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Subject: Comments on Exposure Draft

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Comments on Exposure Draft

Proposed Revisions to the AICPA Standards for Performing Peer Reviews:

Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs

My comments are focused on question 3 of the questions posed to respondents on whether the proposed revisions are necessary to serve the goal of promoting quality in accounting and auditing services provided by AICPA members and their firms to serve the public interest and enhance the significance of AICPA membership.

I believe that interpretation 21-1 (p. 20) is too sweeping in its application and would be likely to have the unintended consequence of reducing the quality of accounting and auditing services provided by AICPA members and their firms.

The goal of maintaining independence in fact and appearance with respect to the reviewed firm by a reviewing firm and review team members and other participants is extremely important. These activities must be performed with integrity and objectivity. Certainly, if the reviewed firm uses QCM or CPE programs that the reviewing firm is responsible for developing, it is likely that independence is impaired and that adequate safeguards cannot be established.

The proposed revisions to peer review interpretation 21-1, however, go well beyond the prohibitions that would be necessary to safeguard independence. The proposed revisions are a one-size-fits-all solution that imposes unnecessary restrictions on experts and others who assist in certain limited but very helpful ways in the development of QCM.

The AICPA has relatively recently engaged in major changes in the independence requirements that apply to audit and attestation services because the former requirements were too sweeping and had unintended consequences. It would be a serious mistake to adopt rigid and overly restrictive conditions on assistance in the development of QCM in light of the extensive effort to make independence requirements for audits and other attestation services more rational and realistic.

The proposed revision to peer review interpretation 21-1 would prohibit virtually anyone who assists in the development of QCM from being involved in a peer review of a firm that uses the QCM regardless of the extent of involvement, level of effort, role in the creation process, or materiality of the compensation for their involvement. I believe the prohibitions should take into consideration factors such as the size of the firm performing the review (which affects the ability to implement safeguards), the identification of the reviewing firm with the QCM, and the materiality of the fees generated by participating in the development of QCM.

My beliefs and recommendations are based on my own experience as a standard setter at the AICPA and PCAOB and my participation in the development of QCM published by Practitioners Publishing Company (PPC).

I am the author or co-author of many PPC guides used widely in practice. Over the years, various contributing authors and reviewers have improved the quality of these PPC guides by bringing to bear their years of industry expertise and experience. Their compensation for this effort has clearly not been material to them or their firms, but their contribution to the quality of the QCM has been significant.

I urge you to reconsider the proposed revisions to introduce more scalability and rationality to the restrictions that would be sufficient to maintain the independence, integrity, and objectivity of reviewing firms without unnecessarily impairing the ability of qualified experts to enhance the quality of QCM and promote the ultimate goal of promoting quality in accounting and auditing services.

Douglas R. Carmichael