



NATIONAL CONFERENCE OF CPA PRACTITIONERS

22 Jericho Turnpike, Suite 110
Mineola, NY 11501

(516) 333-8282

FAX: (516) 333-4099

TOLL FREE: (888) 488-5400

August 23, 2010

AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110
Attention: LaShaun King, Technical Manager

Re: Exposure Draft on Peer Review of QCM and CPE Materials

Ladies and Gentlemen:

Attached hereto is our organization's response to the questions addressed in the Exposure Draft on Peer Review Standards.

We appreciate the opportunity of being allowed to respond to your requested questions.

If you should require any additional clarification, please contact Stuart G. Lang, CPA or Khozem Master, CPA at any time.

Sincerely,

NATIONAL CONFERENCE of CPA PRACTITIONERS

Andrew Hult, CPA
President

Stuart G. Lang, CPA
Co-Chair – Peer Review

Khozem Master, CPA
Co-Chair – Peer Review

NATIONAL CONFERENCE OF CPA PRACTITIONERS

COMMENTS ON

**EXPOSURE DRAFT-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**

NATIONAL CONFERENCE OF CPA PRACTITIONERS

Peer Review Committee

Comments on

Exposure Draft – 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

The National Conference of CPA Practitioners thanks the AICPA for the opportunity to comment on the Exposure Draft – 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 (the ED).

We have the following responses to the specific questions for respondents contained in the ED:

Question 1:

Do you believe that the peer review relationship currently permitted by paragraph 159 is appropriate (e.g., if Firm A develops and markets QCM or CPE programs that have been independently peer reviewed and Firm B uses those materials or programs, is it appropriate for Firm A to perform the peer review of Firm B)?

Response:

NO to QCM

In the age of transparency it will be hard to believe that if the firm A developed a QC program that it can objectively perform the peer review of the firm B. The peer review function reviews the process and not the quality or content.

We believe that the development, sales & distribution of QCM by a firm performing peer reviews would hamper the quality of the peer review process, if performed by the same entity that prepared the QCM.

Yes to CPE

However, we do not believe that CPE would impair independence of the firm offering the CPE to the reviewed firm, if CPE offered is not significant to the reviewed firm's CPE program.

Question 2:

Are there any independence concerns that arise as a result of the peer review relationship currently permitted by paragraph 159?

- a) If no, please explain why you do not have any independence concerns.
- b) If yes, please list your concerns and discuss whether you believe they represent an impairment of independence in fact, appearance, or both.
- c) If yes, do the proposed revisions appropriately address your independence concerns?

Response:

YES

NCCPAP believes that any developer of QCM, whether or not the materials are peer reviewed, does create at least the appearance of a lack of independence, if not an actual lack of independence, if the developer is ALSO the peer reviewer of the firm utilizing the QCM.

Regarding the offering of CPE programs, NCCAP believes that if CPE programs are developed by a group of firms or an association of firms for the use of the members of that group or association as its primary source of CPE then no member of that group or association of firms should be allowed to perform a peer review of another member firm of that group or association. We wish to clarify that we also believe that a not-for-profit membership association or trade association, such as NCCPAP, the AICPA or State CPA Societies, would not be considered a group of firms or an association of firms for CPE purposes.

Question 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)?

Response:

No

We believe current standards of mandatory peer review of QCM & CPE materials should be retained as it offers many benefits to the profession and the public.

Question 4:

Is it more appropriate to have safeguards instead of prohibition? For example, using the scenario in question #1 between Firms A and B, would independence concerns be

mitigated if the peer reviewers from Firm A were not involved in any way in the development or maintenance of the QCM or CPE programs? Or if there were periodic oversight of reviews performed by Firm A when the reviewed firm uses Firm A's materials or programs? Please provide your suggestions as to any appropriate safeguards you believe mitigate independence concerns.

Response:

PROHIBITION

We do not believe that independent peer review of the QCM in the current standards provide equally effective safeguards in alleviating the perception of independence in fact or appearance. Similar to the peer reviewer doing firms inspection program would be considered being part of the firms QC procedures and not independent of the firm, so would the firms developing QCM.

Question 5:

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

Response:

NCCPAP believes that a strict interpretation of the proposed revisions would have a negative impact on NCCPAP's ability to retain qualified and competent speakers for CPE programs unless a de minimis provision is introduced. Our primary concern with the revised provision is such that there would be unintended consequences if a CPE presenter provides sample workpapers at a seminar resulting in him or her being classified a "developer" of CPE materials. This would then prevent this speaker from performing peer reviews of those firms participating in the seminar. This we believe would have a disastrous effect on our ability to properly educate our members. As such, there is a need to provide a de minimis provision to allow for such a situation. Additionally, although we have been unofficially informed that this situation would not violate the spirit of the revised regulation we feel it is imperative to reduce this exception to writing and provide guidance to those affected by the new provision so that they would still be able to perform peer reviews of those firms attending the presentation.

It is also important to note that NCCAP believes that a peer reviewer engaged by professional organizations such as NCCPAP, the AICPA or a State CPA Society needs to be exempted from being classified as a developer or presenter of QCM solely because he or she was a CPE speaker as it relates to those attending the seminar.