

Comments On the Peer Review Exposure Draft:
Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews of
Quality Control Materials and Continuing Professional Education Programs

1. Do you believe that the peer review relationship currently permitted by paragraph 159 is appropriate? **In most situations, the peer review relationship currently permitted is appropriate, and any firm whether the firm performing the review or being reviewed would not allow a firm that was not independent in form or appearance conduct the peer review. Saying this, there are always firms that may not be independent but will still elect to perform the peer review as a matter of principle or economics.**

2. Are there any independence concerns that arise as a result of the peer review relationship currently permitted by paragraph 159? **If a firm develops the quality control materials, provides training to a firm on the materials, and customizes the materials for the firm or provides direct consultation to the firm, then the firm that developed the materials should not be considered independent.**

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. **I think the situation that the exposure draft is addressing is absolutely an appearance issue and not necessarily a fact issue. The independence is a mind set. Both you believe and act independent, or you are not independent. I think in many situations, it is an appearance issue and not a fact issue. If the firm is as involved as noted under 2 above, then it is a fact that the firm should not be considered independent.**

c) If yes, do the proposed revisions appropriately address your independence concerns? **I think the proposed revisions eliminate the possibility of the perception of a lack of independence.**

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, not for the general consumer or to enhance the significance of the AICPA membership; however, for the Federal government to be content with the Peer Review program, the standards need to be changed. They need at least be changed to eliminate the possibility of a firm performing a peer review if they developed the quality control material and the firm being reviewed performs any yellow book or A-133 audits.**

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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. **I do not think it should be either/or but there should be a combination of safeguards and prohibitions. I think the requirement of having the quality control materials peer reviewed should not be eliminated. This provides some general assurance to a firm and to a peer reviewer that the quality control materials if applied as designed meets professional standards at the time the material was reviewed.**

If a firm is permitted to continue performing peer reviews of firms that used quality control materials that it designed or assisted in designing, oversights of that firm's peer reviews should be increased to provide assurance to the AICPA and others that the firms are performing peer reviews in accordance with professional standards and the findings and peer review reports were appropriate.

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?

There will be minimal impact on many firms that use nationally developed material such as PPC unless PPC elects not to have their material reviewed. Then the cost of peer reviews may increase since the peer reviewer should be increasing his documentation of his evaluation of the quality control materials.

Other Comments

I think there is a benefit to firm's being reviewed to have the reviewer be intimately knowledgeable of the Quality Control Materials and how the materials were designed to be used. Firms are looking for assistance to enhance compliance with professional standards with the least amount of cost and are also looking for educational benefit from their peer review. The educational benefit for some firms maybe diminished and the loss of educational benefit may also create some ill will toward the AICPA because of the change in the standards.

Respectfully submitted,

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