



August 30, 2010

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220 Leigh Farm Road  
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**Re:** *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 June 1, 2010.*

Dear Technical Director, Board Members and Staff:

The Peer Review Committee of The Ohio Society of Certified Public Accountants is pleased to express its views 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.*

In reviewing this draft, we have concerns about:

- 1.) The applicability- paragraphs 159 through 163 of the Standards and interpretation question 26 of paragraph 26 of the Standards. The exposure draft removes the once every three years requirement for a Quality Control Materials (QCM) Peer Review or Continuing Professional Education (CPE) programs peer review. It provides for a provider of QCM or CPE programs to voluntarily elect to have such reviews, and suggests these reviews should ordinarily occur once every three years.

We believe the provider of QCM or CPE programs/materials should be required to have these peer reviewed once every three years. Normally a user of these programs/material, accepts what is received and does not question the content and/or whether it meets professional standards. For this reason there needs to be a requirement that a provider of QCM or CPE programs/materials have these reviewed once every three years. Further, these reviews need to be administered by the National Peer Review Committee.

Firms that rely more heavily on third-party QCM tend to be smaller firms. By eliminating the peer review requirement, the profession would be doing a serious disservice to these firms. Because they have more limited resources, the due diligence they would need to perform would be substantially increased. Their cost would increase both internally and in their peer review process. In addition, there will be numerous firms that will make decisions based on cost alone, resulting in selection of inappropriate QCM, thereby increasing the risk of audit failures.

- 2.) Relationships with the reviewed firm- interpretation question 21-1, paragraph 21c of the Standards: The exposure draft expands the definition of impairment of

independence of the reviewing firm performing a peer review when it or its members have provided QCM or CPE programs/materials to the firm being peer reviewed. This all encompassing impairment of independence will reduce the number of peer reviewers available to perform peer reviews. For example, in Ohio many individuals who perform peer reviews are instruction leaders on a volunteer basis of various CPE programs provided/sponsored by The Ohio Society of Certified Public Accountants. Under the exposure draft's revision, these volunteer instruction leaders would have an impairment of independence for all firms who had members of their firm participate in the respective CPE program.

In addition, though firms may seek guidance from CPE instructors or any other more or equally qualified individuals, in the end, QC systems and decisions on implementation of standards ultimately are the responsibility of each firm. The course instructor/attendee relationship does not create a violation of independence any more than it guarantees compliance with standards. While we do not want to discourage qualified individuals from volunteering or otherwise providing education assistance to other members of the profession, we most certainly do not want to create an environment where firms have limited access to different viewpoints. We do want to encourage exchanges where practitioners can freely question and discuss standards, their interpretation and get as much information as possible to make informed decisions to implement in their own practices.

For the above reasons/examples, we believe the revised definition of impairment needs to be changed, especially in the area with regards to providers of CPE programs/materials. One suggestion would be to remove the independence impairment for CPE instructors who do not become an integral part of the reviewed firm's quality control system.

We provide these specific responses on the Exposure Draft questions below:

**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 has 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)?*

Yes, we believe each instance of impairment of independence by a provider of QCM or CPE programs should be addressed individually by the AICPA Peer Review Board. Paragraph 21 of the Standards provides that "Independence in Fact and Appearance" should be taken into consideration, which provides a provision to address all impairment of independence issues on an individual basis.

## 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?*

No, paragraph 159 of the Standards may not prohibit providers of QCM or CPE Programs from impairment of independence. However, paragraph 21 of the Standards, which states that "Independence in Fact and Appearance", should be taken into consideration. The Standards provide a provision to address impairment of independence. It will be very difficult to address each impairment of independence issue. This appears to be the circumstance with issuance of this exposure draft on independence for providers of QCM or CPE programs.

## 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)?*

No, we do not believe that the proposed revisions are necessary to serve the main goal of the AICPA Peer Review Programs. Any problem that occurs with a provider of QCM or CPE programs should be individually addressed by the AICPA Peer Review Board. Providing additional rules will not eliminate the impairment of independence as it relates to providers of QCM or CPE programs.

## 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.*

No, the blanket safeguards are not appropriate. Prohibition is more appropriate because it will provide The AICPA Peer Review Board the opportunity to address individually each item/case. Implementation of safeguards in the area of provider of CPE programs would significantly reduce the number of individuals available to perform peer reviews, especially in Ohio. This results from the fact many individuals who perform peer reviews, also serve as instruction leaders for CPE programs provided/sponsored by The Ohio Society of Certified Public Accountants. Under the safeguards provision, these instruction leaders would not be able to

perform a peer review of a firm who had participated in subject CPE program because they would have impairment of independence.

**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?*

Yes, we believe implementation of the proposed revisions would significantly reduce our firms' ability to find qualified peer reviewers. It may also reduce the availability of CPE programs (see question number 4 above for reason).

In closing, we strongly recommend that the Standards remain as they presently exist. The question at hand is how far is impairment of independence carried, especially as it relates to providers of CPE programs/materials. We need to look at paragraph 21 of the Standards which states that independence in fact and in appearance should be maintained with respect to the reviewed firm by a reviewing firm, by review team members, and by any other individuals who participate in or are associated with the review, and that the review team should perform all peer review responsibilities with integrity and maintain objectivity in discharging those responsibilities. The statement "Independence in Fact and in Appearance" should be adhered to in each situation of imperative of independence. Once this is taken into consideration, we believe each case of impairment of independence with regards to providers of QCM or CPE programs/materials should be addressed on an individual basis.

We appreciate the opportunity to provide feedback to the 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 and welcome any additional opportunities to further discuss or otherwise support the efforts of the AICPA Peer Review Program and the AICPA Peer Review Board.

Best Regards,



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