

From: Michael Henderson [mailto:henderson@cpaboard.state.la.us]
Sent: Monday, August 30, 2010 5:02 PM
To: PR_expdraft
Subject: Comment on Peer Review Exposure Draft

TO: LaShaun King, AICPA Technical Manager

Regarding a proposed revision to the Peer Review Interpretations, the highlighted sentence below appears too subjective. If a Firm A sends all, or most staff, to one or more programs of a provider each year... or every other year... or every third year -- is that "infrequent" or "part of the regular CPE training"? – what if the programs given by Firm B amount to only 4 CPE hours? – or maybe 8 hrs? – or, what if there are 16 hrs, out of 120 hrs required in three years? – or 24 hrs? – etc.

21-7 Question—Firm A has an arrangement with Firm B whereby Firm A sends its staff to CPE programs developed by Firm B. Can Firm B perform a peer review of Firm A?

Interpretation—No, ~~unless Firm B has had its CPE programs peer reviewed by an independent party (see standards for guidance in —Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs~~). ~~If such a peer review is not undertaken and reported on before the peer review of Firm A commences,~~ Firm B would not be considered independent for purposes of conducting the peer review of Firm A. **In addition, peer reviewers from Firm B cannot serve on Firm A's review team. However, occasional (infrequent and not part of Firm A's regular CPE training plan) attendance by representatives of Firm A at programs developed by Firm B would not preclude Firm B from reviewing Firm A.**

More precise guidance seems appropriate. Perhaps a percentage of CPE hours could be set as the guideline. For example, it could be indicated by adding a sentence, such as the following:

“If not otherwise apparent that independence is impaired in such circumstances, as a practical guideline, independence would be deemed impaired if, in any of the three preceding years, inclusive of the year of the performance of the peer review engagement, (i) the CPE hours obtained by Firm A from Firm B has exceeded or will exceed xx% of Firm A's total CPE

training hours, or (ii) the accounting and auditing CPE hours obtained by Firm A from Firm B has exceeded or will exceed yy% of Firm A's total accounting and auditing CPE training hours.”

Please note that the above is my individual comment and may or may not reflect the views of my employer. Thank you.

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