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AICPA Peer Review Board  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas, 19th Floor  
New York, NY 10036

Via email to [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)

**Re: Exposure Draft, *Proposed Peer Review Standards Update No. 2, Reviewing A Firm's System of Quality Management and Omnibus Technical Enhancements*, AICPA Peer Review Board**

RSM US LLP (RSM) appreciates the opportunity to comment on the American Institute of Certified Public Accountants' (AICPA) *Proposed Peer Review Standards Update (PRSU) No. 2, Reviewing A Firm's System of Quality Management and Omnibus Technical Enhancements* November 16, 2023, Exposure Draft, revisions to the standards with conforming, and other enhanceive updates in consideration of the issuance of the quality management standards (collectively, the QM standards) Issued by the Auditing Standards Board (ASB) and other related standard setters.

**Overall comments on the proposed standard**

Overall, we are supportive of an updated standard for various technical enhancements and Statement on Quality Management Standards (SQMS) No. 1, *A Firm's System of Quality Management* (SQMS 1). While we support the revision of the standard, we would like to encourage that additional consideration be given to further aligning the proposed standard with SQMS 1 and incorporating other modernization elements. We believe that there are some aspects of the proposed standard that need to be reconsidered or supplemented through guidance to accomplish further alignment and modernization as summarized below:

- Integration of more elements of the QM standard into the proposed standards, peer review guidance or checklists
- Greater clarity as to the interrelationship between a firm's system of quality management and its impact on the peer review's risk assessment, scope of procedures, assessment of findings and deficiencies, management's representations, and the peer review report, including guidance related to differences in timing and conclusions
- Incorporation of more technological elements to reflect the increased use of technology by both companies and firms (e.g., blockchain, artificial intelligence, etc.) and innovation in engagement performance (e.g., audit software, data analytic tools, etc.), as well as new and emerging risks (e.g., cryptocurrency, cyber incidents, etc.)
- Updated language throughout the illustrations from "Ladies and Gentlemen" to a more inclusive phrase such as "Members of the Peer Review Committee"

We provide more details on these summary items and responses to specific questions set out below. In certain areas, we propose specific revisions to the proposed standards. Language recommended for deletion is **~~bolded and struck through~~**. Language recommended for addition is ***bolded and italicized***. These changes are marked based on acceptance of the language proposed in the exposure draft with our further edits included as noted. We have not responded to questions that do not apply to our firm.

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## Comments on specific aspects of the proposal

1. Do you recommend any additional changes to strengthen the understandability and applicability of existing requirements or application and other explanatory material?

We do not have any specific recommendations or changes to strengthen the understandability and applicability of existing requirements or application and explanatory material. Our recommendations to strengthen the understandability and applicability focus on the changes and integration of the QM standards.

The QM standards require the firm to perform risk assessment; monitoring; and annual evaluations of design, implementation, and operating effectiveness of the system of quality management. The proposed standard has not been foundationally changed to recognize a firm's responsibility for all these steps and evaluations.

We acknowledge the challenges with updating the peer review standards for QM and the consequent changes state boards may need to make. We recommend the standards be updated to address the following topics included below. However, if that is not possible, additional guidance or the inclusion of the topics in peer review checklists would be beneficial to provide clarity on the relationship between the peer review standards and QM standards.

### Definitions

We appreciate that the Peer Review Board has published *Comparing issues identified in peer reviews and firm system of quality management* (May 2023) to assist peer reviewers and reviewed firms in bridging terminology used in the QM standards (SQMS) and in the clarified peer review standards (PR-C). As noted in the publication, the QM standards do not define "significant deficiency." However, guidance would be helpful to discern whether the peer review standards definition of a significant deficiency aligns with a severe and pervasive deficiency under the QM standards.

### Risk Assessment

The QM standards require firms apply a risk-based approach and one of the new requirements is for firms to perform their own risk assessment and design a system of quality management responsive to those risks. It is unclear from the proposed standard how the firm's risk-based approach and risk assessment are considered or how they impact the peer review risk assessment.

- In PR-C 210.15, it is unclear whether the peer reviewer would assess inherent and control risk related to the system of quality management or related to the peer review to be performed to evaluate the system of quality management. We recommend updating to better align the risk assessment, such as:
  - .15 The reviewer should use the understanding of the firm's accounting and auditing practice and system of quality management to assess inherent and control risks. **The assessment of inherent risk should include consideration of the firm's quality risks identified in the system of quality management.** The assessment of risk is qualitative and not quantitative.
- PR-C 210.17 states that in assessing control risk, the design of the firm's system of quality management should be considered. However, it is uncertain how the implementation, operation and monitoring of the system of quality management would or would not be factored into the control risk assessment. We recommend updating to better align the consideration, such as:
  - .17 To assess control risk, the reviewer should **consider the quality responses as well as deficiencies identified in the evaluation of the system of quality management. the results**

~~of assessing the design of the firm's system according to quality management standards established by the AICPA.~~ (Ref: par. .A11).

- The final paragraph of PR-C 310 Exhibit B, Illustration 4 states, "...We have acquired quality management materials to guide the firm..." However, this statement does not align with the risk assessment concepts in the QM standards. Obtaining materials alone would not be sufficient. We recommend updating to better align with the requirements for the monitoring and remediation process in SQMS 1, such as:
  - The firm is committed to strengthening its monitoring policies and procedures. We have **enhanced our monitoring process to take into account the firm's quality risks, design of quality responses and risk assessment process. The acquired quality management materials to guide the firm, and s** Supervision of the monitoring process has been assigned to a partner...

### Considering the Firm's Monitoring Procedures

PR-C 210, *Appendix B – Considering the Firm's Monitoring Procedures to Reduce a Reviewer's Testing Procedures*, allows peer reviewers to utilize the firm's engagement inspections to reduce the nature and extent of peer review testing performed. Currently, the proposed standard does not indicate whether peer reviews can utilize the firm's system of quality management testing and evaluation for its review purposes for aspects of testing beyond engagement reviews, or whether contemporaneous or independent testing is required. We recommend the following changes to more comprehensively include the scope of the use of SOQM monitoring and remediation procedures to reduce the reviewer's testing procedures:

.02 In making a judgment about the effects that the firm's current-year internal inspection procedures will have on the selection of offices and engagements to be reviewed, the team captain will likely need to consider the following:

- a. The firm's cooperation and willingness to share all relevant information
- b. Whether the firm's internal inspection procedures are robust
- c. Whether the firm's internal inspection includes all clients, even those not subject to the AICPA's peer review standards
- d. **Whether the firm's internal inspection includes monitoring of all components of the system of quality management or other monitoring functions address certain components or quality risks and responses**
- e. The potential biases of the firm's internal inspectors and the impact of those biases on the internal inspection results

.05 Ultimately, if the reviewer plans to consider the current-year internal inspection procedures to reduce the scope of the peer review, the team captain would need to determine that the firm's internal inspection procedures

- a. Were applied properly in the reviews of individual practice offices and engagements.
- b. **Were applied properly in the monitoring of quality risks and responses beyond those demonstrated through the engagement reviews**
- c. Were carried out conscientiously by competent persons with appropriate expertise and objectivity.

- d. Produced findings that are representative of the work performed by the firm and therefore can be considered by the review team to reach an overall conclusion regarding the firm's compliance with its quality management policies and procedures.

PR-C 210, *Appendix B – Considering the Firm's Monitoring Procedures to Reduce a Reviewer's Testing Procedures*, paragraph .09 example 1, contains the phrase: "The PCAOB was involved in the current year's inspection planning..." We do not believe the PCAOB operates in a manner in which it is involved in a firm's inspection planning process. We suggest modification such as: "The **firm considered the results of the PCAOB's most recent inspection** ~~was involved~~ in the current year's inspection planning..." Given firms will be required to implement SQMS 1, unless the firm has a deficiency in the system of quality management related to its monitoring procedures, it is likely the peer reviewer will be able to rely on the firm's monitoring procedures. We believe the Peer Review Board may want to consider revising PR-C 210.23 to inform the AE and AICPA staff only when the peer reviewer is unable to rely on the firm's monitoring procedures. Continuing to inform the AE and AICPA staff subsequent to adoption of SQMS 1 may have the unintended consequence of discouraging reliance on the firm's monitoring procedures or creating a significant volume of communication.

### Findings and Deficiencies

Further guidance should be considered as it relates to differences in the overall conclusion about the evaluation of the system of quality management or findings and deficiencies and the results of the peer review. Furthermore, if the peer reviewer comes to a different conclusion on the evaluation or the severity or pervasiveness of a deficiency than the firm, guidance addressing whether such a difference would result in a unique deficiency related to the firm's implementation of the requirements for evaluating identified deficiencies within the monitoring and remediation component of the system of quality management would be beneficial.

In consideration of exceptions and the creation of MFCs and FFCs, it is unclear from PR-C 210.43 and .44 how the MFC and FFC process would be impacted by deficiencies identified by the firm in their evaluation of the system of quality management. Explanatory material or other guidance should be provided to address whether the peer reviewer should replicate deficiencies regardless of the source of identification or if only similar deficiencies that were identified in the peer review should be include in MFCs or FFCs.

### Evaluation Considerations

PR-C 210.A7 includes the results of the firm's annual evaluation as a "circumstance" that may be relevant in understanding and assessing Peer Review Risk (Ref: para .15-.19), however, given the magnitude of this evaluation in relation to the firm's system of quality management, and the similar objectives of a peer review as reflected in PR-C 210.03, we would recommend amending this to be more specific in what a reviewer would consider and align more closely with the language in SQMS 1, such as:

.A7 Circumstances within the firm may include the following:...

- e. The results of firm management conducting its (at least annual) evaluation of the firm's system of quality management, **any identified deficiencies, and the root causes and remedial** resulting actions taken by the firm **to respond to identified deficiencies**

Consequently, because of its importance to the system of quality management, we would also encourage clarification in the list of conditions that may result in a peer review rating of pass with deficiencies or fail, as well as aligning the monitoring considerations more closely with SQMS 1. We recommend updates such as:

PR-C 210.A50...

a. Failure to **design, implement or operate a system of** ~~establish or comply with~~ quality management ~~policies and procedures designed~~ to provide the firm with reasonable assurance that **the firm and its personnel conduct engagements in accordance with professional and legal standards and engagement reports issued by the firm are appropriate in the circumstances** ~~the internal culture is based on recognition that quality is essential in performing engagements~~. This may be evidenced by **the absence of a risk assessment process**, the lack of quality management documentation, failure to appropriately respond to findings in regulatory investigation **or from internal monitoring**, or failure to have a timely peer review.

e. Failure of the firm to comply with the monitoring and remediation component of the firm's system of quality management. This may be identified by lack of monitoring of appropriate CPE for all firm personnel, lack of monitoring of all components of the firm's system of quality management in the firms' peer review year, or failing to ~~appropriately respond~~ **determine the root cause of and remediate findings and deficiencies identified through the firm's monitoring process or issues identified** during engagement inspection.

## Reporting

We believe that additional application guidance or other explanatory material may be needed related to the representation letter and report.

PR-C 300.10, PR-C 300.A54 and PR-C 310.A7 include obtaining written representation from those "responsible for and knowledgeable about...the firm's system of quality management." We believe both PR-C 300 and PR-C 310 should be updated to explicitly require the person or persons assigned both ultimate responsibility and operational responsibility for the system of quality management, as defined in SQMS 1 paragraph 20.a. and b., be required to sign the representation letter. Application guidance should be updated to include consideration of specific representations for those persons assigned operational responsibility for specific aspects of the system of quality management as defined in SQMS 1 paragraph 20.c., when such persons differ from those assigned ultimate or operational responsibility for the system of quality management. This will promote consistency across the execution of peer reviews and also strive to reinforce the importance of the responsibilities of leadership.

In addition to potential clarifications related to the scope of those providing written representation, we believe that paragraph PR-C 210.64.f should be revised to positively assert that the firm has designed, implemented, operated and evaluated its system of quality management in accordance with SQMS 1. We recommend replacing existing paragraph f with the following:

- f. Management has designed, implemented and operated a system of quality management in accordance with applicable professional standards, including Statements on Quality Management Standards. This includes monitoring and remediation of the system and an annual evaluation of whether the system of quality management provides reasonable assurance of compliance with the required objectives.

Lastly, there appears to be a difference in reporting requirements between the proposed standard and QM standards. PR-C 210.68.d.iv requires that all deficiencies be included in the peer review report. However, SQMS 1.55.b only requires those deficiencies that are severe but not pervasive be reported.

This difference could create a situation in which a firm's peer review report discloses deficiencies that are not reported on the firm's system of quality management report. We encourage the Peer Review Board to reconsider aligning the proposed standard to the QM standards.

2. Do you recommend any specific changes to the peer review standards to account for one or more specific requirements in the QM standards?

As noted in the overall comments, we would like to encourage that additional consideration be given to further aligning the proposed standard with SQMS 1. We would like to propose specific revisions to the proposed standards as follows:

- Certain definitions appear to be focused on engagement performance. While engagement performance is a critical component in the system of quality management, the definitions may not clearly reflect the true nature and intent of a system of quality management. The term “compliance matter” appears to be narrowly focused on personnel and the term “quality management function” focused on engagement performance activities. The scope of the definitions in PR-C 100.11 could be expanded as follows.
  - “Compliance matter. When an aspect of a firm’s properly designed system of quality management is not implemented or does not operate as designed, as evidenced by the failure of **the** reviewed firm **personnel** to comply with such system.”
  - “Quality management function. A quality management function can entail **either** (a) performing an engagement quality review as part of the engagement performance component of a firm’s system of quality management or (b) supervising or performing an inspection **or other procedure** as part of the monitoring and remediation component of a firm’s system of quality management.”
- To align with SQMS 1 paragraph 11 and the risk-based nature of the QM standards, the term “cost-benefit” should be replaced.
  - PR-C 100.A9, “The nature and extent of a firm’s system of quality management depend on factors such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate **cost-benefit risk-based** considerations.”
- Because documentation is required and will therefore result in evidence of the performance of the firm’s monitoring and remediation procedures, the term “likely” should be removed.
  - PR-C 210.A5 and PR-C 310.A6, “...The firm’s documentation will **likely** provide evidence of the performance of the firm’s monitoring and remediation procedures...”
- “Segments” is a uniquely SEC term and in the context of the paragraph could be replaced with a different term, such as “components,” or simply removed.
  - PR-C 210.A14.c, “Risk factors that may influence a reviewer’s decision to select engagements include, but are not limited to, the following: c. Engagements in which work **on segments** has been referred to other firms, foreign offices, domestic or foreign affiliates, or correspondents.”
- While striking the term “human” from “human resources” creates symmetry with the broad concept of “resources” in the QM standard, it inadvertently continues to exclude specificity with the new and critical elements of intellectual and technological resources. One of the public interest issues when developing the QM standards was the increasing use of technology in performing engagements.<sup>1</sup> To conform with the QM standards and keep the proposed standard fit for purpose, intellectual and technological resources should be integrated where possible.
  - PR-C210.A48, “There may be circumstances in which the reviewer identifies few findings in the work performed by the firm but may conclude that the firm’s system of quality management **was**

<sup>1</sup> *Basis for Conclusions Prepared by the Staff of the IAASB*, December 2020, paragraph 64

~~**not designed, implemented or operating effectively would not be effective if complied with.**~~  
For example, a firm that is growing rapidly and adding personnel and clients may not be giving appropriate attention to certain components of its system of quality management such as **human, intellectual or technology** resources (~~hiring, assigning personnel to engagements, and advancement,~~) and acceptance and continuance of client relationships and specific engagements...”

- In most cases, replacing the term “elements” with “components” is appropriate. However, in the following instances, other terminology may be more apt. An entire component would not reside outside of the firm and, in some cases, the use of the term “component” may be too broad.
  - PR-C 210.A27, “If ~~a risk response no events relative to a component of in~~ a firm’s system of quality management ~~has not operated occurred~~ during the peer review year, it may be necessary for a team captain to review evidence from prior to the peer review year. For example, if there were no instances of accepting new clients in the peer review year, it is appropriate to test compliance in prior years, assuming the design of the policies and procedures system is the same. Another example would be when the team captain reviews the monitoring and inspection results from the intervening periods to determine appropriate design and compliance of monitoring procedures. Looking at the intervening periods allows the team captain to evaluate whether the firm is properly communicating and remediating engagement and systemic issues identified.
  - PR-C 210.A43, “The reviewer’s ability to conclude that a matter is isolated may be dependent on the reviewer’s ability to expand the scope to engagements or ~~aspects components~~ that are classified by common characteristics such as, but not limited to, the industry, level of service, the practitioners in charge, ~~or~~ must-select engagements ~~or quality risk.~~”
  - PR-C 310.A7.d, “To obtain an understanding of the firm’s accounting and auditing practice and system of quality management, the reviewer will do the following: d. Inquire of the firm regarding ~~aspects components~~ of the system of quality management residing outside of the firm.” [Note this change would align with “aspects” used in PR-C 210.13]
  - PR-C 310. A8, “Examples of ~~aspects components~~ that could reside outside of the firm include, but are not limited to, membership in associations, joint ventures, non-CPA-owned entities, alternative practice structures, arrangements with outside consultants, third-party quality control management materials, or CPE.”
- In gaining an understanding of the firm’s accounting and auditing practice and system of quality management, adding additional activities to paragraph PR-C 210.13 may aid in gaining a more thorough understanding. We recommend adding the following additional procedures to the existing bullet list:
  - **Review the monitoring and remediation process**
  - **Review findings and deficiencies identified by the firm, as well as the firm’s evaluation of the system of quality management.**
- Because each firm designs their own system of quality management, a peer review finding may not be related to a required quality objective, specified response or other specific paragraph of the QM standards. A finding may be related to a firm-designed quality objective, quality risk or response. Accordingly, a more inclusive term may be “aspects.”
  - PR-C 210.53 b, “Reference to the applicable ~~requirements aspects~~ of the Statements on Quality Management Standards.”

- In some instances, the proposed standard refers to remediating “weaknesses” in the firm’s system of quality management. However, the term “weakness” is not used in the QM standard. While we understand that “deficiency” is a defined term in peer review, we also propose alignment with defined terms used both in the existing peer review standard and QM standards, we would propose replacing the term “weakness” with “deficiency” in relation to the system of quality management, where applicable.
  - PR-C 210.57, “.57 When the same systemic cause identified in the prior review is also identified in the current review, the reviewer should determine if a repeat finding, deficiency, or significant deficiency exists. To make this determination, the reviewer should review the results of the reviewer’s planning procedures to determine if the firm implemented the planned actions documented in the prior review’s FFC forms or letter of response, as applicable. If the actions were implemented, the reviewer should
    - a. consider whether the actions taken were appropriate to remediate the **deficiencies** ~~weakness~~ in the firm’s system of quality management, and
    - b. reconsider whether the same **systemic cause weakness** from the prior review is causing the current finding, deficiency, or significant deficiency.
  - PR-C 210.68.i and 220.34.i, “state that the firm is responsible for designing and complying with a system of quality management to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects and for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, where appropriate, and for remediating ~~weaknesses~~ **deficiencies** in its system of quality management, if any”
  - PR-C 210.A39, “Matters may be symptoms of ~~weaknesses~~ **deficiencies** in the firm’s system of quality management.”
  - PR-C 210.A41, “Separate matters that are exactly the same may result from different ~~weaknesses~~ **deficiencies** in the firm’s system of quality management. Likewise, separate matters that are different may result from the same ~~weakness~~ **deficiency** in the firm’s system of quality management.”
  - PR-C 210 Exhibit B, in all Illustrative reports, “The firm is responsible for designing and complying with a system of quality-management to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating ~~weaknesses~~ **deficiencies** in its system of quality management, if any.
  - 310.A20, “If the firm is unable to determine appropriate remediation of ~~weaknesses~~ **deficiencies** in its system of quality control management and nonconforming engagements, if applicable, prior to the exit conference, the firm’s response may indicate interim steps that have been taken and confirm its intent to remediate when an appropriate response is determined. In these situations, the RAB considering the review will ordinarily assign an implementation plan or corrective action for the firm to provide its final remediation.”
  - PR-C 410.12.b, “Whether the reviewed firm’s plan to remediate nonconforming engagements is in accordance with professional standards and, for system reviews, consideration of other



**weaknesses deficiencies** in the firm’s system of quality ~~control~~ **management** if the firm’s remediation plan is not in accordance with professional standards.”

- PR-C 420.06.f, “For system reviews, recommendations of additional actions if the outside party believes the results reveal continued **weaknesses deficiencies** in the reviewed firm’s system of quality control management.”

3. Due to the iterative nature of the requirements in the QM standards, do you suggest any additional considerations to assist peer reviewers with evaluating various components of a firm’s system at different points in the peer review year?

Due to the iterative nature of the requirements in the QM standards, we would suggest additional considerations, training, resources and guidance to assist peer reviewers with evaluating various components of a firm’s system at different points in the peer review year. Additional considerations and guidance may be needed for:

- Situations when the firm’s peer review period is partially during the firm’s initial design and implementation or operating effectiveness period for the system of quality management
- Circumstances when the firm’s annual evaluation date for its system of quality management is different than the peer review date
- Reconciling differences in the firm’s conclusion of its evaluation of its system of quality management and the peer reviewer’s conclusion or supporting variances between the firm’s identified deficiencies and those not reciprocated by the peer reviewers
  - Conversely, circumstances where the peer reviewer identified deficiencies incremental to those identified by the firm
- New or changed quality risks due to evolving risk assessment results not yet tested for design, implementation or operating effectiveness
- Modifications of quality responses due to continuous improvement or remedial efforts

4. As proposed, the standards will continue to categorize matters identified by peer reviewers (for example, on matter for further consideration [MFC] forms or in a peer review report) as either design matters or compliance matters. Do you believe the board should consider additional revisions for more consistency with the SQMS, such as the following?

- a. Relabeling “compliance matters” to “operating effectiveness matters.”
- b. Revising the Firm’s Responsibility section in the peer review report to state, “The firm is responsible for designing, implementing, and operating a system of quality management to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects.”
- c. Revising the Peer Reviewer’s Responsibility section in the peer review report to state, “Our responsibility is to express an opinion on the design, implementation, and operating effectiveness of the firm’s system of quality management based on our review.”

As noted in the overall comments, we would like to encourage further aligning the proposed standard with the QM standards. The terms “matter” and “a matter for further consideration” are not aspects of the QM standards. However, we recognize that providing feedback to firms in a formal manner to improve engagement quality is an important aspect of peer review.

Nonetheless, the concept of matters should be further aligned to the QM standards by relabeling “compliance matters” to “operating effectiveness matters.” Likewise, the proposed standards (e.g., PR-C

210.68.i, PR-C 310.16.a, PR-C 400.37.c, etc.) and related sections of the illustrative report examples should also be updated to align with proposed PR-C 210.03.a. and the terms “designing and complying” or “compliance” should be replaced with “designing, implementing and operating” or “operating effectiveness, as applicable.

While the replacement of “compliance” with “operating effectiveness” would align a significant number of instances to the QM standards, there are some paragraphs where the term “compliance” is not used and yet alignment could still occur. For example, PR-C 310 Exhibit B, Illustration 3, subparagraph 1 could be modified to state, “The firm’s monitoring procedures were modified to provide it with reasonable assurance that the firm’s policies and procedures are ~~relevant, adequate~~ **designed, implemented** and operating effectively.”

5. Do you agree with the proposed change to require team captains to submit the quality management checklists as part of a reviewer’s required document submission?

We support the proposed change to require team captains to submit the quality management checklists as part of a reviewer’s required document submission.

6. Do you believe any specific training or resources would be beneficial to firms, reviewers, or administering entities as it relates to evaluating a firm’s system of quality management?

We believe training and resources supplementing standards are always beneficial to firms and will be beneficial to peer reviewers. Supplemental materials aid in creating consistent application of the standards, resulting in consistent conclusions and upholding the public’s trust.

Reviewer training specific to the revised peer review checklists and the expectations of what peer reviewers should be reviewing when completing the checklists in relation to a firm’s system of quality management would be appreciated. We also believe training and guidance related to the topics in Question 3 would be beneficial.

8. Do you believe the peer review standards should include a definition of “root cause” or application and other explanatory material to provide users with additional considerations for concluding whether the severity and pervasiveness of a root cause may be systemic in nature?

Investigating the root causes of identified deficiencies is a required element of the QM standards and plays a critical role in remediating deficiencies. As noted in the overall comments, we would like to encourage further aligning the proposed standard with the QM standards. To that end, we would suggest that application or other explanatory material be added to the peer review standard to provide users with additional considerations and factors related to root cause based on SQMS 1 paragraphs .A181 to .A185.

Although “root cause” is not a formally defined term in the “Definitions” paragraph 17 of SQMS 1, given “systemic cause” is formally defined in the peer review standard, it may be advisable to define “root cause” either in the proposed standard or other communications to provide peer reviewers clarity on the discernable differences between “systemic cause” and “root cause.” Alternatively, we would recommend that the peer review standards be revised to use the concept of “root cause” in place of “systemic cause” to avoid the need to provide further guidance on how to reconcile between the two concepts.

**Comments related to the proposed omnibus technical enhancements:**

9. Do you believe it is appropriate to permit reviewers that retire from the practice of public accounting to continue serving as a team member on peer reviews for an 18-month period after an individual’s effective date of retirement? Additionally, please describe

a. whether you agree with the proposed period of 18 months.

- b. any other qualifications that you believe are appropriate for retired reviewers to meet in order to continue serving as team members for the 18-month period
- c. whether you are interested in utilizing the proposed 18-month period for succession planning or mentoring new peer reviewers.

We support permitting reviewers that retire from the practice of public accounting to continue serving as a team member on peer reviews after retirement. The apprenticeship and mentoring model are a long-standing part of the accounting profession. Permitting retired reviewers to continue to serve as team members allows for succession planning and the continued development and education of reviewers through the transfer of knowledge and depth of experience.

We agree with the 18-month period, as it is consistent with the existing definition of current experience per PR-C Section 200, *General Principles and Responsibilities for Reviewers* paragraph 05.c and A22. However, to align with the existing definition of current experience, the time frame an individual can be permitted to continue to serve as a team member should be from the date of last engagement report date, not the date of retirement.

Given the number of changes that could occur in regulations and technology during an 18-month period, and because retired reviewers are no longer immersed in the practice of public accounting, the post-retirement reviewer period should not exceed 18 months.

10. Do you believe it is appropriate to extend the reviewer training requirement for relevant courses to be taken within 18 months prior to the commencement of a review? Should the 18-month period also apply to applicable training courses for technical reviewers or CPAs on Staff?

We support the extension of the reviewer training requirement for relevant courses to be taken. The 18-month period would be consistent to other proposed and existing qualification periods, such as the 18-month current experience requirement per PR-C Section 200, *General Principles and Responsibilities for Reviewers* paragraph 05.c and A22.

11. In addition to peer review documents already required to be submitted to AEs as described in paragraph .70 of section 210, do you agree with the proposed change to include the alternative practice structure (APS) checklists?

We support the inclusion of the alternative practice structure checklists in the peer review documents required to be submitted to administering entities.

13. Do you agree with the proposed effective date for QM related changes to be effective for peer reviews with peer review years ending on or after December 31, 2025? For any suggested alternatives or anticipated challenges that stakeholders may face with this effective date, please provide your reasoning.

Proposing an effective date of December 31, 2025, presents challenges to peer reviewers. Per SQMS 1 paragraph 14, firms are required to have “designed and implemented [the QM standards] by December 15, 2025.” The scope of PRSU No. 2, would require peer reviewers to consider the design, implementation, and operating effectiveness (or, as currently drafted, “compliance”) of the firm’s system of quality management. A critical timing difference between the two scopes (i.e., “designing and implementing” and “operating”) exists.

We appreciate that the Explanatory Memorandum addresses the timing variance for partial implementation of the QM standards during its peer review year and the board’s plans to issue separate communications to assist with evaluating partial-year implementation and reporting thereon. However, the Explanatory Memorandum does not acknowledge the timing variance for partial-year operating

effectiveness or that the firm may not be required to “operate” under the QM standards yet (the firm may be in the “design and implement” phase).

We would encourage the board to consider an effective date of December 15, 2026, to reduce the amount of timing variations and challenges presented to peer reviewers. The additional time would also allow the board to continue to develop its separate communications and other guidance to assist peer reviewers.

14. Do you agree with the proposed effective date for omnibus technical enhancements to be effective for peer reviews commencing on or after October 31, 2024? For any suggested alternatives or anticipated challenges that stakeholders may face with this effective date, please provide your reasoning.

We do not have any concerns with the proposed effective date for omnibus technical enhancements to be effective for peer reviews commencing on or after October 31, 2024.

We appreciate this opportunity to provide feedback on the Exposure Draft and would be pleased to respond to any questions you may have about our comments. Please direct any questions regarding this letter to Jamie Klenieski, Audit Quality and Risk Leader, at 215.648.3014 or Sara Lord, Chief Auditor, at 612.376.9572.

Sincerely,

*RSM US LLP*

RSM US LLP