

THE AUDIT WIZARD

A Training and Consulting Firm

August 9, 2010

AICPA Peer Review Board
AICPA
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Board Members,

This letter is in response to the exposure draft regarding performing and reporting on peer reviews of quality control materials and continuing professional education programs dated June 1, 2010.

While I agree that independence is important in a peer review, I want to go on record as stating that you cannot regulate independence and it seems to me that is what you are trying to do. If you are truly concerned about independence then the only way to attain it is to have peer reviewers paid by a third party versus being paid by the reviewed firm.

Having said that I will now address the following issues;

1. Peer reviewers providing Quality Control Materials to their peer review clients, and
2. Peer reviewers providing Continuing Professional Education to their peer review clients.

Quality Control Materials

I see your point here. Just as a firm using AICPA or PPC A&A Guides would consider these guides a part of their QC System, then a firm using similar materials provided by their peer reviewer would have to consider that part of their system. In that situation the peer reviewer would be part of the system and would also be reviewing his or her own work. However, if you adopt this rule, then all PPC and AICPA authors listed on the various guides must be considered NOT independent with respect to ALL firms that use these services. I personally have no problem with this as I am not an author of any PPC or AICPA A&A Guide. However, with the need for peer reviewers growing, you might want to consider the effect that this will have on the peer review pool.

Also, if someone created forms based on PPC, but just made them more user friendly, would that be considered to impair independence? I have actually created such forms and use them in my own practice, but to date none of my peer review clients have adopted the forms that I have developed.

As I said initially, I see your point in this issue, but have you considered all the possibly far reaching effects that this might have?

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Continuing Professional Education (CPE)

I also see your point in addressing this as an issue. However, I do not totally agree with what you are trying to do. For instance, in my own case, I do provide CPE to my peer review clients. However, it is neither material to me nor to my clients, either monetarily or in number of CPE hours. I see no way that this impairs my independence, yet you would ban this. As a matter of fact, all my peer review clients have become clients because they either attended CPE where I was the discussion leader, attended a conference where I was a speaker, or knew some else what had attended and they were referred to me by them.

Does this mean that my peer review clients can no longer attend CPE where I am the discussion leader? Based on my reading of the proposal the answer is yes. This would mean that AICPA, PPC, State Society discussion leaders and speakers would no longer be able to provide peer reviews to anyone who attended any of their sessions. What a nightmare this would become. Again, think about the current lack of peer reviewers.

As to in-house CPE, again, I must admit that you have a point. But, who better to provide in-house CPE than someone who is thoroughly familiar with your practice having performed your peer review. I could agree with this point if the peer reviewer was providing say more than half (or some other material amount) of the firm's CPE. But I do not believe this is normally the case and I know it is not the case in my practice.

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SUMMARY

I believe that you have started a process, but the process needs a lot of study and a lot of input before this becomes a standard if it ever does become a standard.

If this does become the standard then the AICPA will have to look at auditors too as there are many auditors out there that provide CPE and what would be considered Quality Control Materials to their clients.

SUGGESTION

I would suggest a totally different approach to the issues mentioned above and new rules would not be necessary to implement this suggestion. In the form "Information required for scheduling reviews," just expand and explain question number 22. When the form is reviewed by the peer review board approving the reviewer all the information necessary would be right there and any independence questions could be resolved prior to approving the reviewer. If the board believes that someone is not being honest in completing this form then that review could be selected for oversight.

The question should be expanded to be more specific to QC forms and perhaps a reviewer alert could be issued to explain what should be included in the answer to this question.

William V. Allen, Jr., CPA

President

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