

August 31, 2010

LaShaun King, Technical Manager  
AICPA Peer Review Program  
American Institute of Certified Public Accountants  
220 Leigh Farm Road, Durham, NC 27707-8110

By e-mail: [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)

**Re: 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***

Dear Ms. King:

The New York State Society of Certified Public Accountants, representing more than 27,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Peer Review Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Frank S. Venezia, Chair of the Peer Review Committee at (518) 785-0134, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Margaret A. Wood  
President

Attachment

**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**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***

**August 31, 2010**

**Principal Drafters**

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Ernest J. Markezin  
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# New York State Society of Certified Public Accountants

## 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 New York State Society of Certified Public Accountants 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).

Our Society has differing viewpoints on one aspect of the ED, the issue of whether QCM is the equivalent to or a significant part of a quality control document. Therefore we do not opine on that aspect, and our responses to the specific questions for respondents contained in the ED follow accordingly.

#### **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:**

Yes.

The developer and preparer of CPE programs (Firm A), whose system of quality control for the development and maintenance of such programs, and the programs themselves, have been independently peer reviewed (by Firm C) in accordance with *Standards for Performing and Reporting on Peer Reviews* as currently required, may perform the peer review of Firm B that uses those CPE programs in connection with its attest engagements.

#### **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:**

Overall, no, as explained below.

Paragraph 159 identifies two relationships that raise concern about a provider's independence. First, when the firm providing QCM or CPE programs to another firm where the provider firm will also perform a peer review of; and second, when the firm that conducts a peer review is a member of an association of firms that provided the QCM or CPE programs to be used by the firm conducting the peer review of another firm that is a member of the same association of firms.

In the first relationship, we believe the appearance of lack of independence is mitigated by the independent peer review of the provider's system for the development and maintenance of CPE programs.

In the second arrangement, we are generally of the same belief even though the reviewer is a member of an association of CPA firms that conducts the peer review of another association member firm that shares the same association material. However, where the reviewer or reviewing firm is a member of an association of firms that exercise a significant level of direction and control over its members, we believe the independence of the reviewer would be impaired in relation to other members of the same association.

We believe the proposed revision to prohibit preparers of CPE programs from serving on teams to peer review firms that use these CPE programs adequately addresses this issue of independence with respect to provider associations.

**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:**

We believe the proposed revisions were intended to serve the main goal of the AICPA Peer Review Program by recommending certain changes to current peer review practices. However, we believe that while some of the proposed changes would improve current practices, others would not, as explained below.

1. The proposal to replace the current standards, requiring providers to undergo a triennial peer review of their system of quality control to develop and maintain QCM or CPE programs, with a voluntary option does not promote quality in the accounting and auditing services provided by AICPA members. This proposal would have a significant negative impact on the quality of peer reviews of QCM or CPE programs in the United States. If peer reviews are made voluntary, reviews would seldom be conducted and the quality of QCM or CPE programs would deteriorate. We believe the current mandatory requirement is the appropriate safeguard.
2. The proposed revisions to add procedures for performing a CPE program peer review would be a significant improvement to the current standards.

#### **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:**

Proper safeguards can serve as more effective controls than prohibitions.

The restriction from performing the peer review of a firm that uses the CPE programs developed by the peer reviewer provides maximum safeguards if adopted, and this process is monitored by the National Peer Review Committee (NPRC). However, the requirement for an independent peer review of the system of control contained in the current standards provides equally effective safeguards. Paragraph 160 of the current standards states that a provider of CPE programs, that will perform peer reviews of other CPA firms that use the CPE programs developed by the provider, **must undergo an independent review of the system for the development and maintenance of the CPE programs and resultant materials every three years.** In addition, the provider is subject to oversight by the NPRC.

#### **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:**

Yes.

We believe this proposed standard would be a disincentive to experienced practitioners including qualified peer reviewers whose practice include the development and delivery of QCM and CPE programs, and therefore, could, in the long term, reduce the number of qualified peer reviewers, speakers, authors and developers of QCM and CPE materials and programs.

**Other Comments:**

The proposed standard added new guidance on the procedures for performing CPE provider reviews as well as an example of a peer review report on continuing professional education programs. We believe these additions to the *Standards* will provide very useful guidance to practitioners in this area.