of the engagement and has concluded the engagement is acceptable. There is no need for a further outside inspection and it certainly would be costly and difficult to implement and comply with.</p>
152	Oppose	<p>The ASB has approached this issue from the perspective of "self-review threat". I would ask the ASB to step back and ask could there be benefits of self-review.</p> <p>I believe there is a benefit in having some knowledge of the client and the way their business works. You do not have this benefit with a reviewer who has no background with the client.</p> <p>One of the points was "Self-inspection cannot identify one's own lack of knowledge". This is a false argument, because by the time you do the inspection it is months up to even approaching a year since you were involved with the engagement. You have months of additional work experience, you have additional continuing education and you will be looking at the engagement with independent eyes since it has been months since the engagement was completed.</p> <p>I do not believe enough consideration has been given to cost. What will the cost be to the small practitioner and the small audit client. I believe small practitioners will be forced out of the business and small clients will be forced out of the market.</p>
157	Oppose	<p>Our firm does an EQCR or pre-issuance on every attest engagement, it is always by the non-engagement partner and nothing leaves this office without that being completed.</p> <p>Self inspection should not be prohibited. Really? Why would it be a requirement for a firm that has proven itself to be qualified professional organization be required to endure the expense and the scheduling inefficiencies and cost of an outside inspection. What are we? junior CPAS with limited licensures?</p>

Number	Position	Coded Text
160	Oppose	<p>While I agree there are perceived benefits for disallowing self-inspection, I generally disagree with this provision and offer the following thoughts:</p> <p>As stated in SQMS 1, the objective of the standard is for firms to design, implement, and operate a system of quality management that provides the firm with reasonable assurance that the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements, and to provide that reports issued by the firm are appropriate in the circumstances. The system provides the firm with reasonable assurance that is NOT intended to be obtained through independent assurance.</p> <p>The new standard requires a risk-based approach where a firm would determine what could go wrong and design its system to prevent that. This provides scalability and is a welcome change. The matter of self-inspection appears to be directly at odds with the stated objectives of the standard. The statement noted above that independent assurance is not intended to be part of this approach; not allowing self-inspection is a contradiction.</p> <p>A risk based approach should not have proscriptive measures such as this. The firm’s monitoring program should be designed by the firm to provide the assurances and safeguards the firm sees fit to employ, not an outsider agency. The peer review program is designed for that purpose.</p> <p>The AICPA has developed a peer review program to provide assurance to the public that reports issued are appropriate. That program is the place to require independent evaluations. Monitoring is meant to be a procedure to assist the firm in identifying weaknesses in its system and not to supplant the peer review process.</p> <p>While another stated objective is to align with other standard setting bodies, it may be that those bodies require an element of independent assurance in its monitoring guidelines to augment their extant independent review programs. That is not required in the US.</p> <p>Another factor is that the vast majority of firms do not provide services to public clients. Additional guidelines are provided by the PCAOB and those are sufficient to address any perceived risk in this area.</p> <p>This is the new rule that prohibits an engagement team member or EQ reviewer from performing an inspection of that engagement. This would be particularly economically harmful for smaller firms.</p> <p>The primary purpose of monitoring should be far different than that of EQR. Monitoring is performed to assess the system of quality management, not the specifics of the engagement. Paragraph 36b indicates another purpose is to “take appropriate actions to respond to identified deficiencies....” This does not say the purpose is to identify deficiencies, only to respond to them. Inspecting an engagement at a time other than when issued, if done by a partner who is adhering to professional ethics, should be</p>

Number	Position	Coded Text
		<p>sufficient for this purpose. If the concern is partners will not perform their duties in accordance with ethical standards, that matter should be addressed separately.</p>
		<p>By definition, an engagement not subject to EQR contains less risk than other engagements. The requirement to have an independent peer review every three years was designed with this thought in mind. If independent inspections are required, that would be tantamount to requiring annual peer reviews. If this provision were to stand, the need for a peer review should be changed to once every 5 years.</p>
		<p>Given that monitoring is to assess changes needed to the system, an inspector from outside the firm would not have the knowledge of the system in order to fulfill the purpose of inspections. Only peer reviewers, who review all elements while inspecting engagements, or firm members would be able to do that. This self-review risk could be extended (inappropriately) to include the firm performing any portion of its inspection procedures, including the functional elements. I do not see where the issues differ between inspecting engagements by the person who performed them, versus elements of the system by persons who designed them.</p>

Number	Position	Coded Text
163	Oppose	<p>As currently written in the ED with the preclusion of engagement inspection by those involved with the engagement, there is an incorrect presumption that knowledge of the client lacks objectivity. Knowledge of the client is very beneficial in an effective review and often serves to help identify issues/facts that only someone with years of client knowledge would ascertain.</p> <p>We strongly oppose this requirement of preclusion. This requirement will place an unfair burden on smaller firms with a limited number of attest personnel. The option for small firms to hire an outside firm to perform this inspection is untenable as a long-term strategy for reasons previously mentioned such as firm talent shortage, timeliness etc. Small business clients also cannot bear the added cost of this that would have to be passed on or push small firms out of the business.</p> <p>If a small firm is already performing well, including getting pass ratings on its peer review and avoiding nonconforming issues such as our firm with a long history of excellent quality, this requirement is an unnecessary cost burden.</p> <p>Instead, there are safeguards that can be implemented to lower self-review threat and enhance audit quality. First there could be a requirement of an internal inspection by manager level or higher. The reviewer should be required to have twenty-four hours of A&A CPE in the previous two years. In addition, a uniform, mandatory checklist could be developed for review. Other practice aids could be developed highlighting key risk areas and items that would help trigger against self-review threat. Personnel performing inspections should have a minimum of eight hours CPE every three years that specifically relate to performing internal inspections or engagement quality reviews. Larger firms with</p> <p>multiple technical experts on staff are likely to already have this policy in place and therefore, will not have to make operational changes or incur additional cost to implement this requirement.</p> <p>As mentioned previously, a likely impact would be more small firms leaving the auditing profession creating less competitive options for the general public when hiring an auditor, thus creating more expense for an audit. Increased fees because of this requirement and possible reduction in available auditors could discourage clients, including small business and smaller nonprofits, from having an audit performed. This would not serve the public interest or the capital markets.</p>

Number	Position	Coded Text
165	Oppose	<p>TSCPA has identified two concerns with the proposed SQMS No. 1 convergences with IAASB standards with respect to self-inspection.</p> <p>This prohibition will be cost prohibitive to many firms, especially small firms and sole practitioners. The cost to engage an outside party will be far higher than the cost to perform an internal inspection. Firms may face challenges in passing the increased cost on to their clients who often see the audit as a compliance requirement and not a value-added service.</p> <p>The prohibition will require firms to identify high-quality practitioners to perform the external inspection. The number of qualified parties who are willing and have the time to perform inspections is limited. At a time when there appears to be a shortage of qualified peer reviewers, especially for higher risk engagements, this proposed standard will result in challenges for firms who now are tasked with identifying multiple qualified quality review experts.</p> <p>If the ban on self-inspection is retained in the final standard, AICPA should provide a network of qualified reviewers to assist firms in finding an external party to perform the inspection.</p>
166	Oppose	<p>The risk related to reviewing one’s own work is probably mitigated somewhat by the cooling off period that occurs when you complete a project or set it aside and come back days or weeks later and errors and omissions become clear because you come back with fresh eyes. I also think using third-party materials (such as GFOA checklists) could be used to overcome some of the risks related to self-review of engagements.</p>
167	Oppose	<p>We do not believe inspection by those involved in the engagements should be precluded. This would be burdensome and cost prohibitive for many smaller firms (and their clients to the extent that such costs could be passed along to the clients).</p>
010	Support	<p>We agree with the guidance in the Proposed Standards that those individuals involved in an engagement should be precluded from inspecting those engagements. This is consistent with the relevant requirements in the corresponding international quality management standard and is necessary to avoid the threat of self-review.</p>
021	Support	<p>The proposed prohibition of self-inspection would serve to improve quality.</p>
040	Support	<p>We believe that inspections of completed engagements should be conducted by individuals who were not involved in the engagement.</p>
045	Support	<p>Change 1 doesn’t impact us as we use a third party inspection reviewer as we didn’t feel independent enough to perform our own inspection effectively.</p>
047	Support	<p>NASBA agrees that precluding engagement team members from inspecting completed engagements would enhance audit quality and be in the public interest. Robust implementation guidance should help firms identify ways to comply with the requirement, for example, that an appropriately experienced individual (not necessarily a partner in the firm) may perform the review.</p>

Agenda Item 4C – QM Comment Letter Analysis: Self-inspection

Number	Position	Coded Text
052	Support	Having worked as a senior manager for a national firm, I understand that the inspection should never be done in the same office for potential threats to one’s career. A different office (out of state or region) seemed to work fine though. They could report to the outside inspector for confidentiality reasons, similar to an internal audit function. This could keep larger firm costs down as well.
058	Support	<p>My two cents worth – I hear a lot of people complaining about the outside inspection requirement and the EQCR issues. These are things we’ve been doing for over ten years now. We have two to three CPAs in our firm. So, its doable. It has to be managed.</p> <p>We as a profession need to concern ourselves with the appearance of professionalism. Watering these requirements down won’t help us look more professional.</p>
061	Support	<p>As indicated in Issue 1, self-inspection cannot identify one’s own lack of knowledge. For example, inspection may uncover that the engagement partner, being unaware of recently effective standards, did not apply them to the engagement. But that engagement partner, inspecting their own work while being unaware of recently effective standards, would never identify that the standards were not appropriately applied in that engagement. Although subscribing to a third-party methodology might correct the deficiency of the firm’s methodology of not being current on professional standards, it would not make self-inspection any more effective at identifying what one does not know.</p> <p>As part of View 2, CRI suggests that if the elimination of self-inspection is believed to result in the unintended consequence of a reduction in the number of small firms engaged in conducting audits, that an exception for smaller firms with fewer than 10, or some other appropriate number of, partners from the self-inspection restriction may be appropriate.</p>
065	Support	My former firm has extensive policies that prohibit inspection of completed engagements by those involved in the engagements, including engagement quality reviewer. Allowing self-review, in any circumstances, should be prohibited since no safeguards exist that can effectively lower the self-review threat to an acceptable level. The final standard should be consistent with both ISQC 1 (par. 48) and ISQM 1 (par. 46).
065	Support	X Strongly agree
077	Support	We agree that inspection of completed engagements should not be conducted by individuals involved in the performance of those engagements. A system of quality management cannot be effective if completed engagements are inspected by those who performed the engagements as self-inspection of work is prone to bias, self-preservation, and knowledge limitations which significantly impede quality improvement.

Agenda Item 4C – QM Comment Letter Analysis: Self-inspection

Number	Position	Coded Text
088	Support	We concur with the change to require smaller firms like ours to engage another firm to perform annual inspections during the non peer review years. We have engaged a firm other than our peer review firm for a few years and have found it to be beneficial. This change and the continued peer review every three years should be adequate for the professional to monitor small to mid-size CPA firms.
088	Support	We recommend that requiring an independent firm to perform a quality review in the non peer review years be the only added requirement for small firms. To ensure completeness, require that firm to provide a standard letter and have that letter be required as part of the peer review process to ensure that the annual inspection was completed.
092	Support	We strongly agree.
121	Support	Strongly agree, we do not believe the self-review threat could be lowered to an acceptable level and agree that it is appropriate for the standards to require that engagement inspection be performed by those not involved in the engagement. However, we would suggest the ASB include implementation guidance and best practices to assist smaller firms.
128	Support	We agree with the proposed SQMS 1 language that prohibits inspection by engagement team members or the engagement quality reviewer of an engagement from performing any inspection of that engagement due to the lack of safeguards that could lower the self-review threat to an acceptable level. While we understand there may be additional costs to implement this requirement, particularly for smaller firms, we believe this change is necessary to align with the overall enhancements to audit quality that the Proposed QM Standards will provide.
134 GT ASB SQMS Comment Letter	Support	We agree with precluding individuals who are involved in the engagement from inspecting the completed engagement. Although this may exacerbate resource constraints at smaller firms, we believe such prohibition would enhance audit quality overall since it effectively eliminates the self-review threat.
138	Support	Agree
138	Support	We support this requirement.
142	Support	We believe it is appropriate to preclude the inspection of completed engagements by those involved in the engagement. However, we do recognize the operational challenges this provision could have for firms of smaller sizes, particular those with a small number of partners/principals. Regardless, we believe this requirement is an instrumental part of enhancing audit quality and such challenges could be mitigated by additional application guidance.

Number	Position	Coded Text
143 Deloitte	Support	<p>D&T concurs with the ASB’s approach to align with ISQM 1 and prohibit engagement team members or the engagement quality reviewer from performing inspections of completed engagements in which they were involved. Practitioners should not be permitted to inspect their own work, as this is contrary to the purpose of an inspection as a monitoring activity, which is to perform an objective evaluation of responses to quality risks performed at the engagement level and identify deficiencies in the SOQM. Performing an inspection of one’s own work cannot be done with objectivity and does not follow the provisions of relevant ethical requirements.</p> <p>We understand that smaller firms may experience resource constraints in identifying personnel with the competence, capabilities, time, or objectivity to perform inspections. In these circumstances, proposed SQMS No. 1 already provides guidance that notes firms can use individuals outside of the firm for these monitoring activities.</p>
147 2021 ICPAS A&A Comment Letter on SQMS	Support	<p>One segment of the Committee supports precluding self-inspection. A firm’s inspection program will be more effective if qualified personnel who did not participate on the engagement team perform the inspection of a particular engagement. The non-participation in the performance of the original engagement makes these individuals better able to objectively assess the work product produced. Not only can these independent individuals more critically evaluate work, but they also provide a separate perspective and body of knowledge with which to identify potential problems and errors. To effectively overcome the threat of self-review, independent inspection procedures are essential.</p> <p>Monitoring of the other components of a firm’s quality management system may still be performed by the firm itself. Additionally, periodic inspections are meant to focus on a representative selection of a firm’s engagements rather than every engagement performed by the firm. There may be multiple ways for firms to tailor its monitoring and inspection program to limit the time spent by outside individuals on inspection procedures.</p> <p>For example, a firm might possess enough qualified personnel who did not work on various engagements to inspect a sample of its SSARS practice and only require an outside party to inspect one or two audits thus substantially limiting the amount of time spent by outside parties on its inspection.</p> <p>Properly educating firms on how to design and tailor effective, yet efficient inspection programs is imperative to successful implementation of this concept. In addition, providing resource assistance in linking up firms that need to involve outside individuals in the inspection process with qualified parties is critical.</p>

Number	Position	Coded Text
156	Support	<p>We generally agree with the prohibition of engagement team members or the engagement quality reviewer of an engagement from performing an inspection of that engagement (Paragraph 40.b of SQMS No. 1). However, the definition in SQMS No. 1 of engagement team is as follows:</p> <p>All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding an external specialist and internal auditors who provide direct assistance on an engagement. (Ref: par. A14)</p> <p>We are unclear to what extent providing advice or consultation on a technical matter related to a specific engagement constitutes “performing procedures” and the standard does not address this. In some firms, a centralized group (e.g., “national office”) may provide technical consultations on engagements while also having responsibility for planning and oversight of internal inspections. Understanding what constitutes “performing procedures” and having more guidance as to the relevant considerations to make when determining what constitutes the engagement team under SQMS No. 1 will be critical.</p>
158	Support	<p>We strongly agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. We feel that a self-review of a file for inspection QC purposes will allow the overlooking of self-committed errors, and not maintain a level of quality within the practice, by allowing deficiencies and shortcuts to go uncorrected.</p>
164	Support	<p>We strongly agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality and to promote the credibility and value of the inspection.</p>
170	Support	<p>We agree that inspection of completed engagements by those involved in the engagements should be precluded to enhance audit quality, because we do not believe there are safeguards that could otherwise lower the self-review threat to an acceptable level.</p>
012	Exemption	<p>I believe that a blanket elimination of self-inspection as part of a firm’s monitoring and remediation process will negatively impact small practitioners and small businesses. On smaller, non-complex engagements, outside inspections are both ineffective and cost prohibitive for small practitioners and their clients. Many small businesses require attestation work that larger firms aren’t interested in performing. This work often does not involve complex matters or require outside consultation. Many of the professionals who serve these clients operate in small markets or geographically remote areas. Eliminating self-inspection places an undue burden on these small practitioners as well as raising the cost of the engagement for small businesses. In times where outside inspection is appropriate, the practitioner should be allowed to exercise professional judgement to make that determination. The ASB should consider establishing a threshold or allowing for professional judgement to determine if self-inspection is appropriate for smaller, non-complex engagements.</p>

Number	Position	Coded Text
014	Exemption	<p>to disallow a professional with involvement in the engagement from the inspection process will be cost prohibitive to small firms. Some safe-guard suggestions: CPE on how to do the inspection - for the person doing the inspection (does this even exist?) and/or use of an AICPA approved inspection checklist to make sure the inspection covers all necessary areas.</p> <p>I know what the statistics say about quality and smaller firms, but my experience as a reviewer is that the majority of firms, regardless of size, are very committed to providing quality work. There should be a way to provide a good workable system that small firms can utilize to help them meet that goal.</p>
052	Exemption	<p>I do agree with the need for an outside inspection, because most firms don't know what they don't know. Is it possible to limit the scope so that it can be partially internal and external and supervised by the outside inspection firm. Another option would be to do this once in the two intervening years in order to minimize cost to small firms. Could this be looked at?</p>
060	Exemption	<p>In essence, procedures and safeguards relevant to audits are being rammed down the throats of firms that do not perform audits or engagements in accordance with international standards.</p> <p>With respect to the monitoring and remediation process, paragraph 40 b on page 50 states the firm should establish policies or procedures that: address the objectivity of the individuals performing the monitoring activities. Such policies or procedures should prohibit the engagement team members or the engagement quality reviewer of an engagement from performing any inspection of that engagement.</p> <p>This presents a problem in a sole practitioner firm, or even in a small or medium firm that only has one or two professionals to perform these engagements. It impedes scalability. In almost all such cases, at least one of the professionals is the engagement partner, technical reviewer, and/or engagement quality reviewer. This same individual may also be the managing partner. It appears that the only way for such firms to satisfy the proposed standard for inspections is to hire an outside individual at additional cost to perform the periodic (at least annual) inspection. However, such firms already pay fees to their state society and to their outside peer reviewer as part of the peer review process. The prohibition against self-inspection is especially overreaching for firms that only perform compilations without notes in accordance with a special purpose framework such as tax basis.</p> <p>All firms that are only subject to an engagement review under peer review should be exempt from the prohibition against self-inspection provided that the following criteria are met (which will provide safeguards against the risks of self-inspection): The firm received a rating of pass on its peer review report immediately before the effective date of the new QM standards, The firm receives a rating of pass on its triennial peer review reports immediately after the effective date of the new QM standards, Once a firm receives a rating other than pass on its peer review report, it will be prohibited from self-inspection every year thereafter until it receives a peer review report rating of pass, If necessary, an additional safeguard could be added requiring CPE specific to inspections for the individual performing the inspection (four hours every three years).</p>

Number	Position	Coded Text
061	Exemption	Further, to reduce the burden on smaller firms who do not have internal resources to perform such inspections, and to recognize that requiring external inspections would be tantamount to having annual peer reviews, consideration should be given to modifying the need for triennial peer reviews in such cases; a recommendation would be to require peer reviews every five years instead. We recognize the issue that would arise with state licensing requirements and anticipate a joint discussion with NASBA, coupled with possible external inspection reporting requirements, could alleviate such hurdles.
081 harper- poston- and- moree	Exemption	To make the standard scalable, provide an exemption from this requirement for sole proprietors and small firms with satisfactory peer review results. Utilize and rely upon the current peer review program as a safeguard to identify the existence of deficiencies of self-monitoring and self-inspection activities and to determine if outsourced monitoring and inspection activities are necessary for corrective action. Based on data provided by the AICPA, the peer review program has a high success rate and could be relied upon regarding the ASB’s concerns for audit quality.
081 harper- poston- and- moree	Exemption	We somewhat agree that inspections of completed engagements should not be performed by those involved with the engagement. Larger firms will be able to successfully implement this standard; however, it will negatively impact sole proprietors and smaller firms due to additional costs of outsourced inspections, limits on their ability to be competitive with larger firms, and difficulty obtaining qualified third parties to perform inspections, particularly in the case of specialized industries. Depending upon a practitioner’s individual circumstances, this requirement could create the need for multiple external service providers to perform inspections, engagement quality reviews, and peer reviews creating a significant financial burden. The ASB should consider making this requirement more scalable and provide an exemption for sole proprietors and small firms. The following safeguards could lower the self-review threat:

Number	Position	Coded Text
102	Exemption	<p>If none of the recommendations above are affirmed, the Committee believes carve-out provisions to exempt small firms from parts of this standard should be considered. The parts to be included as possible carve-outs are self-inspection during both monitoring and the engagement quality review when assessed applicable and the two year cooling off period.</p> <p>The Committee recommends that the ASB apply a three bucket approach to determine the level of each firm to which the carve-outs would apply. The three level approach would be:</p> <p>Bucket 1 - Firms that perform "public interest" audits and other engagements Bucket 2 - Firms that perform audits and other engagements not included in bucket 1 and are staffed by 20 or more professionals and/or have more than one office. Bucket 3 - Firms that are not included in buckets 1 or 2.</p> <p>The Bucket 3 Firms would be eligible for the carve-outs. Bucket 3 firms should have the option to elect to forego the carve-outs if they so choice.</p> <p>"Public interest" engagements would need to be defined.</p> <p>Firms in bucket 3 would be subject to the first self-inspection threat "safeguard" the Committee details above and remedial action would be required if deficiencies exist.</p> <p>One member of the Committee used the analogy that there are different rules for cars versa trucks on the highways. Thus there should be different rules for small and medium sized firms from larger firms.</p>
113	Exemption	<p>We would like the ASB to clarify whether a firm could satisfy the prohibition against self-review by setting an inspection cycle of every three years, with the firm's peer review providing the required non preparer inspection. We would expect that such a clarification would have provision that if/when a firm experiences significant new risks, a three-year inspection cycle may not be appropriate.</p> <p>If an inspection cycle of every three years is not allowed under the new standard, then we recommend that firms which do not perform audits be exempt from the self-review prohibition.</p>
144	Exemption	<p>I like this better as a recommendation, rather than a requirement, due to the impact to smaller firms. While the self-review threat exists, following a prescribed template, like the peer review checklists, would mitigate the risk. Also, someone familiar with the file would be more efficient at completing the inspection. Overall, I support this concept, but I don't know if it fits well for all firms. If awareness about new standards is an area of concern (i.e. "you don't know what you don't know"), part of the inspection could be to review listings of recently effective standards for applicability.</p>

Number	Position	Coded Text
146	Exemption	<p>We believe that inspections of completed engagements by someone not involved in the engagement is a “best practice,” but we do not believe it is an absolute necessity. As noted previously, this will be a huge burden for smaller firms, not only in terms of cost but also in finding a qualified individual who has the time to perform such procedures. In practice, we believe that smaller firms will have a difficult time implementing this requirement and that the current audit / concurring review / EQR partners would still be able to gain considerable knowledge inspecting their own files after a period of disassociation from the engagement. We also believe that there is great benefit to even a self-review provided after some period of disassociation from the engagement. We have found firms that receive pass reports on their peer reviews often are doing an excellent job in inspecting their own work. Perhaps there could be an additional A&A education requirement for firms that want to continue to inspect their own work.</p> <p>We recommend as part of the inspection process that a firm have an outside party review a must-select audit for each type of must-select audit performed by the firm. We believe that the EQR can be used to meet this requirement. Additionally, all firms (including those which are subject to engagement peer reviews) must have an outside party review at least one engagement from its highest level of service.</p>

Number	Position	Coded Text
147 2021 ICPAS A&A Comment Letter on SQMS	Exemption	<p>Another segment of the Committee supports retaining a practitioner’s ability to perform self-inspection in cases where the practitioner has shown adequate compliance with professional standards in the past. This segment agreed with the ASB that inspections of completed engagements by personnel independent of the engagement are usually more effective, assuming the inspector has the necessary technical qualifications.</p> <p>However, this segment noted that inspection effectiveness usually varies with the overall quality and tone of the firm rather than on whether or not self-inspection was utilized. Firms already committed to quality that have a thorough understanding of standards will tend to perform original engagements well and complete robust, effective inspections. While other firms with inadequate knowledge of the standards or otherwise poor documentation and secondary review practices will tend to produce either poor inspection results or have ineffective inspection programs that do not detect any engagement issues. This variation occurs regardless of whether those firms’ inspection procedures involve any element of self-inspection. Essentially, even firms with the ability (i.e., enough qualified personnel) to prevent self-inspection still run a significant risk of producing fundamentally poor inspection results, if the quality issues discussed above are present within the firm. Even should the proposed standard preclude self-inspection these same firms may be unlikely to critically evaluate the qualification and ability of an outside inspector, running the risk of perpetuating poor inspection programs.</p> <p>Given this variability of results, we do not believe it is necessary to force all firms, particularly sole practitioners and small firms, to incur the cost of employing a third-party reviewer in cases where the firm has demonstrated strong performance. Sole practitioners and small firms in some markets may also have difficulty locating a qualified inspector at a firm of comparable size. In addition, significant client relationship concerns exist with repercussions that are not fully foreseeable.</p> <p>While we support the ASB’s goal of strengthening the inspection process, here are some suggested alternatives and resources that could be considered: A firm that receives a pass with no deficiencies rating on its peer review report (or a pass rating with no findings) will be exempt from the requirement to use independent personnel on its inspection during the intervening two years between peer reviews.</p> <p>The engagement quality reviewer (EQR) may be used as inspector, as this individual was independent of the engagement team as a precondition to act in that role. Alternatively, an engagement that was subjected to EQR in the year may count as an inspection selection based on the same consideration.</p> <p>Currently, other than an already limited peer reviewer pool, no network of qualified individuals who might perform inspections exists, meaning locating a qualified inspector may be problematic for firms. The AICPA could develop a database of qualified inspectors (apart from or as an extension of the existing peer review directory). Firms could search a directory of inspectors by firm size, industry, etc. This would increase the population of inspectors available for smaller firms.</p>

Number	Position	Coded Text
159	Exemption	We believe there are situations in which a member involved in an engagement in a limited capacity should not be precluded from performing the inspection. As an example, a person could perform audit procedures with respect to a certain account balance, class, or transaction without disqualifying themselves from performing the inspection on the overall audit engagement with appropriate safeguards in place, such as requiring another person to inspect the section of the work performed, so long as the account balance, class, or transaction was not pervasive or of such significance that any self-review threat could not remain at an acceptable level.
161 PwC	Exemption	<p>We recognize a difference exists today between ISQC 1 and QC section 10 relating to the involvement of those performing the engagement or the EQR in inspecting the completed engagements (also referred to as self-inspection).</p> <p>We support the approach taken in SQMS No. 1 to converge with ISQM 1 in relation to inspection of completed engagements. However, we understand the concerns of smaller firms that result from potentially removing the existing difference between ISQC 1 and QC section 10, and encourage the ASB to consider how best to respond to those concerns, including whether there are additional actions that could be taken to help firms consider alternatives to self-inspection.</p>
162	Exemption	<p>We believe inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. As a part of maintaining public trust and continued self-regulation, we believe self-inspection should be precluded for the following reasons:</p> <p>Self-review may make certain practitioners less objective in reviewing their own work Self-review may make certain practitioners less diligent when performing their own work Self-review prevents the benefit of a “fresh set of eyes” and feedback that would improve a firm’s audit quality</p> <p>In the interest of scalability, regarding the preclusion of inspection of completed engagements by those involved, we do recommend the ASB consider that very small firms be exempt from this preclusion.</p>
168	Exemption	We believe that inspections of completed engagements should be performed by individuals not involved in the engagement. However, in practice, we believe that (1) small firms will have a difficult time implementing this requirement, and that (2) audit / concurring review / EQR partners would still be able to gain considerable knowledge inspecting their own files after a period of dissociation from them (say 3 months have passed since audit was completed). There is great benefit to even a self-review provided some period of dissociation from the engagement. However, we concur that there will be instances where “you don’t know what you don’t know” will be best identified by having a reviewer that was not involved in the initial engagement.
014	Safeguards	Some safe-guard suggestions: CPE on how to do the inspection - for the person doing the inspection (does this even exist?) and/or use of an AICPA approved inspection checklist to make sure the inspection covers all necessary areas.

Number	Position	Coded Text
039	Safeguards	Self-Inspection - All firms participate in peer review every 3 years and have 40 hours of CPE to keep up to date annually. Along with the testing to become a CPA, these requirements prepare a firm to review and perform the work adequately.
081 harper- poston- and- moree	Safeguards	<p>Examples of Safeguards:</p> <p>Utilize the peer review process and provide an exemption for sole proprietors and small firms that have a satisfactory peer review. Rely upon the peer review program to identify the existence of deficiencies of self-inspection activities and to determine if outsourced inspections are necessary for corrective action.</p> <p>Implement or utilize regulatory oversight programs with state boards of accountancy or other regulatory organizations, in the case of specialized industries, to perform inspections or desk reviews of selected annual engagements. This process could be completed through random oversight of all firms by regulatory or oversight agencies or either offered at minimal or no cost to sole proprietors or small firms that could not adhere to the self-inspection standards as proposed.</p> <p>Enhance continuing education programs to provide adequate training in technical expertise concerning implementation of new accounting and auditing standards and quality management. With proper training, self-inspection would be possible and lower the self-review threat. There is no assurance that a third party performing an outsourced inspection is any more knowledgeable of professional standards.</p>
087	Safeguards	<p>There are many factors that can contribute to the competence to perform, and lower the quality risks of performing self-inspection of engagements such as compilations and even reviews or audits of lesser complexity. Among them are:</p> <p>A history of “pass” peer review reports. Extensive continuing education in A&A subjects. Participation in technical committees of professional accounting organizations. Authorship of professional A&A literature. Teaching at colleges. Specialization in one or a few industries. Strong acceptance and continuance policies. The presence or absence of significant new professional standards that have to be implemented for the first time. First year vs. continuing engagements. Presence or absence of significant transactions that are not typical for the client’s business.</p> <p>Such attributes should be considered before labelling all small firms as potential bad actors and forcing them into outside inspections.</p>

Number	Position	Coded Text
089	Safeguards	<p>Examples of safeguards that can help mitigate this threat as identified by the committees include:</p> <ul style="list-style-type: none"> Specific CPE throughout the year External training History of pass reports in a system peer review with no FFCs Up-to-date practice aids Background and experience of the individual with respect to monitoring or engagement review, including successful prior experience with comprehensive review of engagements Service as a peer reviewer Consultation if questions or contentions are identified Consistency in firm practice (no expansion of services, no significant changes in the client base) <p>Specific streamlined application resources should be provided to guide a smaller firm through this assessment.</p>
100 TIC	Safeguards	<p>TIC recognizes that, when allowing even the most well-meaning and qualified individuals to self-inspect their work, they are susceptible to self-serving biases. As such, TIC recommends there be a general expectation of avoiding self-inspection. However, rather than a bright-line rule prohibiting self-inspection, we believe firms should be permitted to overcome the general expectation when certain safeguards are implemented.</p> <p>Example safeguards (there may be others), which may reduce the self-inspection risk to a sufficiently low level, include the following:</p> <p>Link to Peer Review. Linking the ability to self-inspect engagements to the results of the most recent peer review. TIC believes that the peer review process continues to be a vital part of ensuring that practitioners perform quality engagements. If the engagement partner has demonstrated their existing quality management processes produced successful peer reviews, then they should be allowed to continue using the processes which resulted in that success. Because of the complexity and nuance involved in the peer review process, TIC suggests that the ASB work with the Peer Review Board to determine what would be considered a successful peer review for this purpose.</p> <p>Conversely, TIC would support engagement partners being prohibited from self-inspection as a remedial action based on the result of their most recent peer review. That prohibition could extend until their next peer review is complete and they have demonstrated that they have proper quality management processes in place. At that time, the firm would be free to re-evaluate if they believe that self-inspection can be effective.</p> <p>Require Training. By including a requirement to attend an annual training course which covers risks associated with self-inspection and inherent biases, practitioners would be consistently made aware of the risks related to self-inspection, which would reduce the risk of the practitioner succumbing to their bias in reviewing the work. TIC believes that this suggestion would be similar to the requirement in many states related to required ethics CPE in order to maintain CPA licenses.</p>

Number	Position	Coded Text
		<p>Require Center Membership. The AICPA has many resources available which are designed to assist members in performing quality engagements including the Employee Benefit Plan Audit Quality Center and Government Audit Quality Center as well as other memberships such as the Not-For-Profit Section and Center for Plain English Accounting. Membership based on the types of clients being served by the practitioner, would demonstrate a commitment to quality which may help alleviate risk in this area.</p> <p>Use of Peer Review Checklists. As noted previously, the peer review process is critical in ensuring that quality engagements are performed. Requiring firms that self-inspect engagements to use the same checklists which are used by peer review would provide structure to internal inspections that comes from a qualified source outside of the entity. As these checklists are developed by parties outside the firm for the purpose of performing a quality review via the peer review process, they help the practitioner approach the engagement internal inspection from a different perspective than the review done during engagement performance. TIC believes that this approach to engagement inspection responds to the primary concerns related to self-inspection. TIC is aware that some firms already use these checklists for this purpose and those firms have indicated that they have identified issues to be corrected through their use.</p>
101	Safeguards	<p>One significant safe-guard is that many non-USA IAASB member are not subject to peer review for engagements of non-listed entities, whereas under AICPA peer review, all such engagements are included. Also, the AICPA peer review program is very robust compared to other such programs. In particular report acceptance bodies will normally require firm's that have shown to have deficient internal monitoring process to enhance those processes and be subject to some level of follow-actions. Firm's internal monitoring process are evaluated every three years (this includes reviewing the monitoring procedures and results for all years since the firm's last peer review) and if there are any deficiencies identified, there will be oversight and follow-up that would extend typically one or even two years depending on the improvement made. I don't believe it is fair to think of peer review as evaluating monitoring only once every three years, but rather it is a more risk-based approach and will include greater oversight if a firm's monitoring procedures are not effective.</p> <p>I believe that these factors more than compensates for not prohibiting self-review and not requiring EQCR cooling-off.</p>

Number	Position	Coded Text
102	Safeguards	<p>Allow self-inspection as part of monitoring during the 2 year period between the triannual peer reviews if the Firm has a "clean Peer Review" for the year preceding that 2 year period. A "clean Peer Review" can be defined as a Pass Report under the Peer Review Standards.</p> <p>Allow a carve out exception for Firms to self-inspect their engagements and perform monitoring that will only apply to firms that are required to have Engagement Peer Reviews under the Peer Review Standards.</p> <p>The reasoning behind this carve-out exception for engagement review firms is risk based, which would be in accordance with the Standard. The Committee does not visualize that a Firm that performs only these type of engagements is exposing the public users of the result of the engagement to a great degree of risk. Any non-conforming engagement will be subject to Peer Review corrective action.</p> <p>Beyond the "safeguards" the Committee proposes two other alternatives</p> <p>Allow the present self-inspection procedures to remain in place.</p> <p>A requirement that if the engagement is assessed at a higher risk such as an Employee Benefit Plan Audit, Government Audit or any other high risk assessed engagement then the self-inspection threat could not be overcome and the engagement would require an outside party to look at that engagement. Government audits presently have this requirement as related to the preparation of the financial statements.</p> <p>If one of these type of high risk engagements is assessed as a lower risk it is recommended that the risk assessment criteria used for these engagements be subject to review as part of the monitoring process. Proper documentation of the result of that review would be required.</p> <p>Under this monitoring alternative the risk assessment per engagement will need to be documented by the Firm. See concerns about risk assessment above.</p> <p>The Committee under paragraph A168 sees the wording "A self-review threat may arise when an individual who performs another type of monitoring activity participated in designing, executing or operating the response being monitoring." The Committee is unclear what this means and asks for further clarification via examples and/or other explanatory material.</p> <p>The present interpretation of A168 is that the individual who designed, executed or operated the system is ineligible to be part of the inspection of the system. This will be a burden to the small and medium sized firm.</p>

Number	Position	Coded Text
116	Safeguards	<p>One or more of the following suggested safeguards could be implemented:</p> <p>Carve-out for compilations and preparation engagements – There should be a carve-out in the self-inspection prohibition for compilations and preparation engagements since CPAs offer no assurance or conclusions on these types of engagements.</p> <p>A firm with a peer review report rating of pass – This safeguard could allow the firm to perform self-inspections for the two years after the year with a peer review report rating of pass.</p> <p>The firm’s personnel include a qualified, experienced peer reviewer – Qualified, experienced peer reviewers work directly from standards and have enhanced training that would enhance a firm’s system of quality management and serve as a potential mitigating factor for the self-review threat.</p> <p>For smaller firms performing their own inspections, there could be a cooling off period of 6 months before the internal inspection is performed.</p> <p>Targeted training – Sole practitioners, engagement partners, and experienced staff members could attend engagement quality designed continuing education classes that are specifically designed to assist firms with reviewing engagements on either a pre-issuance or post-issuance basis from a professional standards approach. More specific examples of continuing education classes are detailed in a – c below.</p> <p>Industry specific classes – A sole practitioner, engagement partner or experienced staff member could participate in live round table continuing education classes that are specifically designed to assist the firm in a review of the report, financial statements, and workpapers. Enhanced classes for Uniform Guidance audits, Employee Benefit Plan audits, audits performed under Government Auditing Standards, and other specialty categories could be designed. The classes could be designed in a roundtable format so that all class participants could address questions or problem areas. The classes could be offered in-person or via an online platform. The live format will enhance participation and improve the practitioner’s ability to obtain and retain professional guidance to apply in practice.</p> <p>Pre-issuance or post-issuance classes – Continuing education classes could be developed for each pre-determined size of firm for the pre-issuance and/or post-issuance review of engagements. The classes could emphasize specific examples of review procedures that firms can do to enhance the quality of an engagement prior to issuance. The classes could be designed in a live round table format so that all class participants could address questions or problem areas. Each class participant would be required to submit one A&A engagement to review during the class prior to the class date. The class instructor would receive the A&A engagements in advance and could provide the firms with specific guidance to enhance audit quality. This class could be offered on a pre- or post-issuance basis. Developing classes designed just for sole practitioners or small firm owners will give these firms’ owners an opportunity to attend classes with peers from firms of the same size that are experiencing the same professional challenges. Note: Monitoring classes are available in some areas on an annual basis. These classes include a lecture</p>

Number	Position	Coded Text
		<p>component where the instructor discusses the monitoring element of quality control and a workshop component where participants perform a self-review on one or more of their own firm’s A&A engagements using checklists from the AICPA Peer Review Program Manual and assistance from the instructor and one or more facilitators.</p> <p>Inclusion of peer reviewer on live round tables – Continuing education classes could be developed as stated above and include a qualified peer reviewer as the class instructor or class contributor as an enhancement to the classes. With peer reviewers serving as the instructor or contributor, firms can gain added knowledge of the standards from the reviewer’s perspective prior to implementing any new procedures.</p> <p>The AICPA could enhance and market the current search feature that exists on the AICPA website to assist the firms in finding a qualified inspector.</p>
116	Safeguards	<p>The challenge of locating a qualified party to complete the inspection outside the firm may not be overcome without significant expense to the firm. Also, the availability of an outside qualified inspector is limited. The incorporation of bullet points 4 and 5 may possibly assist sole practitioners and small firms in obtaining uniform inspections by qualified trained individuals at minimal expense for firms; but come at the possible expense of further reducing the pool of qualified individuals willing and able to perform external peer reviews.</p> <p>In addition, if sole practitioners and small firms are required to outsource inspections, the same requirements should be extended to firms of all sizes. Also, while two firms could work together to perform each other’s inspections and technically meet the new proposed standard, such cross reviews may not result in the desired improvements in audit quality. Finally, the external peer review program is designed to identify deficiencies in a firm’s monitoring activities. If no deficiencies have been identified, then self-inspection appears to have been successful and should be allowed to continue. Additional safeguards should only be required for those firms with deficiencies.</p>
135	Safeguards	<p>Possible safeguards could include one or any combination of the following:</p> <p>A firm with a peer review report rating of pass – This safeguard could allow the firm to perform self- inspections for the two years after the year with a peer review report rating of pass (i.e., no deficiencies or significant deficiencies).</p> <p>Carve-out for compilations and preparation engagements – There should be a carve-out in the self-inspection prohibition for compilations and preparation engagements since CPAs offer no assurance or conclusions on these types of engagements.</p> <p>The firm’s personnel include a qualified, experienced peer reviewer – Qualified, experienced peer reviewers work directly from standards and have enhanced training that would enhance a firm’s system of quality management and serve as a potential mitigating factor for the self-review threat.</p> <p>For sole practitioners performing their own inspections, there could be a waiting period of 6 months before the internal inspection is performed.</p>

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Targeted training – Sole practitioners, engagement partners, and experienced staff member could attend engagement quality designed continuing education classes that are specifically designed to assist firms with reviewing engagements on either a pre-issuance or post-issuance basis from a professional standards approach. More specific examples of continuing education classes are detailed in a – c below.

Industry specific classes – A sole practitioner, engagement partner or experienced staff member could participate in live round table continuing education classes that are specifically designed to assist the firm in a review of the report, financial statements, and workpapers. Enhanced classes for Uniform Guidance audits, Employee Benefit Plan audits, audits performed under Government Auditing Standards, and other specialty categories could be designed. The classes could be designed in a roundtable format so that all class participants could address questions or problem areas. The classes could be offered in-person or via an online platform. The live format will enhance participation and improve the practitioner’s ability to obtain and retain professional guidance to apply in practice. Note: Governmental report review classes are available in some areas on an annual basis. These classes are generally limited to the report and accompanying financial statements only and are not offered in a frequency that would allow a firm to obtain a quality EQR prior to issuance.

Pre-issuance or post-issuance classes – Continuing education classes could be developed for each pre- determined size of firm for the pre-issuance and/or post-issuance review of engagements. Firms currently have corrective action assigned that require either a pre- or post-issuance review of an engagement in response to matters noted during a peer review. While this can be helpful for firms, an enhancement for firms’ education could be direct participation in a pre- or post-issuance review of the firms’ engagements. The classes could emphasize specific examples of review procedures that firms can do to enhance the quality of an engagement prior to issuance. The classes could be designed in a live round table format so that all class participants could address questions or problem areas. Each class participant would be required to submit one A&A engagement to review during the class prior to the class date. The class instructor would receive the A&A engagements in advance and could provide the firms with specific guidance to enhance audit quality. This class could be offered on a pre- or post-issuance basis. Developing classes designed just for sole practitioners or small firm owners will give these firms’ owners an opportunity to attend classes with peers from firms of the same size that are experiencing the same professional challenges. Note: Monitoring classes are available in some areas on an annual basis. These classes include a lecture component where the instructor discusses the monitoring element of quality control and a workshop component where participants perform a self-review on one or more of their own firm’s A&A engagements using checklists from the AICPA Peer Review Program Manual and assistance from the instructor and one or more facilitators.

Inclusion of peer reviewer on live round tables – Continuing education classes could be developed as stated above and include a qualified peer reviewer as the class instructor or class contributor as an enhancement to the classes. We often hear that peer review has become punitive rather than educational. With peer reviewers serving as the

Number	Position	Coded Text
		instructor or contributor, firms can gain added knowledge of the standards from the reviewer’s perspective prior to implementing any new procedures.
163	Safeguards	<p>First there could be a requirement of an internal inspection by manager level or higher. The reviewer should be required to have twenty-four hours of A&A CPE in the previous two years. In addition, a uniform, mandatory checklist could be developed for review. Other practice aids could be developed highlighting key risk areas and items that would help trigger against self-review threat. Personnel performing inspections should have a minimum of eight hours CPE every three years that specifically relate to performing internal inspections or engagement quality reviews</p>
003	Oppose	<p>I have been a peer reviewer since PR began. Previously I was on the AICPA PR Board, Chair of the state PR Committee and a technical reviewer for two different AEs. In brief, I support CPA attest quality.</p> <p>For the approximately 42,000 CPA firms in the USA, the demographics of eligibility of the individuals within the firm responsible for the appointment of engagement quality reviewers will be near impossible to meet. The typical smaller clients (governmental, small contractors, CIRAs and NFPO), that these smaller CPA firms generally service, will not financially support the economies of mandatory hiring outside quality reviewers. In summary, it will be difficult to find and fund sufficiently experienced and knowledgeable external people, particularly for specialized industries or areas.</p>