



# Conant, Nelson & Conant, Ltd.

Certified Public Accountants

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AICPA Peer Review Board  
c/o La Shaun King, Technical Reviewer  
AICPA Peer Review Program  
220 Leigh Farm Road  
Durham, NC 27707

Via e-mail to: [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)

To the AICPA Peer Review Board:

Thank you for the opportunity to respond to the June 1, 2010 Exposure Draft titled *Performing and Reporting on Peer Reviews of Quality Control Material (QCM) and Continuing Professional Education (CPE) Programs*.

I have structured my comments as responses to the discussion questions that were provided in the Exposure Draft.

1. Do you believe that the peer review relationship currently permitted by paragraph 159 is appropriate?
2. Are there independence concerns that arise as a result of the peer review relationship currently permitted by paragraph 159?

The peer review relationship permitted by paragraph 159 is too broad and consequently can permit relationships that would be inappropriate and clearly would allow situations where the independence of a peer reviewer would be impaired. There can exist a wide spectrum of degrees of relationships under the current standard. Allowing a developer of QCM or a marketer of that material to also be a peer reviewer of a user firm could cause an obvious conflict of interest. The success of a user firm in peer review could have a direct effect on the success of a QCM provider or marketer as it relates to financial gain for profits, royalties or commissions. This poses a threat to objectivity and independence for an individual who is a developer or marketer of QCM who also takes on the role of a peer reviewer.

There also are other circumstances where no threat to objectivity or independence exists, such as providing consultation services to a provider for a *de minimis* honorarium without sharing in profits, royalties or commissions. In those circumstances, the success of an

unrelated QCM developer or marketer is not an issue and causes no threat to objectivity or independence on a user firm's peer review. I disagree with the conclusion in the discussion that includes an individual that serves as a technical consultant to an unrelated provider of QCM for a nominal fee as an integral part of the system of quality control of the developer or provider of the QCM. There are many examples of these consultants, of which I am one. In the capacity of consultant I have no decision-making ability and simply provide comments and suggestions. Frequently my comments are used and frequently they are not. All editorial authority rests with the producer of the material. I have reviewed many firms who use these materials and have never felt any lack of objectivity in performing those reviews.

3. Do you believe that the proposed revisions are necessary to serve the main goal of the AICPA Peer Review Program (promoting quality in the accounting and auditing services provided by AICPA members and their CPA firms in order to serve the public interest and enhance the significance of AICPA membership)?

No. The proposed revisions are too restrictive and limiting. I am aware of many members of the AICPA who perform consulting services to unrelated providers of QCM whose firms also perform peer review services on user firms, who without question could be objective, free of conflict and independent in that capacity. Minor involvement should be excluded from this prohibition. Just as the existing standard is too broad to allow for abuse in this regard, the proposed revisions are too restrictive to encompass those individuals who should not be considered developers, marketers, producers or part of the quality control system of the QCM provider for their minimal involvement with the process and their lack of financial reward for the success of the product.

4. Is it more appropriate to have safeguards instead of prohibitions?

Yes. Many of our independence standards are written with safeguards instead of prohibitions. The Peer Review Standards already require independence and the Interpretations give interpretive guidance on both independence and conflict of interests. Interpretive guidance could be written to not allow those obvious close relationships where financial gain is involved and the success of the user firm in peer review directly affects the success of the QCM provider.

I also would have thought that a mandatory peer review of the QCM provider's system and resultant material would have provided another safeguard for at least the quality of the material developed. Many firms rely on the quality of their purchased practice aids and have been instructed to look for the peer review report on that material. The purchased quality control material becomes an integral part of the user firm's system of quality control. Small firms are not in a position to evaluate the quality of the QCM on their own due to limited resources. Because of that, I would disagree with the removal of the requirement of a triennial peer review from the Standards.

5. If the proposed revisions are implemented, do you believe there would be a negative impact on your ability to obtain QCM or CPE programs and/or ability to find qualified peer reviewers?

As a technical consultant for PPC, receiving a minimal honorarium (fee) for my technical comments on a practice aid, the amount of which is inconsequential to me, it would have an effect on my decision to continue to offer that service, as my firm also performs peer review services. I know of many other such members that bring valuable input as technical consultants, many of whom come from a variety of backgrounds and have years of experience as practitioners, standard setters, recognized specialists and industry experts. The loss of that resource to the production of high quality QCM that is widely used and relied on by practitioners cannot be in the public interest. For those other consultants that would choose to continue to provide consulting services and not peer review services, the loss of those experienced reviewers from the existing reviewer pool would have a negative impact on our existing peer review program and this cannot be in the public interest for quality accounting and auditing practices.

Effective Date of the proposed revisions:

The proposed revisions, if adopted, are effective for peer reviews scheduled on or after November 1, 2010. The proximity of this date can pose a problem for many who are in the middle of completing consultations on QCM and who are also in the middle of a peer review season. I would suggest that if this proposal is adopted as written the effective period take into account future involvement in the QCM and not be based on the scheduling of peer reviews. Any involvement with QCM in the past cannot be changed and we were independent when we chose to provide that prior consultation and have planned certain reviews.

I appreciate the opportunity to comment on this exposure draft. Please feel free to contact me if you have any questions on my comments.

Sincerely,



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Quality Control Partner  
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