

April 14, 2017

Beth Thoresen
Director, Peer Review Operations
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-810

RE: Discussion Paper: Proposed Evolution of Peer Review Administration, Revised January 2017

Dear Ms. Thoresen:

The Texas Society of CPAs (TSCPA) is pleased to respond to the questions in the above referenced discussion paper regarding proposed "Evolution of Peer Review Administration." We commend the AICPA on its work in developing the proposed changes that would establish requirements to increase consistency, efficiency and effectiveness of the Peer Review Program administration and ultimately, improve audit quality.

Listed below are the questions posed in the above-referenced discussion paper and the response presented by the TSCPA.

Considering the benchmark criteria presented, what changes do you believe will best increase consistency and audit quality in the peer review administration process?

The benchmark criteria that will have the biggest impact on the administration process will be to have a CPA staff member, whether it is the society's CEO or other employee who is actively engaged and knowledgeable about the program standards. This will ensure that the administration is consistent, efficient and effective. AICPA staff should provide the CPA staff member with training regarding the performance and reporting requirements and provide access to the benchmark monitoring reports in order to perform the monitoring of key areas.

Another important change includes addressing the familiarity threat that is addressed below.

What suggestions do you have to help mitigate familiarity threats to the process?

We believe the least effective procedure to mitigate the familiarity threat is the redacting of identifying information about the firm and/or peer reviewer from the peer review documents. This would be an enormous job for AEs to redact the multitude of references in the peer review documents, particularly for the AEs who administer a large number of reviews and may result in a failure to timely present reviews to a RAB.

Arranging for other AEs to accept committee members' and high-volume reviewers' peer reviews is a possible solution; however, it might be difficult to arrange and could increase the administration time and costs for an AE. This procedure may work where the states are similar in number of reviews administered and number of committee members. In the states where the high-volume reviewers are the committee members, a large volume of reviews may be accepted by another state.

Engaging qualified individuals from another state to perform all technical reviews eventually gets back to the familiarity threat trying to be avoided.

Another way to mitigate the familiarity threat is to rotate committee members on RABs to decrease the contact between committee members, reviewers and reviewed firms.

Are there proposals with this paper that are not feasible? If so, what suggestions do you have for otherwise meeting the objective of increasing consistency, efficiency and effectiveness of Program administration?

Asking RAB members to formally attest to having read all materials prior to RAB meetings seems to be implying that they are not taking their responsibilities seriously. We believe that it's the AEs' responsibility to evaluate a RAB members' performance and preparedness during RAB meetings and address concerns in a timely manner. Instead, RAB members could agree to be objective and professionally skeptical when completing their annual independence and CPE declaration.

The number of recent changes to the peer review standards, interpretations, handbooks, checklists and other reference materials and guidance are difficult for reviewers, reviewed firms and AE staff to monitor and contributes to a potential lack of consistency. We recommend that changes to these documents be implemented on a structured timeline and less frequently.

Considering the benchmark criteria presented, would any new criteria be unreasonable to implement by May 1, 2018?

Yes, it will be difficult for AEs to implement a completely new web-based software program (PRIMA) by May 1, 2018, when it is not certain that the program will be fully functional at that time. Currently, there has been limited testing and training on phase 1 of the new program and there will be at least two additional phases to implement before the May 2018 time frame, making it difficult to predict when the programming will be completed and how long it will take for AEs to get used to the new programming and new requirements. The implementation of PRISM took a considerable amount of time and the program had limited capabilities, which resulted in developing some manual solutions.

Are there additional benchmark criteria that should be included?

There are no additional benchmark criteria we would recommend. Committee members are volunteers and give a large amount of their time to the peer review program. We need to be respectful of their time and commitment to the program and not increase their time on RABs.

Are there aspects discussed within the paper that need further clarification?

The proposed list of egregious benchmark violations includes several items that could clearly not be significant and may be beyond the control of an AE, yet could result in probation and costs for an AE. For example, "Receiving repeat comments in a RAB observation report from the immediate preceding report" or "RAB consistently deferring or delaying over 10 percent of reviews." If the AE isn't given sufficient time to make administrative changes, repeat comments could be likely and lead to probation and monetary penalty. Likewise, depending on the number of reviews considered, a 10 percent delayed and deferral might not be unusual.

We recommend that the list of proposed egregious benchmark violations be reviewed and agreed to by the AE community. Additionally, given the current transition to a new web-based program during 2017-2018, AEs will not have time to work with the new program and develop the necessary policies and procedures to become efficient with the program. We recommend the effective date of May 1, 2018 be re-evaluated when PRIMA becomes fully operational.

Thank you for the opportunity to provide our comments as you consider enhancing the administration process. I would be pleased to discuss this response, if there are any questions. I can be reached at jeff.graham@condley.com or 325-677-6251.

Sincerely,



Jeff Graham, CPA
Chair, Peer Review Committee



Jerry Cross, CPA
Director, Peer Review