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AICPA Peer Review Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Via e-mail: PR_expdraft@aicpa.org

Re: **PRB Proposed Strategic Plan 2027-2030**

Dear Members and Staff of the AICPA Peer Review Board (PRB):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the ***PRB Proposed Strategic Plan 2027-2030*** (the Strategic Plan). NASBA's mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Strategic Plan.

Comments on Specific Questions

1. Do you agree with "Our Missions and Keys to Our Success" (see page 3)?

NASBA generally agrees with the PRB's proposed mission and the identified keys to success. The mission of the PRB included in the Strategic Plan states that "all activities are in service to the public interest principle that is found in the AICPA Code of Professional Conduct (Code)."

State Boards have the ultimate legal authority to enforce professional conduct requirements for licensees. Nearly every jurisdiction relies on mandatory peer review as part of its regulatory framework for licensed firms. As a result, the peer review program serves not only as a quality improvement mechanism but also as an important component of State Board oversight.

NASBA encourages the PRB to consider whether the Strategic Plan should more explicitly recognize the peer review program's increasingly important role in supporting state board regulation and public protection. This could be accomplished through the mission statement or a strategic action focused on enhancing communication with State Boards regarding firms entering and exiting the peer review program. NASBA understands that notification practices may not be consistent with respect to firm enrollments and voluntary resignations from the program. In addition, while State Boards are notified when a firm is dropped or terminated from the program, the information accompanying those notifications may be limited. Providing State Boards with consistent notification of changes in a firm's participation status, together with sufficient information regarding the circumstances surrounding a firm's departure from the program, would better enable State Boards to more effectively monitor compliance with state peer review requirements, identify potential licensing or practice issues and respond in a timely manner when appropriate. Greater emphasis on regulatory coordination would strengthen the program's effectiveness.

In addition, NASBA believes that the second bullet of the identified keys to success could be enhanced by including "consistent" related to the identification of nonconforming engagements. Placing emphasis not only on the effective detection but also on the consistent identification of nonconforming engagements among peer reviewers and administering entities would improve confidence in the peer review program.

2. Do you agree with the "Factors Driving Our Strategy" (see pages 4 to5)?

NASBA agrees that the "Factors Driving Our Strategy" identifies many of the significant opportunities and challenges essential to ensuring that the program continues to protect the public interest.

Under "Growing Regulatory Complexity and Uncertainty", NASBA recommends replacing the reference to "political uncertainty and unpredictability" with "legislative and regulatory uncertainty." This terminology more accurately reflects the factors influencing peer review while avoiding unintended political connotations.

Additionally, NASBA believes the discussion could be expanded to recognize "Other Complexities and Their Implications" affecting audit quality, including the following emerging risks:

- increased outsourcing and offshore audit activities;
- expanding use of AI-assisted audit methodologies and technology-enabled practice models;
- emerging business models that utilize standardized or automated audit documentation; and
- evolving educational pathways that may influence practitioner competency.

Although not all of these matters fall directly within the PRB's purview, they are likely to influence future peer review expectations and reviewer competencies.

3. Do you agree with "Our Strategic Initiatives" (see pages 6 to 7)?

NASBA supports the five proposed strategic initiatives and believes they provide an appropriate framework for achieving the PRB's mission. However, NASBA believes several areas could receive greater emphasis.

The Strategic Plan recognizes Alternative Practice Structures (APS) as an emerging challenge but does not clearly identify how APS will be addressed within the strategic initiatives. Because APS continues to raise significant concerns regarding independence, quality management, reviewer competency, and regulatory oversight, NASBA believes these matters should be more explicitly incorporated into the strategic initiatives. Specifically, the temporary transition of APS firms to the National Peer Review Committee should be included along with action items on how the transition will ultimately be evaluated.

Similarly, the transition of certain ethics-related responsibilities to the PRB represents an important evolution of the program. NASBA believes the Strategic Plan should outline how this transition will be monitored and evaluated over time.

NASBA supports the PRB's strategic initiative to enhance stakeholder engagement and encourages the PRB to place particular emphasis on early and proactive collaboration with State Boards when considering significant policy or program changes. As noted previously, State Boards rely extensively on the peer review program as part of their regulatory frameworks and changes to the program can have direct implications for how State Boards carry out their public protection responsibilities.

Accordingly, engagement with State Boards should occur during the development and evaluation of significant changes, rather than primarily after decisions have been made. Early consultation would provide the PRB with valuable regulatory perspectives, allow potential implementation issues and unintended consequences to be identified before changes are finalized, and provide State Boards with a meaningful opportunity to inform decisions that may affect their oversight responsibilities.

Finally, NASBA recommends the strategic initiatives include a stronger emphasis on proactive quality management, particularly for firms entering assurance practice. The PRB could facilitate and/or increase the visibility of external resources, training, toolkits or other guidance before a firm's first peer review to improve quality rather than relying primarily on remediation after deficiencies are identified.

4. Do you agree with "Our Strategic Actions" (see pages 8 to 9)?

NASBA generally agrees with the proposed strategic actions and supports the emphasis on modernization, peer reviewer recruitment, and stakeholder communications.

A strategic action to Initiative D states that the PRB will "enhance the program's reputation by repositioning it as a partner in quality improvement rather than a punitive compliance mechanism." NASBA believes that this strategic action is de-emphasizing peer review's compliance role, which is not appropriate. While peer review can provide education, remediation and continuous improvement, the central outcome is the issuance of an opinion on whether a firm's system of quality management is suitably designed and complied with.

Peer reviews currently devote substantial attention to individual engagements and comparatively less attention to the firm's overall governance, leadership, risk assessment and quality management system. Because the peer review opinion addresses the system of quality management, the PRB should evaluate how peer review can place a greater emphasis on system-level, preventative aspects of quality management and implement program changes directed at such.

As previously mentioned, NASBA encourages the PRB to strengthen strategic actions relating to early, proactive communication and collaboration with State Boards. As State Boards increasingly rely upon peer review in carrying out public protection responsibilities, improving the timeliness, transparency and accessibility of information shared with State Boards and other regulators will enhance the effectiveness of the programs.

5. What topics do you believe should be at the forefront of our standard-setting agenda to achieve our mission and success in our strategic initiatives over the next five years?

Other than the topics expressed above, NASBA has not identified any other topics to be at the forefront of the PRB's standard-setting agenda.

6. Are there any other considerations that we should address related to our strategy?

See previous comments on NASBA's recommendations for other considerations related to the PRB's strategy.

Initiative C includes a strategic action regarding coordination with the ASB, PEEC and other standard setters but the focus is on emerging issues. NASBA recommends that the PRB make more systematic use of peer review information to identify recurring deficiencies, audit failures, or areas where problems may be indicative of unclear or inadequate auditing standards rather than simply poor execution. Those insights could then be communicated to the ASB and other standard setters to inform future standards and guidance.

NASBA recommends a plain language review of the Strategic Plan to improve its accessibility for a broad range of stakeholders. For example, the term "recidivism" may be unfamiliar to some readers and could be interpreted as having a punitive or criminal connotation that is inconsistent with the program's stated quality-improvement and remedial focus. NASBA suggests replacing the term with clearer language, such as "repeat deficiencies," or "repeated instances of nonconformity." Using straightforward and commonly understood terminology would help ensure the Strategic Plan's objectives and proposed actions are communicated clearly and consistently.

7. In addition to the stakeholders we have identified (PRB; state boards of accountancy; National Association of State Boards of Accountancy (NASBA); AICPA board; leadership, and staff; peer reviewers; administering agencies; the National Peer Review Committee; federal regulators; firms *subject to peer review; International Federation of Accountants; and users of financial statements), who else should we consider engaging as we refine our strategy and why?*

NASBA recommends that the PRB explicitly include state CPA societies among the identified stakeholders.

State societies remain important partners in practitioner education, legislative advocacy, peer review training and professional outreach. Even in jurisdictions where state societies no longer serve as administering entities, they continue to play a significant role in supporting firms participating in the peer review program.

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We appreciate the opportunity to comment on the Strategic Plan.

Very truly yours,

Nicola Neilon

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