

June 27, 2007

Ms. Susan Rowley
Senior Technical Manager
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

By e-mail: srowley@aicpa.org

Re: AICPA Peer Review Board's Exposure Draft – Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews, April 16, 2007

Dear Ms. Rowley:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the exposure draft referenced above.

The NYSSCPA Peer Review Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with respect to the attached comments, please contact David J. Moynihan, chair of the Peer Review Committee, at (315) 476-4004, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

David A. Lifson
President

Attachment

**COMMENTS ON AICPA PEER REVIEW BOARD
EXPOSURE DRAFT**

**Proposed Revisions to the AICPA Standards for Performing and
Reporting on Peer Reviews, April 16, 2007**

June 27, 2007

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Thomas O. Linder
Raymond M. Nowicki**

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NYSSCPA Staff

Ernest J. Markezin

New York State Society of CPAs

Comments on AICPA Peer Review Board's Exposure Draft – Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews, April 16, 2007

June 27, 2007

General Comment

The Peer Review Committee of the New York State Society of Certified Public Accountants reviewed the exposure draft and focused its attention on what it considered to be the primary issues of the proposed revisions to peer review standards. For clarity, our comments on those issues are presented below in a question and answer format.

Specific Comments

Question 1 – Should the Letter of Comments (LOC) be eliminated from the peer review reporting model?

Response: No – The LOC serves as an important remedial tool in the peer review process. The formality of the preparation of an LOC, as well as reference to the LOC in the report, serves the interests of the peer reviewed firm in that it alerts the firm of the need to strive for improvement. Further, disclosure of the LOC is an integral part of transparency in the peer review model, and serves the public interest. Absent the availability of the LOC to document areas with room for improvement, we are concerned that the end result could be that some firms would obtain unmerited qualifications in their reports from stricter review teams, while others could incorrectly interpret the “pass” as not requiring further work and quality enhancement.

The minority opinion of the Committee was in agreement with the exposure draft, and viewed the elimination of the letter of comments as a means of streamlining the process, which would allow the public to focus on the end result of the peer review report.

Question 2 – *Should the “pass-fail” grading approach be employed in standards?*

Response: Yes – The pass-fail grading process will be helpful in making the peer review report more understandable to user-groups and the general public, and we support the use of “plain language” in wording. However, we suggest that the terms “pass”, “pass with deficiencies” and “fail” be replaced with terms, which are more associated with a professional endeavor. We recommend terminology such as “successfully completed peer review”, “successfully completed peer review with minor deficiencies”, “successfully completed peer review with significant deficiencies” and “failed to conform to professional standards”.

Question 3 – Is “team captain and peer review team” rotation an important element of maintaining and improving the quality of firms who adhere to the discipline of peer review?

Response: Yes – The rotation of the entire peer review team after no more than three consecutive peer reviews would lead to a significant improvement in the process, since it would foster an environment of creative thinking, which is typically generated by a fresh pair of eyes assessing most professional endeavors. We recognize however that because of the declining number of qualified peer reviewers caused by a variety of factors including the demographics of the profession, such a recommendation may not be practical to implement within the near term. We suggest that the AICPA reconsider this concept at an appropriate date in the future.