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Comment Letters Received as of July 21,1998 on Exposure Draft Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Review

American Institute of Certified Public Accountants. Peer Review Board

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Attachment C

**Comment Letters Received as of July 21, 1998 on Exposure Draft
*Proposed Revisions to the AICPA Standards for Performing and Reporting
on Peer Reviews***

<u>Letter #</u>	<u>Firm Name</u>
1	Kelton & Company
2	William V. Allen, Jr., CPA
3	Soren McAdam Bartells, CPAs, Inc.
4	Newell & Newell, P.C.
5	Perisho Tombor Loomis & Ramirez, CPAs
6	Isaac W. Choy, CPA, Inc.
7	Don M. Pallais, CPA
8	Jerome F. Beeson, CPA
9	Hoover & Roberts, Inc.
10	The Ohio Society of CPAs
11	Illinois CPA Society
12	New York State Society of CPAs
13	Rowland Perry, CPA
14	Ralph B. Larson, CPA
15	John D. Cameron, CPA
16	Arkansas Society of CPAs
17	Lehman & Wilkinson, P.C.
18	Hamilton, Schmoyer & Co., P.C.
19	New Jersey State Board of Accountancy
20	State of Washington Board of Accountancy
21	California Society of CPAs

APR 14 1998

Kelton & Company

A Corporation of Certified
Public Accountants

#1

One Oak Square, Ste. 10
P.O. Box 4053
Houma, LA 70361
(504) 876-6143
Fax No. (504) 851-3521

Robert E. Kelton, Sr. CPA
Glenn J. Vice, CPA
Robert E. Kelton, Jr., CPA

April 7, 1998

Janet Luallen
Senior Technical manager
AICPA Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

Dear Ms. Luallen,

Re: Exposure Draft entitled PROPOSED REVISIONS TO THE AICPA STANDARDS
FOR PERFORMING AND REPORTING ON PEER REVIEWS

Comments:

Appendix C

Newly Added Paragraph 3

The revised standard report has too much language describing the limitations of a review. This leaves the reader with a negative impression of the work performed. Paragraphs 1 and 2 sufficiently describe the process and scope of a review and the limitations due to selective testing. Newly added paragraph 3 seems to be redundant and unnecessary.

Thank you for this opportunity to comment.

Sincerely,



Glenn J. Vice

APR 14 1998

#2

WILLIAM V. ALLEN, Jr.

11266 West Hillsborough Avenue
Suite 330
Tampa, FL 33635
(813)249-1112 FAX(813)249-0173
E-Mail: bill@billallen.com

Certified Public Accountant

April 6, 1998

Ms. Janet Luallen
AICPA Peer Review Program
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 17311-3811

Dear Ms. Luallen:

This is a response to the April 20, 1998 Exposure Draft.

Reference: No paragraph number

Proposal: To change the words unqualified and qualified with unmodified and modified.

Response: Not only is this change unnecessary, it is confusing as it sets up different terminology for reports within the profession. Until and unless the Auditing Standards Board changes these words for audit reports, I do not agree with the Peer Review Board changing these words.

Reference: Paragraph 97. Appendix C

Proposal: To say in the report: "A system of quality control encompasses the firm's organizational structure and the policies adapted....."

Response: First, I believe the word "adapted" should be "adopted"

Response: Second, this seems to infer that we are going to review the firm's organizational structure, and I do not believe this is or should be a part of a Peer Review of an accounting and auditing practice.

Sincerely,


William V. Allen, Jr.

Visit our web site at <http://www.billallen.com>

MICHAEL R. ADCKOCK, C.P.A.
THOMAS E. AHERN, C.P.A.
GARY L. CHRISTENSON, C.P.A.
LINDA S. DEVLIN, C.P.A.
RHEE ELIKER, C.P.A.
WING K. LAU, C.P.A.
DOUGLAS R. McADAM, C.P.A.
JESSIE C. POWELL, C.P.A.
JAMES L. SOREN, C.P.A.
KIRK G. STITT, C.P.A.
NORA L. TEASLEY, C.P.A.
DAVID P. TUTTLE, C.P.A.



SOREN ♦ McADAM ♦ BARTELLS
CERTIFIED PUBLIC ACCOUNTANTS, INC.

B. R. SHARP FINANCIAL CENTER
2155 CHICAGO AVENUE • SUITE 100 RIVERSIDE, CA 92507
(909) 683-0672 • (909) 825-1700 • FAX (909) 686-7780

April 7, 1998

Janet Luallen, Senior Technical Manager
Peer Review Program
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

Re: Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews

Dear Ms. Luallen:

SOREN ♦ McADAM ♦ BARTELLS is pleased to comment on the proposed revisions included in the Exposure Draft dated April 20, 1998.

We agree with most of the proposed changes including:

- Including engagements performed under SSAE within the definition of an accounting and auditing practice.
- Requiring an on-site review whenever there have been engagements performed under SAS.
- Replacing the terms "unqualified" and "qualified" with "unmodified" and "modified."
- Incorporating Interpretation No. 4 into the body of the standards.
- Revisions to the reports and letters of comments (except as noted below).

In addition, we agree that the date of the report for attest engagements should establish when the engagement falls within the year to be reviewed. Furthermore, we believe that the date of the report should establish when the engagement falls within the year to be reviewed for all engagements (i.e. engagements performed under SAS and SSARS). The peer review report provides an opinion on "the system of quality control . . . in effect for the year ended [date]." Clearly, the date of the report provides a better indication than the date of the financial statements of whether the engagement was performed under the quality control system in effect for the year to be reviewed. Engagements involving historical financial statements with dates which fall within the review year may have actually been performed during a much later time period. In addition to providing better accuracy with terms used in the review report, it will provide consistency between types of engagements as well as consistency to the method used on off-site reviews.

APR 14 1998

#3 MEMBERS
P-1
ASSOCIATED REGIONAL
ACCOUNTING FIRMS (ARAF)

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION

Janet Lualien
American Institute of CPAs
Page Two
April 7, 1998

Finally, we do not agree with the proposed change to replace the term "owner" with "partner." The reason given for the change is to conform the terminology so it is consistent within the practice monitoring programs. We encourage a change to provide consistent terminology. However, it would appear that the wrong term was used to obtain this consistency. Instead of changing to the term "partner" (and also including a definition to explain that a partner could be any kind of owner), we recommend that the term "owner" be retained and that the term "partner" be replaced with "owner" throughout the practice monitoring programs as this term more accurately describes the position.

We appreciate this opportunity to respond to the exposure draft. If you wish any clarification of the comments, please contact the undersigned.

Sincerely,

SOREN ♦ McADAM ♦ BARTELLS
Certified Public Accountants, Inc.



By: David P. Tuttle, CPA

Newell & Newell, P.C.

Certified Public Accountants

#4 P-1

Thomas E. Newell, Jr., CPA
Silvia A. Newell, CPA

3575 Macon Road • Suite #5 • P.O. Box 12027 • Columbus, Georgia 31907 • (706) 568-4944

Response to Exposure Draft Proposed Revisions to the AICPA Standards for Performing And Reporting on Peer Reviews

Proposal –

- Expands the definition of an accounting and auditing practices for the purposes of performing and reporting on a peer review to conform with Statement on Quality Control Standards No. 2, thereby including all engagements performed under the Statements on Standards for Attestation Engagements.

We concur with this proposal.

- States that any engagement performed under the Statements on Auditing Standards will require an on-site peer review, not just audits of historical financial statements and SAS 75 engagements to make the standards all inclusive.

We concur with this proposal.

- Replaces the term “owner” with “partner” throughout the peer review standards and add a footnote defining the term “partner” upon first use.

We do not agree with this proposal. It appears that the Peer Review Board is reversing changes made in prior years when the standards were changed from “quality review” to “peer review”. We do not see where this change improves or enhances the peer review process.

- Replaces the terms “unqualified” and “qualified” which are used to describe the type of peer review report issued with the terms “unmodified” and “modified,” respectively.

We do not agree with this proposal. It appears that the Peer Review Board is reversing changes made in prior years when the standards were changed from “quality review” to “peer review”. We do not see where this change improves or enhances the peer review process. We believe the current use of “qualified” better describes the circumstances of the report in a language that practitioners and other users currently understand. When this was originally changed from “modified” to “qualified” it was done so to make the language clearer and conform to similar language used in other opinion engagements.

P-2 .

- Incorporates Peer Review Standards Interpretation No. 4 on reviewer requirements into the body of the peer review standards.

We concur with this proposal.

- Clarifies that the attest engagements should be subject to selection if the date of the report for the engagement falls within the year to be reviewed.

We concur with this proposal.

- Revises the standard language used in the peer review report and letter of comments to make them more easily read and understood by all users.

We concur with this proposal.

APR 22 1998



**PERISHO
TOMBOR
LOOMIS &
RAMIREZ**

Certified Public Accountants

A Professional Corporation

#5 Suite 250 p-1

901 Campisi Way

Campbell, CA 95008

Telephone: 408/558-0500

Facsimile: 408/558-0511

April 20, 1998

Ms. Janet Luallen
Senior Technical Manager
AICPA Peer Review Program
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

Dear Ms. Luallen:

I would like to suggest a change to the "Proposed Revision to the AICPA Standards for Performing and Reporting on Peer Reviews". Specifically, Paragraph 33 should be revised to clarify that client engagements "with report dates during the year under review" means engagements whose reports have been issued during the year under review.

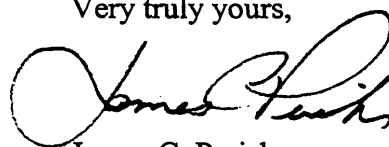
The reasons for this change are:

1. It gives the reviewed firm and the review team captain a clean cut-off of the engagements subject to selection (i.e., if the year to be reviewed ends June 30, everyone knows what engagements are involved if the criteria is reports issued during the year ended June 30). If the criteria is client fiscal year ends, or client report periods or dates with fieldwork ending but not issued by June 30, then both the reviewed firm and the review team captain have a moving target of client engagements subject to review (i.e., how about reports issued after the reviewed firm sends the team captain background information about the firm including the list of accounting and auditing engagements but (1) before the peer review fieldwork starts, or (2) before the peer fieldwork is completed?).
2. The peer review report would be more accurate. The standard peer review report states --- "we have reviewed the system of quality control for the accounting and auditing practice of xx in effect for the year ended June 30...". That's not really correct if the review team is selecting engagements where the work was actually performed in July or August but the report was for the clients' whose fiscal year ended on or prior to June 30. If the peer review

Ms. Janet Luallen
AICPA Peer Review Program
April 20, 1998
Page two

is covering any engagement whose engagement period ends prior to the year under review but issued after the reviewed firm's peer review year, then the report should state that the peer review period covered the system of quality control in effect through the last report issuance date.

Very truly yours,



James C. Perisho

cc: PCPS Division for CPA Firms
Peer Review Department of the
California Society of Certified
Public Accountants

ISAAC W. CHOY, CPA, INC.

MAY 11 1998

May 8, 1998

Ms. Janet Luallen
Senior Technical Manager
Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Re: Comment to Exposure Draft Proposed Revisions
to the AICPA Standards for Performing and
Reporting On Peer Reviews Dated 4-20-98

Dear Ms. Luallen:

My comments on the exposure draft are as follows:

1. No comment.
2. I can understand the benefits of standardizing the engagements that require an on-site peer review. However, I question the necessity for including SAS 75 engagements in this process. I believe that the objective of the peer review program is to protect the public interest by having firms maintain a level of quality for the products they produce. SAS 75 engagements have such a small audience and specific procedures I cannot see how the public interest could be adversely affected. I would rather include all engagements in which the accountants purport to have perform under generally accepted auditing standards be included in on-site reviews.
3. No comment.
4. It is interesting to note the inconsistencies of proposal #3 and proposal #4. Proposal #3 changes the word "owner" to the traditional term "partner." Proposal #4 changes the traditional term qualified to non-traditional term modified. The word qualified has a more accurate definition of the kind of report we are issuing. When we qualify a report we are putting limits on the standard report. When you modify a standard report you are changing it. But to what degree? I think the word qualified is more accurate and the word modified is not any clearer. If a change is necessary a more accurate term could be conditional and unconditional. The reason given for the change is nonsense.
5. No comment.
6. No comment.

7. The following comment relates to page 13 of the exposure draft.

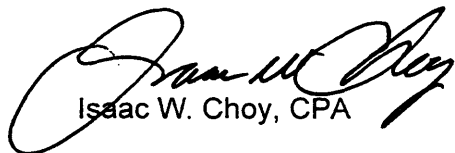
The changes to make the report and letter of comment more easily read and understood assumes that the reports were already easy to understand. Accountant's report traditionally have been hard to understand. If you put an accountant's report through a grammar check you come out with many comments.

I believe that there is a purpose for the standard wording in the accountant's report. For instance to change "in accordance with" and "conforming with" to "meet the requirements of" and "complying with" would infer that our standards are very specific. We all know that there are too many words, such as may and shall in our standards that leaves compliance with standards to professional judgment. Therefore I think that "in accordance with" and "conforms to" takes into consideration not only the requirements that may apply but also the spirit of the standards.

I always thought that the report and letter of comment were of little value and that there should be NO reports, just a list stating that a firm underwent a peer review or not. But that's a discussion for a different time.

Thank you very much for allowing me to comment on the proposal.

Very truly yours,



Isaac W. Choy, CPA

IWC:kc

cc: Rodney Harano, CPA
Kathy Castillo

MAY 15 1998

#7

DON M. PALLAIS, CPA

14 Dahlgren Road Richmond, Virginia 23233

Telephone: (804) 784-0884

Fax: (804) 784-0885

May 11, 1998

Janet Luallen
Senior Technical Manager
Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Ms. Luallen:

Thank you for the opportunity to comment on the *Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews* dated April 20, 1998.

The revisiting of the standards raises the question of why peer reviews are apparently not considered attestation engagements. Attestation engagements are defined in SSAE No. 1 as engagements in which

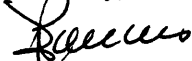
the practitioner is engaged to issue, or does issue, a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

Peer review engagements meet all of these requirements: a written communication (the peer review report), the conclusion about reliability (the opinion in the report), and the written assertion (expressed in the Quality Control Policies and Procedures Questionnaire), which is the responsibility of the reviewed firm. Nonetheless, the standard peer review report does not conform to the SSAE No. 1 requirements and other aspects of the engagement do not track the attestation standards precisely.

There doesn't seem to be any basis for conflicting standards. CPAs should not be put in the position of having to violate one set of standards to comply with another. I realize that the peer review requirements predate SSAE No. 1, however there is no explicit exemption in that enforceable standard. But even if there were an exemption, guidance that is appropriate for engagements as disparate as reporting on compliance with laws, internal control, CPA WebTrust, and an infinite number of other engagements should be equally applicable for peer reviews.

I don't mean to understate the effort required to conform the standards underlying this service to those established for other attestation services. I think, however, it's worth the effort for AICPA-created services to conform to standards by the AICPA body charged with establishing performance standards under rule 202 of the *Code of Professional Conduct*.

Sincerely,



MAY 28 ^{#8} 1998

[Explanation]

The AICPA Peer Review Board proposes a revision to replace throughout the peer review standards the terms *unqualified* and *qualified* which are used to describe the type of peer review report issued with the terms *unmodified* and *modified*, respectively. This change is proposed because concern has been raised that the term *unqualified* is applied in common usage to the reviewed firm itself rather than the opinion in the report issued, implying that the firm is not a qualified CPA firm.

[Proposed Revisions]

Throughout the standards, the term *unqualified* and *qualified* will be replaced with *unmodified* and *modified*.

To the Committee:

This is infinitely unnecessary. We (CPAs) have always issued audit reports that are 'unqualified' or 'qualified'. Any misunderstanding by educated readers that 'unqualified' means 'not qualified' are small.

Don't create new words until auditing standards are changed

James H. DeLeon, CPA
AICPA member # 00052415
Form # 10114495

JUN 04 1998

#9

Hoover & Roberts, Inc.
Certified Public Accountants

May 28, 1998

Ms. Janet Luallen, Senior Technical Manager
Peer Review Program
AICPA Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Re: Exposure draft to revise the Standards for Performing and Reporting on Peer Reviews

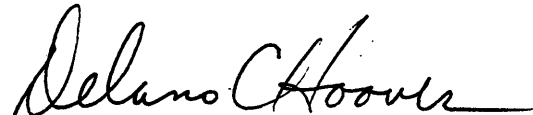
Dear Ms. Luallen:

I have been a Technical Reviewer in the Peer /Quality review Program in Ohio since the inception of the program.

At a minimum the change in the use of the word "owner" should be eliminated from the Board's considerations, because it does not make any sense. To change to a potentially misleading term in the report and letter of comments would appear to cause more damage than any possible benefit that could be produced.

Very truly yours,

HOOVER & ROBERTS, INC.



Delano C. Hoover, CPA

DCH:cle

AICPA
Peer
Review
Program

American
Institute
of Certified
Public
Accountants

JUN 08 1998

Administered by

#10

The Ohio Society of CPAs

P.O. Box 1810

Dublin, OH 43017-7810

(614) 764-2727

Facsimile: (614) 764-5880

May 28, 1998

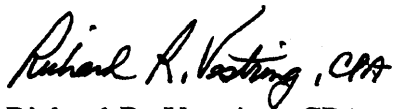
Ms. Janet Luallen, Senior Technical Manager
Peer Review Program
AICPA Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Ms. Luallen:

At the May 15, 1998 meeting of the Peer Review Acceptance Committee of the Ohio Society of CPAs we discussed the exposure draft to revise the Standards for Performing and Reporting on Peer Reviews.

While we agree with most of the proposals we did, by the unanimous vote of all persons present, conclude that the use of the term "partner" is not an improvement to the present standards and that this provision should be eliminated from your consideration. We would remind the Peer Review Board that peer review reports are sometimes provided to outsiders and/or published for use outside the firm. Since to refer to stockholders in a professional corporation as partners is clearly not proper, we believe that the more precise terms should be retained.

Sincerely,



Richard R. Vestring, CPA
Chairperson, Peer Review Acceptance Committee

JUN 11 1998

AICPA

#11 P-1

Peer Review Program

American Institute of Certified Public Accountants
Administered by the
Illinois CPA Society

May 28, 1998

Ms. Janet Luallen, Senior Technical Manager
Peer Review Program
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Dear Ms. Luallen:

The Peer Review Report Acceptance Committee of the Illinois CPA Society ("Committee") is pleased to have the opportunity to comment on the exposure draft of the Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews issued by the Peer Review Board (the "Board"). The organization and operating procedures of the Committee are described in the appendix to this letter. The Committee supports the issuance of this proposed standard and commends the Peer Review Board on its continuing effort to improve the quality of the practice-monitoring process. Below are the Committee's specific comments:

Paragraph 08 - The Committee believes that additional clarification is needed of the meaning of a "partner". Many firms define "partners" as income partners. Hence, the footnote should indicate that the various titles can be used, but that there needs to be an ownership interest.

Report Examples - The Committee believes that the standards need to clarify the proper titles to be used when addressing the reports. As was done in paragraph 08, the term "partner" should be defined in order to indicate that the term may be different based on the type of legal entity.

Paragraphs 67 and 98 - The Committee agrees with the changes to the wording in the opinion paragraph. However, there appears to be some inconsistencies in the manual when reviewing these paragraphs along with the report example at 3300A.57. These inconsistencies relate to the portion of the sentence that discusses whether the system of quality control is being complied with and needs to be addressed.

Peer Review Program

American Institute of Certified Public Accountants

Administered by the

Illinois CPA Society

Ms. Janet Luallen, Senior Technical Manager

Peer Review Program

American Institute of CPAs

Page two

May 20, 1998

We appreciate the opportunity to comment on the proposed standard. Should you have any questions regarding any of the above comments, please contact me at (630) 665-4440.

Sincerely,

DUGAN & LOPATKA



Mark F. Schultz

Peer Review Report Acceptance Committee

MFS:lsv

CC: Pat Melican
Paul Pierson

ILLINOIS CPA SOCIETY
PEER REVIEW REPORT ACCEPTANCE CHAIRS COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES

1997-1998

The Peer Review Report Acceptance Committee of the Illinois CPA Society (the Committee) is composed of 33 appointed technically qualified, experienced members. These members have Committee service ranging from newly appointed to 9 years with the Illinois CPA Society's administration of the Peer Review (formerly Quality Review) Practice Monitoring Program. The Committee is a senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of peer review standards.

The Committee usually operates by assigning 8 subcommittee Report Acceptance Bodies (RABs). The Peer Review Report Acceptance Executive Committee is comprised of the chair of each RAB, an appointed chair for the full committee and the Illinois CPA Society's representative on the AICPA Peer Review Board. The Committee was assigned the responsibility to study the exposure draft which was then discussed at a meeting of the executive committee. The peer Review Report Acceptance Executive Committee voted on the formal response which, at times, includes a minority viewpoint.



June 8, 1998

Ms. Janet Luallen
Senior Technical Manager, Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

June 8, 1998

Re: Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews

Dear Ms. Luallen:

We are pleased to submit our comments on the above referenced Proposed Revisions on behalf of the New York State Society of Certified Public Accountants. The comments were developed by the Peer Review Committee of the Society.

One of the proposed changes is to replace the term "owner" with "partner" throughout the peer review standards and to add a footnote that defines "partner" upon its first use. The Committee is concerned that readers will interpret the change to require the use of the term "partner" in all circumstances notwithstanding the actual legal form of entity. The Committee suggests that the footnote be rewritten to indicate that the intent is to have reviewers use the term (such as owner) that is appropriate in the circumstances.

Another proposed revision as explained on page 8 is "to state that any engagement performed under the Statements on Auditing Standards (SAS) will require an on-site peer review..." This wording appears to eliminate the relief offered to sole practitioners with four or fewer professions to have an off-site on-site review under Interpretation No. 1. The Committee suggests that a footnote be added to refer to this interpretation.

We hope these comments are helpful. If you wish to pursue any of these comments, please let us know and we will have someone from the Committee contact you.

Very truly yours,

A handwritten signature in cursive script that reads "Wayne A. Nast".

Wayne A. Nast, CPA
Chair, Peer Review Committee

A handwritten signature in cursive script that reads "Walter M. Primoff".

Walter M. Primoff, CPA
Director, Professional Programs

cc: Accounting and Auditing Committee Chairs

JUN 12 1998

#13

TO: MS. JANET LUALLEN

FROM: ROWLAND PERRY, CPA

IN REFERENCE TO THE EXPOSURE DRAFT ON STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS, I HAVE THE FOLLOWING COMMENTS.

I AGREE WITH AND SUPPORT MOST OF THE CHANGES WITH THE EXCEPTION OF THE NAME CHANGE FROM FIRM OWNERS TO FIRM PARTNERS. I THINK THE TITLE SHOULD REMAIN OWNERS. MY THINKING IS THAT WITH THE PROPOSED UAA ALLOWING NON CPA OWNERSHIP, THE TITLES OF FIRM OWNERS COULD INCLUDE SEVERAL TITLES FOR SEVERAL FUNCTIONS. FOR EXAMPLE, PARTNERS WOULD APPLY TO ONLY CPA'S WHILE COMPUTER DIRECTOR WOULD BE AN OWNER-BUT NOT CALLED A PARTNER. SINCE THE PEER REVIEW PROCESS APPLIES TO THE WHOLE FIRM, I FEEL THE TITLE OWNERS SHOULD BE RETAINED SO AS NOT TO CONFUSE THE PUBLIC.

THANK YOU,

Rowland Perry, CPA
ROWLAND PERRY, CPA
3007 ARMAND ST.
MONROE, LA 71201
318-323-1411

RALPH B. LARSEN
CERTIFIED PUBLIC ACCOUNTANT
448 EAST FOURTH SOUTH, #204
SALT LAKE CITY, UTAH 84111

#14 P-1

JUN 16 1998

TELEPHONE (801) 531-1230
FAX (801) 531-9117

June 10, 1998

MEMBER OF AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

AICPA Peer Review Board
c/o Ms Janet Luallen
Senior Technical Manager
Peer Review Program, AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

Response to Exposure Draft: "Proposed
Revisions to the AICPA Standards for
Performing and Reporting on Peer Reviews",
Dated April 20, 1998

Dear Ms Luallen,

I am concerned with the ramifications of proposal number 2 of the above referenced exposure draft. To clarify the proposal in question, the summary:

"States that any engagement performed under the Statement on Auditing Standards (SAS) will require an on-site peer review...."

AR 100.01 of SSARS states:

..."This statement defines the compilation of financial statements and the review of financial statements of a nonpublic entity and provides guidance to accountants concerning the standards and procedures applicable to such engagements.¹ The accountant is required to issue a report whenever he completes a compilation or review of the financial statements of a nonpublic entity in compliance with the provision of this statement...."
(underlining has been added to highlight item)

¹ Statements on Auditing Standards (SASs) provide guidance to the accountant who performs services in connection with the unaudited financial statements of a public entity. However, when a public entity does not have its annual financial statements audited, an accountant may review the entity's annual or interim financial statements in accordance with (SSARS) as permitted by footnote 4 of SAS No. 26.

My interpretation is that SSARS's relate only to compilation and review engagement financial statements of nonpublic entities. SAS's provide standards for financial statements of public entities, both audited and unaudited, EXCEPT where footnote (1) grants permission to issue reviewed financial statements of public entities in certain cases as authorized under SAS No. 26, footnote 4.

My question is:

When an accountant issued a compilation or review financial statement for a "Public Shell Entity", is that engagement a SSARS or a SAS engagement? Will that engagement mandate an on-site peer review for the accountant?

What I am calling a "Public Shell Entity". In Utah, specifically, but also throughout the USA, there are entities that went through registrations, both SEC and/or State, in times past that are now basically "dead". The principals think they will either sell or revive these public shell entities in the future so they keep them alive. Annually, they request financial statements be prepared in conjunction with the preparation of tax returns for submission to banks or personal records. These "Dead" entities are not current on their filings with the SEC or State agencies; however, because they usually still have all the original shares outstanding, they are by definition public entities.

Utah is one of the states that has mandated ALL accountants that issue financial statements must go through the AICPA Peer Review process as a condition of licensing; therefore, we do not have the option of dropping our AICPA affiliation to escape the tri-annual peer review process.

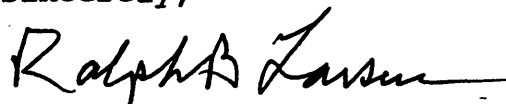
If this exposure draft mandates an On-Site Peer Review for all accountants that perform the type of engagement I have outlined, I'm afraid of what the consequences will be here in Utah. I think, at a minimum, attempts will be made to change the legislation that mandates peer reviews in conjunction with licensing. This would be a GIANT step backwards, after all of us have worked so hard to get to this level of proficiency in our profession.

I, personally, am fully supportive of the Peer Review Program and spend considerable time each year in conducting Off-Site Peer Reviews, conducting peer review related seminars, working with the UACPA's Peer Review Task Force, and assisting other accountants understand peer review. I have attended the National AICPA Peer Review Conference each of the last three years and intend to attend this years in Minneapolis and continue to attend them in the future. It is because of my close affiliation with the peer review program that I am requesting clarification of the above.

Enclosed are copies of the above referenced documents.

I thank you for your consideration in reviewing this matter.

Sincerely,

A handwritten signature in cursive script that reads "Ralph B. Larsen". The signature is written in black ink and is positioned above the typed name.

Ralph B. Larsen, CPA

Enclosures:

cc: Peer Review Director, UACPA
Dan Jones, Manager, DOPL, State of Utah

Compilation and Review of Financial Statements

Issue date, unless otherwise indicated:
December, 1978

.01 This statement defines the compilation of financial statements and the review of financial statements of a nonpublic entity and provides guidance to accountants concerning the standards and procedures applicable to such engagements.¹ The accountant is required to issue a report whenever he completes a compilation or review of the financial statements of a nonpublic entity in compliance with the provisions of this statement. The accountant should not issue any report on the unaudited financial statements of a nonpublic entity or submit such financial statements to his client or others unless he complies with the provisions of this statement.

.02 The statement recognizes that accountants may perform other accounting services either in connection with the compilation or review of financial statements or as a separate service. The statement distinguishes such services from a compilation and from a review. The statement does not establish standards or procedures for such other accounting services, examples of which follow:

- a. Preparing a working trial balance.
- b. Assisting in adjusting the books of account.
- c. Consulting on accounting, tax, and similar matters.
- d. Preparing tax returns.
- e. Providing various manual or automated bookkeeping or data processing services unless the output is in the form of financial statements.
- f. Processing financial data for clients of other accounting firms.

General

.03 This statement provides guidance considered necessary to enable the accountant to comply with the general standards of the profession set forth in rule 201 [ET section 201.01] of the AICPA Code of Professional Conduct (see Appendix E) in the context of a compilation engagement or a review engagement and establishes additional standards deemed appropriate for such engagements.

¹ Statements on Auditing Standards (SASs) provide guidance to the accountant who performs services in connection with the unaudited financial statements of a public entity. However, when a public entity does not have its annual financial statements audited, an accountant may review the entity's annual or interim financial statements in accordance with Statements on Standards for Accounting and Review Services (SSARS) as permitted by footnote 4 of SAS No. 26, Association With Financial Statements [AU section 504.05]. [As amended by Statement on Standards for Accounting and Review Services 7, effective for periods ending after December 15, 1993. Reports issued or reissued after December 15, 1993, should conform with the reporting guidance in SSARS 7.]

SUMMARY

Why Issued

The AICPA Peer Review Board is issuing this exposure draft to update the *Standards for Performing and Reporting on Peer Reviews* (AICPA, *Professional Standards*, vol. 2, PR sec. 100).

What It Does

This proposal—

- Expands the definition of an accounting and auditing practice for the purposes of performing and reporting on a peer review to conform with Statement on Quality Control Standards (SQCS) No. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (AICPA *Professional Standards*, vol. 1, QC sec. 20), thereby including all engagements performed under the Statements on Standards for Attestation Engagements.
- States that any engagement performed under the Statements on Auditing Standards (SAS) will require an on-site peer review, not just audits of historical financial statements and SAS No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement* (AICPA, *Professional Standards*, vol. 1, AU sec. 622) engagements to make the standards all inclusive.
- Replaces the term “owner” with “partner” throughout the peer review standards and adds a footnote defining the term “partner” upon its first use.
- Replaces the terms “unqualified” and “qualified,” which are used to describe the type of peer review report issued with the terms “unmodified” and “modified,” respectively.
- Incorporates Peer Review Standards Interpretation No. 4, “Reviewer Requirements” into the body of the peer review standards.
- Clarifies that attest engagements should be subject to selection if the date of the report for the engagement falls within the year to be reviewed.
- Revises the standard language used in the peer review report and letter of comments to make them more easily read and understood by all users.

How It Affects Existing Standards

The proposed changes will be incorporated into the AICPA *Standards for Performing and Reporting on Peer Reviews* effective for peer reviews that commence on or after January 1, 1999. Early implementation is encouraged.

#15

JUN 19 1998

June 15, 1998

Janet Luallen, Senior Technical Manager
Peer Review Program, AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

RE: Exposure Draft 800118 Proposed Revisions to the AICPA Standards for
Performing and Reporting on Peer Review

Comments By: Society of Louisiana CPAs
Accounting and Auditing Standards Committee

Keith Besson
Judson J. McCann, Jr.
Albert E. Roevens, Jr.
Joseph T. Green
Mary Y. Sanders
John D. Cameron

The committee was in general agreement that the exposure draft offered good guidance.

Specific Comments:


Paragraph 56, page 68, the last sentence appears confusing. Maybe should consider definition of positive enforcement program.

Paragraph 69(c), page 13, there needs to be a clear distinction made between the contents of a modified report and an adverse report on an off-site peer review.

Paragraph 97, page 14, the first paragraph, line three uses the language "adapted". Maybe a better choice would be adopted.

Paragraph 103, page 21, the sentence following (concluding paragraph) seems to be incomplete.

Explanation Section on Page 8: One member felt that to require an on-site peer review for any engagement performed under the Statements on Auditing Standards would result in added costs for a small firm, thereby impeding the small firm's ability to offer a competitive rate to small business clients.


John D. Cameron, CPA

[Explanation]

The AICPA Peer Review Board proposes a revision to state that any engagement performed under the Statements on Auditing Standards (SAS) will require an on-site peer review because the level of knowledge to perform nonaudit and other engagements covered by SAS are as demanding as the level needed to perform audits of historical financial statements. This change is proposed to conform with SQCS No. 2.

[Proposed Revisions]

.05. The objectives of the AICPA peer review program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. Firms that perform engagements under the Statements on Auditing Standards audits of historical financial statements, agreed-upon procedures under SAS No. 75, Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement (AICPA, Professional Standards, vol. 1, AU sec. 622), or examinations of prospective financial statements under the Statements on Standards for Attestation Engagements have on-site peer reviews. Firms that perform services listed in paragraph .04 that are not required to have on-site peer reviews have off-site peer reviews. Firms that do not provide any of the services listed in paragraph .04 are not reviewed.

.56 The objective of an off-site peer review is to provide the reviewer with a reasonable basis for expressing limited assurance that the financial statements or information and the related accountant's report on the accounting and review engagements and attestation engagements, submitted for review, conform in all material respects with the requirements of professional standards. This objective is different from the objectives of an on-site peer review in recognition of the fact that off-site peer reviews are available only to firms that perform no engagements under the Statements on Auditing Standards audits of historical financial statements, agreed-upon procedures under SAS No. 75, or examinations of prospective financial statements under the Statements on Standards for Attestation Engagements. Firms required to have an off-site peer review may elect to have an on-site peer review. Compliance with the positive enforcement program of a state board of accountancy does not constitute compliance with the AICPA practice-monitoring requirement.



Arkansas Society of Certified Public Accountants

415 North McKinley Street • Suite 970 • Little Rock, Arkansas 72205-3022

June 10, 1998

JUN 19 1998

Janet Luallen
Senior Technical Manager
Peer Review Program
American Institute of Certified Public Accountants
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

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- Walter D. Wood**
- Donna E. Burnett**
- Joseph A. Sanford**
- Barbara S. Angel**
Executive Director

Dear Ms Luallen:

This is a response to the Exposure Draft titled **Proposed Revisions To The AICPA Standards For Performing and Reporting on Peer Reviews**, dated April 20, 1998.

We have reviewed the draft and have one area of concern. On page nine of the Draft, it states:

[Explanation]

The AICPA Peer Review Board proposes a revision to replace throughout the peer review standards the term *owner* with the term *partner* and define partner upon the first usage. This change is proposed to conform the terminology so that it is consistent within the practice-monitoring programs.

[Proposed Revisions]

.08. The ownership of firms enrolled or seeking enrollment in the AICPA peer review program should comply with Council resolutions (AICPA, Professional Standards, Vol 2, ET Appendix B). In addition, at least one of the firm's partners has to be a member of the AICPA.

(The Draft then defines partner as *Depending on how a CPA firm is legally organized, its partner(s) could have names, such as "shareholder," "member," or "proprietor."*

This proposed revision changes the standards in several places, wherever the term *owner* is found. Most notably, the revision changes the addressee in the peer review report letter and letter of comments. All examples of letters in the draft begin "To the Owners Partners". Although the definition of partner was given earlier in the standard to mean shareholders, members, etc., we feel that addressing these important documents to partners of a firm when, in fact, there may not be any partners in the firm is misleading and incorrect. If the sole reason for this change is to conform to terminology used elsewhere, it appears that maybe the other terminology needs to be changed.

We suggest that this revision is omitted from the draft, or that it is clarified so that the correct terminology (shareholder, member, proprietor, etc.) is used in all correspondence such as report letters and letters of comment.

Sincerely,

R. H. Keen, CPA
Chairman, Arkansas Peer Review Committee

JUN 23 1998

LEHMAN & WILKINSON, P.C.
Certified Public Accountants

#17

P-1

86 West Street • Post Office Box 623 • Keene, New Hampshire 03431 • 603/352-4500 • FAX: 603/352-8558

June 19, 1998

Janet Luallen, CPA
Senior Technical Manager
AICPA Peer Review Program
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311

Dear Janet:

Re: Revisions to the AICPA Standards For Performing and
Reporting on Peer Reviews

I have comments concerning items on pages 18, 21, and 23 of
the exposure draft. Copies of those pages are enclosed.

18. Re: 99. Appendix E
Letter of Comments - On Site Review

The revision eliminates paragraph 2 and most of paragraph 3.
All that remains in the revised version is a one sentence
second paragraph reiterating the report date and indicating
that "this letter does not change that report". Maybe this
information made sense in the original version when there was
so much verbiage between it and paragraph 1. But, now it
seems unnecessary.

- . Consider eliminating the one sentence second paragraph
and changing the last sentence of the first paragraph to
read "That report should be read in conjunction with the
comments in this letter which were considered in
determining our opinion."

21. Re: 103. Appendix I

Under caption "Modified Report for Significant Departures From
Professional Standards" the parenthetical expression refers
to qualified report.

- . Consider using modified instead of qualified to be
consistent.

23. Re: 104. Appendix J
Letter of Comments - Off Site Review

The revision eliminates most of the original second paragraph. All that remains in the revised version is a one sentence second paragraph reiterating the report date and indicating that "this letter does not change the report". Maybe this information made sense in the original version when there was so much verbiage between it and paragraph 1. But, now it seems unnecessary.

- . Consider eliminating the one sentence second paragraph and changing the last sentence of the first paragraph to read "That report should be read in conjunction with the comments in this letter which were considered in determining our opinion."

23. Re: 104. Appendix J

Under caption "Matters That Resulted in a Modified Report", Finding 1 states "firm did qualify its reports..." and Finding 3 states "...accountants' reports were not appropriately qualified."

- . Consider using modified instead of qualified to be consistent, especially for Finding 1, where modified is already used in Recommendation 1.

If you have any questions, please feel free to call.

Sincerely,

LEHMAN & WILKINSON, P.C.



Charles A. Prigge, CPA

CAP/kl
enclosures

August 31, 19XX
 [Should correspond with date of report]

To the Owners Partners
 Able, Baker & Co.

or

To John B. Able, CPA

We have reviewed the system of quality control for the accounting and auditing practice of [Name of Firm] (the firm) in effect for the year ended June 30, 19XX, and have issued our report thereon dated August 31, 19XX (*which was modified qualified as described therein*). ~~That report~~ This letter should be read in conjunction with ~~this letter that report.~~ *The comments in this letter, which were considered in determining our opinion.*

~~Our review was for the purpose of reporting upon the firm's system of quality control and its compliance with that system. Our review was conducted in conformity with standards established by the Peer Review Board of the American Institute of Certified Public Accountants; however, our review would not necessarily disclose all weaknesses in the system or all instances of noncompliance with it because our review was based on selective tests.~~

~~There are inherent limitations that should be recognized in considering the potential effectiveness of any system of quality control. In the performance of most control procedures, departures can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the procedure may become inadequate because of changes in conditions or that the degree of compliance with the procedure may deteriorate. As a result of our review, we have the following comments that which were considered in determining our opinion set forth in our report dated August 31, 19XX, and this letter does not change that report.~~

*Matters That Resulted in a Modified Qualified Report***

Engagement Performance

Finding - The firm's quality control policies and procedures do not require partner owner involvement in the planning stage of audit engagements. Generally accepted auditing standards permit the auditor with final responsibility for the engagement to delegate some of this work to assistants, but emphasize the importance of proper planning to the conduct of the engagement. We found an one engagement in which, as a result of a lack of involvement, including timely supervision, by the engagement partner owner in planning the audit, the work performed on receivables and inventory did not appear to support the firm's opinion on the financial statements. The firm has subsequently performed the necessary additional procedures to provide a satisfactory basis for its opinion.

Recommendation - The firm's quality control policies and procedures should be revised to provide, at a minimum, for timely audit partner owner review of the preliminary audit plan and the audit program.

* ~~The~~ This phrase in parenthesis should be included ~~used only~~ if the review team issues a modified qualified or adverse report. ~~The wording is being issued, and it should be tailored to fit the circumstances of the engagement.~~

** This caption is to ~~should~~ be used only if a modified qualified or adverse report is being issued; and it should be tailored to fit the circumstances.

103. Appendix I

Illustrations of Modified and Adverse Other Types of Reports on an Off-Site Peer Review

[See Appendix H for information about applicable letterhead and about addressing and signing the report]

Qualified Modified Report for Significant Departures From Professional Standards

[Separate paragraph, after the standard first two paragraphs, describing the significant matters that resulted in a qualified report]

modified

~~As discussed in our letter of comments under this date, our~~ Our review disclosed that the firm's review report on the financial statements of one of the engagements submitted for review did not disclose the failure to capitalize a financing lease, as required by generally accepted accounting principles. Also, significant financial statement disclosure deficiencies concerning related-party transactions were noted in several of the engagements reviewed. **These matters are discussed in more detail in our letter of comments dated August 31, 19XX.**

[Concluding paragraph]

In connection with our off-site peer review, with the exception of the matter(s) described in the preceding paragraph, nothing came to our attention... ~~that caused us to believe that the reports submitted for review by [Name of Firm] for the year ended June 30, 19XX, did not conform with the requirements of professional standards in all material respects.~~

Adverse Report

[Separate paragraph, after the standard first two paragraphs, describing the significant matters that resulted in an adverse report]

~~However, as discussed in our letter of comments under this date, our~~ Our review disclosed several failures to adhere to professional standards in reporting on material departures from generally accepted accounting principles and in complying with standards for accounting and review services. Specifically, the firm did not disclose in certain compilation and review reports failures to comply with generally accepted accounting principles in accounting for leases, in accounting for revenue from construction contracts, and in disclosures made in the financial statements or the notes thereto concerning various matters important to an understanding of those statements. **These matters are discussed in more detail in our letter of comments dated August 31, 19XX.**

[Adverse concluding paragraph]

Because of the ~~deficiencies~~ **significance of the matters** described in the preceding paragraph, we do not believe that the reports submitted for review by [Name of Firm] for the year ended June 30, 19XX, ~~comply conform~~ with the requirements of professional standards in all material respects.

ended June 30, 19XX, in accordance with standards established by the Peer Review Board of the American Institute of Certified Public Accountants (AICPA), and have issued our report thereon dated August 31, 19XX (which was *modified qualified/adverse as described therein*). That report ~~This letter should be read in conjunction with that report this letter.~~ *The comments in this letter, which were considered in determining our opinion.*

X

An off-site peer review consists only of reading selected financial statements or information and the accountant's report thereon, together with certain representations provided by the firm, for the purpose of considering whether the financial statements or information and the accountant's report appear to be in conformity with professional standards. An off-site peer review does not provide the reviewer with a basis for expressing any assurance as to the firm's system of quality control for its accounting practice, and we express no opinion or any form of assurance on that system. However, ~~As a result of our review, we have the following comments that matters, which were considered in preparing our report dated August 31, 19XX, did come to our attention during our review and this letter does not change that report:~~

omit

Matters That Resulted in a Modified Qualified Report*

1. Finding - During our review, we noted that the firm did not ^{modify} qualify its reports on financial statements when neither the financial statements nor the footnotes noted that the statements were presented on a comprehensive basis of accounting other than generally accepted accounting principles.

X

Recommendation - We recommend that the firm review the reports issued during the last year and identify those reports that should have been modified to reflect a comprehensive basis of accounting other than generally accepted accounting principles. A memorandum should then be prepared highlighting the changes to be made in the current year and placed in the files of the client for whom a report must be changed.

2. Finding - In the engagements that we reviewed, disclosures of related-party transactions and lease obligations as required by generally accepted accounting principles were not included in the financial statements, and the omission was not disclosed in the accountant's reports.

Recommendation - We recommend that the firm review the professional standards governing disclosures of related-party transactions and lease obligations and disseminate information regarding the disclosure requirements to all staff involved in reviewing or compiling financial statements. In addition, we recommend that the firm establish appropriate policies to ensure that all necessary related-party transactions and lease obligations are disclosed in financial statements reported on by the firm. For example, a step might be added to compilation and review work programs requiring that special attention be given to these areas.

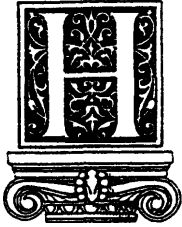
3. Finding - During our review of the accountants' reports issued by the firm, we noted numerous instances in which the accompanying financial statements departed from professional standards and on which the accountants' reports were not appropriately ^{modified} qualified. These included the following:

X

- Failure to disclose material intercompany transactions
- Failure to appropriately recognize revenue

* The phrase in parenthesis should ~~to~~ be included if the reviewer issues a modified qualified or adverse report. The wording should be tailored to fit the circumstances of the engagement.

** This caption is to be used only if a modified qualified or adverse report is being ~~has been~~ issued; and it should be tailored to fit the circumstances.



Hamilton, Schmoyer & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 11881
COLUMBIA, SC 29211-1881

#18

June 16, 1998

JUN 19 1998

Walter H. Webb, Chair
AICPA Peer Review Board
Harborside Financial Center
201 Plaza III
Jersey City, NJ 07311-3881

RE: Exposure Draft April 20, 1998
Revision to Peer Review Standards

Dear Mr. Webb:

I was delighted, of course, to see the simplifications and clarity being suggested to the previous long-winded language of the standards. But first, I would like to say hello to my good friends and previous PCPS peer review committee members, Doug Koval and George Smith.

You and your Board should be pleased with your exposure draft. It looks outstanding in most respects. I do, however, want to call your attention to two areas for your consideration.

First, changing the suggested salutation from "To the Owners" to "To the Partners" for your samples may be a mistake. With so many types of entities for CPA firms, i.e., corporations, proprietorships, partnerships, your previous change to a generic "To the Owners" had such merit. Please don't abandon your previous improvement. The second suggestion is dealing with the on-going saga of how to distinguish off-site peer reviews. What to call them? Much confusion from state committees and team captains would be eliminated if we just simply called them "report reviews".

Thank you for your cooperation in reconsidering your position on these matters. Please call me if you want any further clarification.

Mr. Webb, you have my very best wish for a successful term—I know it will be—and congratulations to your Board for a product well done.

Very truly yours,

John F. Hamilton, CMA, CPA

cc: Peer Review Committee
SCACPA
570 Chris Drive
West Columbia, SC 29169



#19 P-1

JUN 19 1998

State of New Jersey
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
NEW JERSEY STATE BOARD OF ACCOUNTANCY
124 HALSEY STREET, 6TH FLOOR, NEWARK NJ

CHRISTINE TODD WHITMAN
Governor

PETER VERNIERO
Attorney General
MARK S. HERR
Director

June 18, 1998

Mailing Address:
P.O. Box 45000
Newark NJ 07101
(973) 504-6380

**Janet Luallen, Senior Technical Mgr.
Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881**

**Re: Response to Exposure Draft
Proposed Revisions to the AICPA Standards
for Performing and Reporting on Peer Reviews**

Dear Ms. Luallen,

The New Jersey State Board of Accountancy has established a Quality Enhancement Review program for the purpose of reviewing financial statements submitted by licensees. In my position as Director of Accountancy one of my responsibilities is to administer the quality review program. We have tried to use language in reporting the findings of our reviews to the practitioners that is similar to what is used by the AICPA in the Peer Review program. I believe that the term "unqualified" is confusing. I have also received calls from participants in our program who, when they receive their report of the review with findings and recommendations, have said that the information is very helpful, but, "what does unqualified mean?"

Accordingly, I agree with the proposal to change the language. However, although "unmodified" is better, it could still be improved. Why is it that CPAs tend to speak and write without using direct language and with using negatives? Shouldn't the best result of a Peer Review deserve a positive response, such as, "acceptable" or "satisfactory?"

I believe that the participating firms and practitioners would understand a simpler more direct report classification. Additionally, third parties who are informed of the results of a firm's Peer Review would also understand a positive, simpler description better. I believe that several bankers currently view the Peer Review letter as being too technical and confusing for them to understand.

I appreciate your taking the time to consider these ideas and suggestions. If you have any questions, or if you would like to discuss them further, please do not hesitate to contact me. You can call me at (973) 504-6467.

Very truly yours,



**Dale K. Nelson, CPA
Director of Accountancy
NEW JERSEY STATE
BOARD OF ACCOUNTANCY**



JUL 07 1998

#20

STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

210 East Union, Suite A, Mail Stop 43110 • P.O. Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190

July 2, 1998

Janet Luallen
Senior Technical Manager
Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

Ms. Luallen:

At its June 26, 1998 Board meeting, the Washington State Board of Accountancy reviewed the Exposure Draft: Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews.

The Board is in favor of the proposal. We are pleased to see the Peer Review Board's proposal to expand the definition of an accounting and auditing practice to include all engagements performed under the Statements on Standards for Attestation Engagements. This broader interpretation is in alignment with the Board's perspective of what services need to be included when considering 'public protection' issues. We also concur with the Peer Review Board's proposal to require an on-site peer review for all engagements under the Statements on Auditing Standards.

We appreciate the opportunity to respond to your proposal.

Respectfully,

Thomas J. Sadler, CPA
Chair

cc: Orphalee Smith, CPA, Vice Chair, Washington State Board of Accountancy
Dana M. McInturff, CPA, Executive Director

JUL 14 1998

#21



California
Society

Certified
Public
Accountants

Peer
Review
Program

July 8, 1998

Janet Luallen
Senior Technical Manager
Peer Review Program
AICPA
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3811

Dear Ms. Luallen,

The California Peer Review Committee discussed the Exposure Draft, *Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews*, at our May 1998 meeting. In particular, we are in support of expanding the definition of accounting and auditing for peer review to agree to the Statement on Quality Control Standards No. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. In addition, the change from "unqualified" and "qualified" to "unmodified" and "modified" is much clearer to all concerned.

Thank you and we appreciate the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Tom Caldwell".

Tom Caldwell
Chairman

255 Shoreline Drive
Redwood City, CA
94065-1404

(650) 802-2486
Fax (650) 802-2350
www.calcpa.org