



**CPAAI**  
CPA ASSOCIATES INTERNATIONAL

August 25, 2010

Ms. LaShaun King, Technical Manager  
AICPA Peer Review Program  
American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

Dear Ms. King:

CPA Associates International, Inc. is an international association of 144 CPA and Chartered Accounting firms with 53 members in the United States and 91 member firms in 67 other countries around the world. On behalf of our Association's Peer Review Committee, I am writing in response to the AICPA exposure draft on Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs.

In reviewing the exposure draft, we have the following concerns:

- 1) The draft revised standard would prohibit individuals, and firms of those individuals, involved in the development and maintenance of QCM or CPE programs from participating as reviewers in the peer review of firms that use those materials. An individual may be a contributing author to a QCM or CPE manual, but may not receive fees for the services they provide, or the fees may be immaterial to the individual or the firm.

We don't believe that being an author, or contributing author of these manuals would lead to an impairment of independence in instances where the fees are immaterial to the individual or firm. In instances where the fees for services involved in the development or maintenance of QCM or CPE materials are immaterial, a firm's use of the materials in its system of quality control shouldn't lead to a reviewer swaying his or her opinion since there isn't economic dependency as cited in the explanation of changes to existing standards in the draft. If a reviewer is, as required by paragraph 22, "impartial, intellectually honest, and free of conflicts of interest," the reviewer would not be swayed due to the firm's use of a manual that the reviewer participated in authoring. The reviewer should be the one to evaluate whether a relationship leads to an impairment of independence.

Prohibiting these individuals, and their firms, from participating in peer reviews would remove a significant number of qualified reviewers from the pool of eligible reviewers. The profession is already facing a critical situation with a shrinking number of individuals qualified to perform peer reviews.

- 2) We believe it would be counterintuitive to remove the requirement for firms providing QCM or CPE materials to undergo a mandatory peer review. Providers of QCM or CPE materials should be required to undergo at least triennial peer reviews. Many firms use these materials and rely on them for complying with professional standards. Materials that enjoy significant use by CPA firms should be required to undergo peer review to provide assurance that the materials are being produced in accordance with AICPA Standards. If these materials are not reviewed, it seems that this would lead to increased peer review risk, potential liability and expense for reviewed firms.

The following are responses to the questions raised in the Exposure Draft:

- 1) Yes, we believe the current relationship as permitted by Paragraph 159 is appropriate. Instances of independence impairment issues should be handled on an individual basis.
- 2) We do not believe that relationships permitted by Paragraph 159 raise independence concerns. A reviewer is required to be "impartial, intellectually honest, and free of conflicts of interest."
- 3) This should be handled in those instances where there is noncompliance with this standard.
- 4) No, we do not feel the proposed revisions to the standards are necessary to serve the main goal of the AICPA Peer Review Program. If there are issues with a provider of QCM or CPE materials, this should be addressed with the provider.
- 5) Safeguards are more appropriate. As described in the Exposure Draft, a safeguard such as increased oversight of firms performing reviews of firms using QCM or CPE developed by the reviewer is more appropriate than prohibiting the reviewer from performing reviews.
- 6) We believe the implementation of the proposed revisions would impact a firm's ability to obtain QCM or CPE materials. It appears possible that fewer individuals would participate in the development or maintenance of CPE programs as the draft revision is currently proposed. We believe the revisions would result in fewer reviewers and would have a significant impact on a firm's ability to retain qualified reviewers. At this time, it can be difficult to locate qualified reviewers. If the proposed revisions are adopted as they are currently proposed, we believe there would be a further reduction in the pool of qualified reviewers.

In closing, we strongly suggest that the standards remain as they are. We don't believe prohibiting individuals, and their firms, from performing peer reviews, if they have participated in the preparation of QCM or CPE materials, will improve the peer review process or lead to greater independence in the peer review process. If a reviewer is "impartial, intellectually honest, and free of conflicts of interest," as required by current standards, they will remain independent.

If there are individual instances of independence in regards to providers of QCM or CPE materials, this should be addressed in the specific instance.

Thank you for the opportunity to provide our response to the draft revisions to the Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs. We look forward to receiving your response to our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel E. Wernke". The signature is written in a cursive style with a large, looped initial "D".

Daniel E. Wernke, Chairman  
CPA Associates International  
Peer Review Committee