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April 28, 2023

Comptroller General of the United States
U.S. Government Accountability Office
441 G St. N.W.
Washington, DC 20548
YellowBookComments@gao.gov

RE: *Government Auditing Standards*, 2023 Exposure Draft

Honorable Gene L. Dodaro:

The Peer Review Alliance (PRA) is an approved peer review administrator of the AICPA Peer Review Program and one of the largest administrators in the United States. With approximately 2,100 CPA firms under its administration, PRA assists firms ranging in size from sole practitioner to over 300 professionals in meeting their peer review needs, including 560 sole practitioners with no additional staff and 1,310 firms with 2-10 professionals.

The PRA Report Acceptance Committee (the “Committee” or “we”) is pleased to comment on the *Government Auditing Standards*, 2023 Exposure Draft. The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the positions of the Committee rather than any individual members of the Committee, the organizations with which such members are associated, or the partner state CPA societies.

The Committee acknowledges that the following response may include divergent views. The intent in presenting these views is to ensure that the response adequately illustrates the Committee’s support for and concerns with the proposed standard and provides suggested alternative approaches where disagreement may be present.

Questions for Respondents

1. *The proposed standard (para. 5.07) permits audit organizations subject to the quality management standards of either the International Auditing and Assurance Standards Board or the Auditing Standards Board of the American Institute of Certified Public Accountants to comply with those standards and specific additional generally accepted government auditing standards (GAGAS) requirements to avoid having to maintain and document two systems of quality management. Is it appropriate to permit this flexibility to audit organizations? Why or why not?*

Yes, we agree.

2. *A system of quality management depends on an appropriately designed and implemented quality management risk assessment process (paras. 5.19–5.42). Is the quality management risk assessment process in the proposed standard sufficiently clear and understandable?*

Yes, the risk assessment process is sufficiently clear and understandable.

3. *The proposed standard includes new and revised requirements and application guidance for monitoring and remediation activities to assist audit organizations in identifying and remediating deficiencies in the system of quality management (paras. 5.84–5.125). Are these requirements sufficiently clear and understandable?*

Yes, the requirements are sufficiently clear and understandable.

4. *The proposed revision intends to promote scalability to enable each audit organization, based on its size and complexity, to design, implement, and maintain a tailored system of quality management that responds to the circumstances of the audit organization and the engagements that it conducts (paras. 5.11–5.12). Does the proposed revision promote sufficient scalability?*

Yes, the proposed revision promotes sufficient scalability.

5. *The proposed standard includes a section (paras. 5.137–5.150) on performing engagement quality reviews that applies when an audit organization determines that such a response is appropriate to address one or more quality risks. Are the requirements and application guidance relating to engagement quality reviews sufficiently clear and understandable?*

Yes, the requirements and application guidance are sufficiently clear and understandable. However, paragraph 5.68 of the proposed standard indicates that the engagement quality review should be performed and completed on or before the date of the audit report (i.e., the “report date”) while paragraph .17 of *Statement on Quality Management Standards No. 1* issued by the Auditing Standards Board of the American Institute of Certified Public Accountants indicates that the engagement quality review should be performed and completed before the engagement report is released (i.e., the “release date”). We suggest that the proposed standard be revised to release date for the sake of consistency.

6. *The proposed standard adds application guidance (para. 6.39) stating that communicating key audit matters is permitted in GAGAS financial audits if the auditors are engaged to do so or required to do so by law or regulation as discussed in AU-C section 701, Communicating Key Audit Matters in the Independent Auditor’s Report. Is the application guidance sufficiently clear and understandable?*

Yes, the application guidance is sufficiently clear and understandable.

7. *Audit organizations would be required to design and implement systems of quality management that comply with GAGAS within 2 years from the issuance of the final standard. The required evaluation of the system of quality management would be required within 1 additional year (3 years from the issuance of the final revision). Should audit organizations be permitted to adopt the standard early?*

Yes, audit organizations should be permitted to adopt the standard early.

Effective Date

The proposed revision’s effective date requires quality management systems to be designed and implemented within 2 years from issuance of Government Auditing Standards 2023 revision. The evaluation of the system of quality management is required within 1 additional year (3 years from the issuance of the final revision). Early adoption of the proposed revision is permitted.

While the Committee understands the need for different effective dates due to adoption of quality management standards of either the International Auditing and Assurance Standards Board or the Auditing Standards Board of the

American Institute of Certified Public Accountants, we suggest that the effective date of the proposed revision be concurrent with the effective date of the applicable quality management standards for each audit organization in order to help reduce confusion and maximize compliance in practice.

The Committee appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Kim Meyer, CPA
Chair, Peer Review Alliance Report Acceptance Committee

Joseph Beck, CPA
Vice Chair, Peer Review Alliance Report Acceptance Committee

APPENDIX A

PEER REVIEW ALLIANCE REPORT ACCEPTANCE COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2023 – 2024

The Peer Review Alliance Report Acceptance Committee (Committee) is composed of the following technically qualified, experienced members. These members have peer review experience and Committee service ranging from newly appointed to over 30 years. The Committee is an appointed senior technical committee of the Illinois CPA Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of peer review and quality control standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of peer review or quality control standards. The Subcommittee develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Sarah Beckman, CPA	UHY LLP
Cary Drazner, CPA	Marcum LLP
Jennifer Goettler, CPA	Sikich LLP
John Guido, CPA	Baker Tilly US LLP
James Javorcic, CPA	Mayer Hoffman McCann P.C.
Steven Kessler, CPA	Wipfli LLP

Local:

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Joseph Beck, CPA	Jones, Pounder & Associates, P.C.
Matthew Brown, CPA	Brown CPA, LLC
Lori Dearfield, CPA	Kelley Galloway Smith Goolsby, PSC
Steven Dearien, CPA	Dearien & Company AC
Jonathon Eade, CPA	Jones, Nale & Mattingly, PLC
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Mary Fleece, CPA	Tetrick & Bartlett, PLLC
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Paul Inerra, CPA	ATA Group, LLP
Rob Jordan, CPA	Hill & Jordan CPA's, LLC
Christina Kelly, CPA	The Hobbs Group, P.A.
Karen Kerber, CPA	KerberRose S.C.
Mark Klesman, CPA	Klesman & Company, P.C.
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Illinois CPA Society