January 6, 2015

AICPA Peer Review Program
American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

Attn: Carl Mayes, Senior Technical Manager via email: PR_expdraft@aicpa.org

Re: Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Peer Reviewer Performance, Disagreements and Qualifications

We are pleased to respond to the request for comments from the American Institute of CPAs (the “AICPA” or the “Institute”) on its Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews (Peer Reviewer Performance, Disagreements and Qualifications). The National Association of State Boards of Accountancy’s (NASBA) mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. Our comments on the Proposed Changes are made in consideration of the charge of state regulators to protect the public interest.

OVERALL COMMENTS

We appreciate the AICPA’s efforts to ensure that peer reviewers of “must-select engagements” are competent to review such engagements. These efforts are consistent with the responsibility of the Boards of Accountancy’s charge to protect the public interest.

Background

Enhanced Reviewer Qualifications

We support the AICPA’s efforts to ensure that peer reviewers have adequate experience and knowledge.

We offer the following comment regarding this section of the Exposure Draft:

The term “high quality training” as used in the third paragraph on page 4 to describe the training that will be required for reviewers of “must-select engagements” is not defined. Without a definition of the term it could be misunderstood by peer reviewers and a clear definition needs to be provided.
Peer Review Standards

Qualifying for Service as a Peer Reviewer

We support the AICPA’s efforts to ensure that peer reviewers have adequate experience and knowledge. We agree with the change in item e. on page 8, to ensure the peer reviewer has spent the last five years in the practice of public accounting in the accounting or auditing function.

In addition, we offer the following comment on this section of the Exposure Draft:

- Footnote 3 on page 7 includes a change in terminology that causes some concern. The intent of the Peer Review Board in making this change is not explained. Would this restrict reviewers to those who supervise engagements but exclude those that are otherwise fully engaged in a firm’s quality control function? Changing the term “reviewing” to “supervising” in this section covers all System and Engagement Reviews; therefore, changing this term may put an unnecessary requirement on peer reviewers who do not perform reviews of “must select engagements.” Additionally, would this limit reviewers who do not necessarily supervise?

Peer Review Standards Interpretations

Qualifying for Service as a Peer Reviewer

We support the AICPA’s efforts to ensure that peer reviewers have adequate knowledge.

We offer the following comments regarding this section of the Exposure Draft:

- As noted in .31(g) on page 8 the reviewer of “must select engagements” must possess specific additional qualifications. This is further explained in the interpretation on page 12 as new interpretation 31g-1. We have some concern of possible CPE overload for reviewers. As an example, reviewers who review Yellow Book engagements already must meet certain CPE-specific requirements. Does the Peer Review Board anticipate additional CPE in this practice area might be required? Although we agree reviewers need CPE and appropriate experience, we are unclear who will determine what courses would be approved to meet the standards of the Peer Review Board? Will the Peer Review Board now be setting standards and requirements for CPE for peer reviewers of “must-select engagements”?

- Item c. of 31g-1 on page 12 requires the peer reviewer to be associated with a firm that is a member of an AICPA Audit Quality Center(s), if a center exists, for the respective must-select engagement. Although we agree with the concept, we represent Boards of Accountancy and hesitate to endorse the requirement of joining any AICPA Audit Quality Center even though we understand the benefits. Additionally, our concerns of CPE overload flow over into this item if additional CPE is required for joining an AICPA Audit Quality Center.
• Under 31g-2 on page 12 the interpretation states must-select training courses will be developed by the “board.” In this instance is the term “board” referring to the Peer Review Board? Again we are unclear as to who will determine what might be approved and meet the standards?

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Thank you for the opportunity to provide our perspectives on these important topics. Our comments are intended to assist the AICPA in analyzing the relevant issues and potential impacts. We encourage the AICPA to engage in active and transparent dialogue with commenters as proposed changes are considered.

Very truly yours,

Walter C. Davenport, CPA
NASBA Chair

Ken L. Bishop
NASBA President and CEO