



March 9, 2020

Office of the Secretary  
PCAOB  
1666 K Street, NW  
Washington, DC 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 046

Dear Board Members:

The Audit and Assurance Services Committee of the Illinois CPA Society (“Committee”) is pleased to comment on the PCAOB’s Concept Release, *Potential Approach to Revisions to PCAOB Quality Standard (QC Concept Release)*. The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the position of the Audit and Assurance Services Committee of the Illinois CPA Society (“Committee”) rather than any members of the Committee or of the organizations with which such members are associated.

We certainly acknowledge the Board’s observation that there are many different types of firms subject to the PCAOB’s quality standards, including many small- and medium-sized practitioners (SMPs). Those firms will need varying levels of processes and controls to achieve the objectives of an effective quality control system. We agree that the scalability of the requirements should largely be grounded in the size of the firm (including number of partners), the complexity of the firm and the nature of the firm’s engagements as described in Section VI of the Concept Release. We are quite concerned about how the new standard will provide such scalability in practice, particularly recognizing that the larger firms have appreciably more resources, including those that have the appropriate skillsets (including around risk management) to better design, implement and operate a comprehensive quality control system. For example, suppose a registered accounting firm has two audit partners (six professionals) and performs issuer audits for two clients, has two broker dealer audits, and three registered benefit plan audits. In general, the two-partner practice does not have the same risks and complexities as a Big 4 firm with 300 or more issuer audits. This is comparing apples to oranges. Perhaps setting thresholds as to the size of a firm’s issuer practice as a determination for who is required to implement the QC Concept Release would be an option. We believe SMPs should have a less formal QC structure, similar to the current PCAOB QC standards.

Accordingly, in addition to the new standard clearly identifying where requirements are scalable, we believe that ample examples should be provided. For example, the new standard might actually provide examples that are likely most relevant for SMPs’ quality objectives, quality risks that threaten those objectives, and responses to those risks. The guidance should facilitate the transition by SMPs from using higher level checklists and practice aids meant to address quality to the more granular and specific requirements of the proposed new quality control system. Such guidance should encompass a range of examples of how different types of firms could design and implement such a system, in addition to the everyday operation of the system. The International Auditing and Assurance Standards Board’s (IAASB) consideration of introducing the concept of quality risk factors, as described in footnote 42 of the Concept Release, may be a valuable change to its proposed standard as it relates to scalability. The Board might also consider whether specified SMPs – based on size, complexity and nature of engagements – should be exempt from mandatory compliance with the new standard, in its entirety or for certain of the proposed aspects.



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.

**Scott Cosentine, CPA**

Chair, Audit and Assurance Services Committee

**Genevra D. Knight, CPA**

Vice Chair, Audit and Assurance Services Committee



ILLINOIS CPA SOCIETY

## APPENDIX A

### AUDIT AND ASSURANCE SERVICES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2019 – 2020

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members. The Committee seeks representation from members within industry, education and public practice. These members have Committee service ranging from newly appointed to almost 20 years. The Committee is an appointed 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 audit and attestation 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 audit and attestation 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:**

Todd Briggs, CPA	RSM US LLP
Scott Cosentine, CPA	Ashland Partners & Company LLP
Timothy Delany, CPA	RSM US LLP
Jennifer E. Deloy, CPA	Marcum LLP
James J. Gerace, CPA	BDO USA, LLP
Michael R. Hartley, CPA	Crowe LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
Huong Nguyen, CPA	PricewaterhouseCoopers LLP
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Amber Sarb, CPA	RSM US LLP
Richard D. Spiegel, CPA	Wipfli LLP
Timothy Van Cott, CPA	Sikich LLP
Daniel Voogt, CPA	Grant Thornton LLP

##### **Regional:**

Michael Ploskonka, CPA	Selden Fox, Ltd.
Genevra D. Knight, CPA	Porte Brown LLC
Andrea L. Krueger, CPA	CDH, P.C.

##### **Local:**

Arthur Gunn, CPA	Arthur S. Gunn, Ltd.
Lorena C. Johnson, CPA	CJBS LLC
Mary Laidman, CPA	DiGiovine, Hnilo, Jordan & Johnson, Ltd.
Carmen F. Mugnolo, CPA	Mugnolo & Associates, Ltd.
Jodi Seelye, CPA	Mueller & Company LLP



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**Industry/Consulting:**

Rosi Hasan, CPA  
Sean Kruskol, CPA

Northern Trust Corporation  
Cornerstone Research

**Educators:**

Meghann Cefaratti, PhD

Northern Illinois University

**Staff Representative:**

Heather Lindquist, CPA

Illinois CPA Society