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AICPA[®]

Peer Review
Program

National Peer Review Committee

2022 Annual Report on Peer Review Activities

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Introduction

Purpose of this report

The National Peer Review Committee (National PRC) is one of 26 Administering Entities (AEs) of the AICPA Peer Review Program (AICPA PRP). The National PRC, unlike some other AEs of the AICPA PRP, does not administer any peer review programs other than the AICPA PRP.

The purpose of this Annual Report on Oversight (report) is to provide a general overview; including statistics and information; the results of the National PRC's oversight procedures; and to conclude whether the objectives of the National PRC's oversight processes performed in calendar year 2022 were in compliance with the requirements of the AICPA PRP and the National PRC Policies and Procedures.

This report also discusses the history, background, composition and procedures of the National PRC as they may differ from those of the other AEs. Refer to Exhibit F for the history of the National PRC.

Scope and use of this report

This report contains data pertaining to the AICPA PRP and should be reviewed in its entirety to understand the full context. Information presented in this report pertains to peer reviews accepted during calendar years 2020–2022, which covers a full three-year peer review cycle. Oversight procedures included in this report are performed on a calendar year basis. As a result of the COVID 19 pandemic and the automatic six-month extensions approved by the AICPA Peer Review Board (PRB) in May 2020 for all firms with reviews, corrective actions, and implementation plans originally due from January 1 to September 30, 2020, fewer reviews were accepted during 2020. With the impact of the pandemic, AEs were encouraged to continue to be lenient when considering due date extension requests from firms in 2021 and 2022 which further delayed reviews being performed and accepted.

For more information on oversight of the AICPA PRP, please [visit](#) the AICPA's website.

Facilitated State Board Access

Since peer review became a mandatory AICPA membership requirement in 1988, 53 states and territories have adopted peer review licensure requirements. Many licensees are also required to submit certain peer review documents to their State Boards of Accountancy (SBOAs) as a condition of licensure. To help firms comply with state peer review document submission requirements, the AICPA created facilitated state board access (FSBA). FSBA allows firms to give permission to the AICPA or their AEs to provide access to the firms' documents to SBOAs through a state-board-only-access website. Permission is granted through various opt-out and opt-in procedures. Some jurisdictions now require their licensees to participate in FSBA¹ while others recognize it as an acceptable process to meet the peer review document submission

¹ As of February 2015, a firm's currently accepted and prior peer review documents are available on FSBA. The documents are available if the state participated in FSBA for both review periods and the firm did not opt out of FSBA for either review.

requirements.

Beginning in January 2020, FSBA was enhanced to also provide certain objective information about a firm's enrollment in the AICPA PRP and the firm's current peer review when the firm has given permission.

Members of the National PRC

The National PRC is comprised of between 15 and 17 members who are public practitioners. Two of the members of the National PRC are former SBOA members nominated by the National Association of State Boards of Accountancy. Although not required, some of the members of the National PRC may also be members of the PRB. The largest four firms, when eligible, maintain seats on the National PRC, and the remaining seats represent a cross-section of those firms whose peer reviews are administered by the National PRC. The Chair of the National PRC is a member of the PRB's Planning Task Force and may also be a member of the PRB. See Exhibit E for a roster of the National PRC's members.

Staff of the National PRC

The National PRC's staff (staff) consists of AICPA technical and administrative personnel who support the activities of the National PRC and its task forces and subcommittees. See Exhibit E for a listing of AICPA staff and titles. The staff assists the members of the National PRC and its task forces and subcommittees in their responsibilities. The staff also assists in administration, presentation of reviews for acceptance, resolving reviewed firm/peer reviewer issues and the oversight of processes. Additionally, the staff may be involved in other projects in cooperation with other teams at the AICPA.

Reviews administered by the National PRC

The National PRC administers peer reviews for firms meeting any of the following criteria:

1. The firm performed or played a substantial role (as defined by the PCAOB) in an engagement under PCAOB standards with a period-end during the peer review year
2. The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews
3. Firms that elect to have their review administered by the National PRC

Based on the requirements above, the firms with reviews administered by the National PRC pose different risks, including:

- Size of the firm – The National PRC administers peer reviews for firms of all sizes including sole practitioners and the largest CPA firms. Most of the larger firms (over 300 personnel) in the AICPA PRP have reviews administered by the National PRC.
- System of quality control – Some firms have simple systems while others have complex and robust systems.
- Internal inspections – Some firms have robust internal inspections whereby the peer reviewer can rely on the inspection to reduce the scope of the peer review. However, the peer reviewer must perform extensive procedures to be able to place that reliance on the internal inspection results.

- Regulatory oversight – Some firms are only subject to regulatory oversight by one entity while others are subject to oversight by multiple regulators and governmental entities, such as the PCAOB and Department of Labor.
- Size of the review team – Some reviews are performed by a single peer reviewer while others involve a team captain, office captains and more than 50 team members.
- Length of time to perform the review – Some reviews may be able to be performed in one day while others make take months to perform.
- Office locations – Some firms operate in multiple states, so the review may be performed in several states at the same time or at different times throughout the review.
- Technology – Some firms have developed their own audit software while others have more limited technology capabilities.

National PRC process overview

In order to understand the National PRC's oversight procedures, it is first helpful to have an overview of the National PRC's processes.

Scheduling

Firms to be peer reviewed receive Peer Review Information (PRI) and Scheduling (SCH) forms that request information on the firm's management and structure, audit and attest engagements, peer reviewer information, as well as dates of planned commencement and the exit conference. This information is entered by the firms and peer reviewers in the Peer Review Information Management Application (PRIMA). Once this information is received, validations related to peer reviewer qualifications and other data are performed. Any issues identified through this process are addressed by the firm, review team, or both, with the assistance of staff as necessary until all issues are resolved. A scheduling verification is sent to the firm and the team or review captain upon completion of the scheduling process. Peer reviews are then monitored for timely submission of peer review documents.

As required by the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)*, peer reviewers must timely complete and update a resume that accurately reflects their reviewer qualifications, including recent industry experience. The National PRC uses this information to confirm the peer review team's experience appropriately matches the firm being reviewed.

Technical review

Upon receipt of the peer review working papers from the team or review captain, they are ordinarily assigned to a technical reviewer on a first in, first out order. To appropriately address the various risks mentioned above that may be different from other AEs, all peer reviews administered by the National PRC, including those selected for oversight, are subject to a full working paper review by AICPA technical staff.

The technical review includes review of a Summary Review Memorandum describing the major aspects of the review, a sample of engagement profiles and checklists, quality control checklists (and documents, if available), focus group/staff interviews and other working papers. This also includes review of Single Audit engagement profiles and related engagement checklists. The technical reviewer completes a comprehensive technical review checklist tailored to the National PRC to document his or her procedures.

The technical reviewer's role is to anticipate questions from the National PRC Report Acceptance Body (RAB), seek answers from the team or review captain and firm, address issues or problems that are noted during the working paper review, and consult with staff, consultants and others in advance of RAB presentation. The technical reviewer advises the RAB of significant matters related to the review, provides certain working papers for the RAB's review and recommends any corrective actions, implementation plans, or reviewer performance feedback, if any.

Peer reviews meeting certain criteria, such as current or immediately previous peer review reports being issued with a rating of "pass with deficiency" or "fail," are subject to a concurring review. The concurring review is generally performed by a senior manager or associate director.

All peer reviews undergo a due diligence review by a senior manager or associate director. Technical staff will address comments and questions arising from this review before the peer reviews are provided to the RAB.

Report acceptance

The entire National PRC serves as the RAB for the peer reviews of firms with 400 or more A&A personnel and firms subject to annual inspection by the PCAOB. However, most peer reviews are presented via biweekly conference calls to smaller RABs, typically comprising approximately three National PRC members and two RAB Task Force (RTF) members (jointly referred to as RAB members). The RTF was established in 2021 to assist the National PRC with the RAB meetings. RTF members must meet the same qualifications as a National PRC member; however, they generally do not attend National PRC meetings and duties consist mainly of serving on biweekly RAB calls. While there are no set term limits for members of the RTF, appointment must be approved annually by the National PRC.

Each RAB is led by a National PRC member who serves as chair. RAB members must be independent of the reviewed firm. The technical reviewer is available during the RAB meeting to answer any questions the members might have. RAB members are assigned to the calls to obtain a cross-section of firm sizes and industry experience. The role of the RAB is to consider peer reviews for acceptance on behalf of the National PRC.

One week prior to a scheduled call, the RAB members assigned to that call receive an agenda consisting of a spreadsheet summarizing the items being presented, the RAB member responsible for presenting each item and the technical reviewer. The RAB materials also include relevant peer review documentation for each review being presented, such as:

- A summary of relevant information about the review, as well as staff findings, such as open items that may delay acceptance and recommendations
- The peer review report
- The letter of response, if applicable
- Firm representation letter
- Finding for Further Consideration (FFC) forms, if applicable
- Matter for Further Consideration (MFC) forms, if applicable
- Prior peer review report and letter of response, if necessary
- Prior peer review FFC forms, if applicable
- Other supporting documents, if necessary

All other peer review workpapers, including the Summary Review Memorandum and engagement checklists and profiles are accessible through SharePoint.

RAB members have an opportunity to discuss the peer review with the technical reviewer and others prior to presentation to the RAB on the scheduled conference call.

I. National PRC's Oversight Process and Procedures

The National PRC's oversight function is managed through its Oversight Task Force (OTF). The OTF comprises a minimum of three members of the National PRC with additional members added as necessary. The OTF is responsible for establishing oversight policies and procedures at least as comprehensive as those necessary to comply with those established by the PRB as set forth in the *AICPA Peer Review Program Oversight Manual* and administrative guidance established by the PRB. All policies and procedures established by the OTF must be approved by the National PRC. Along with the full National PRC, the OTF evaluates whether reviews are being conducted and reported upon in accordance with the *Standards*, and that the results of reviews are being evaluated on a consistent basis. More specifically, the OTF:

- Oversees the development, implementation and summarization of a risk-based, annual oversight plan developed and performed by National PRC technical staff, who utilize a detailed work program.
- Oversees the designation of oversights as full or limited.
- Discusses and reports on the results of the oversight process to the full National PRC and other interested parties.
- Oversees reviewer qualification and performance issues related to National PRC reviews and determines if the results of reviewer performance monitoring warrant manual resume verification.
- Oversees the preparation of an annual report on the oversight activities of the National PRC.
- Oversees revisions to the National PRC Oversight Program and other materials used in oversight activities.
- Coordinates and assists with the PRB's oversight of the National PRC's administrative functions.
- Performs internal administrative oversight for the National PRC, in the years in which the PRB does not perform oversight procedures.

Types of oversight

Each year, oversight is performed on a sample of peer reviews meeting one or more risk-based criteria. The risk-based criteria are developed or reevaluated annually by the OTF. Currently, 14 risk-based criteria exist that firms, engagements and team/review captains are evaluated against to assess their potential for oversight. This evaluation is qualitative as well as quantitative, and some criteria are weighted more heavily than others. They include certain criteria that, if met, result in mandatory oversight of the peer review. Currently, mandatory oversight includes firms with over 400 accounting and auditing personnel and firms subject to annual inspection by the PCAOB.

The oversight schedule and risk-based criteria are reviewed and approved by the OTF and National PRC at regular intervals and apply to both system reviews and engagement reviews.

Due to the COVID-19 pandemic, there were no on-site oversights performed for 2020 and one performed for 2021, with oversights primarily being performed off-site and virtually. During 2022, six oversights were performed on-site. During an off-site and virtual oversight, the involvement of the technical staff and procedures performed are the same as those during an on-site oversight. It is expected that a hybrid approach of off-site and virtual oversights and on-site oversights will continue going forward.

Oversights are categorized as limited, full or engagement. Staff and OTF are responsible for determining if a limited, full or engagement oversight should be performed.

Limited oversight

Procedures include, but are not limited to, the review of planning (risk assessment, scope and engagement selection), interviews/discussions with team members to assess qualifications and understand their procedures, review of testing of quality control attributes completed by peer review team and participation in select engagement, office and firm closing meetings.

Full oversight

For reviews with high team captain- or member-oriented risks, a full oversight will generally be performed by a technical reviewer and a Committee member. The process will be the same as the limited oversights; however, a Committee member will review at least one engagement. When deemed appropriate, the engagement oversight may be performed by a technical reviewer or consultant.

A technical review (see preceding discussion) of all peer review working papers is also performed by the individual who performed the full or limited oversight. The oversight and technical review processes complement and support each other.

Engagement oversight

When an engagement oversight is deemed necessary, such as by a RAB or disagreement panel, the oversight will be performed by a Committee member. When deemed appropriate, the engagement oversight may be performed by a technical reviewer or consultant. The engagement oversight may consist of a review of all of the engagement workpapers or a specific area such as risk assessment.

Oversights performed

The PRB has mandated that, at a minimum, each AE is required to conduct oversight on two percent of all reviews accepted within a 12-month time period, including at least two system and two engagement reviews. Additionally, at least two system review oversights are required to be performed on-site. Due to the ongoing COVID-19 pandemic, the OTF continued to reduce the minimum requirements. For 2022, each AE was required to conduct oversight on one percent of all reviews accepted within a 12-month period (ordinarily the previous calendar year), including at least one system and one engagement review. Furthermore, for 2022, there was no requirement to perform any on-site oversights.

The National PRC's goal is to perform oversight of between eight and 10% of all reviews accepted in a calendar year. The National PRC requires oversight on all firms with 400 or more A&A professionals and firms subject to annual inspection by the PCAOB. All these reviews are presented to the full committee with some of them requiring a panel (see following section). The number of reviews each year that fall into this category fluctuates based on the timing of the firms who meet the criteria. Since the required oversights on firms with 400 or more A&A professionals and firms subject to annual inspection by the PCAOB typically meet the minimum oversight requirements established by the PRB, the National PRC believes that performing oversight on eight to 10% of all reviews accepted appropriately addresses other risks present in those reviews.

The National PRC administers a small number of engagement reviews. As with system reviews, engagement reviews are subject to technical review of all working papers, including engagement checklists. The risk model used by the National PRC to determine which engagements should be oversighted also applies to both system and engagement reviews to determine which reviews should be oversighted. If there are no engagement reviews that indicate oversight is necessary, the PRB OTF has determined that the National PRC does not need to oversight an engagement review.

See Section "III. Oversight Process" for oversight results during the years 2020-2022.

During the oversight process, the technical reviewer performing the oversight may provide informal feedback as a part of the ongoing exchange between AICPA staff and peer reviewers. Although these interactions are generally positive, the opportunity is taken, when warranted, for the RAB to issue formal feedback in an attempt to educate and remediate future peer review performance.

Enhanced oversights

The PRB Oversight Task Force (PRB OTF) coordinates enhanced oversights performed by subject matter experts (SMEs). One objective of the enhanced oversight program is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether engagements are properly identified as nonconforming. The enhanced oversights focus exclusively on must-select engagements (engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under the Federal Deposit Insurance Corporation Improvement Act (FDICIA), and examinations of service organizations). Prior to 2021, when *Government Auditing Standards* engagements with single audits were selected, the oversight focused only on the Single Audit portion of the audit. Beginning in 2021, the entire engagement was reviewed as part of these oversights. Most oversights are performed on employee benefit plan, single audit and *Government Auditing Standards* engagements, as these are the most common must-select engagements. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight.

Reviews administered by the National PRC are included in the population of reviews subject to enhanced oversight. This population is subject to the selection of two samples. The first sample is a random sample of all peer reviews that include at least one must-select engagement, and the second sample is a risk-based sample (targeted) based on certain risk criteria established by the PRB OTF.

Beginning in 2021, peer reviewers generally were limited to being selected in the random sample no more than once per year. These oversights neither replace nor reduce the minimum number of oversights currently required by AEs.

The oversight samples are selected from peer reviews with must-select engagements performed during the calendar year. In 2020, due to the COVID-19 pandemic, the PRB OTF decided to pause the enhanced oversight process; however, the process resumed in September 2021. As a result, a random sample was not performed in 2021 and all selections were risk-based. In 2022, the OTF resumed normal oversight activity with the selection of a random sample as well as risk-based selections.

For the National PRC, there were seven reviews in 2022 and one review in 2021 subject to enhanced oversight. The National PRC takes the results from the enhanced oversight into consideration when deliberating the acceptance of the review. Enhanced oversights with poor results indicate a risk factor for the reviewer for oversight by the National PRC. For more information about enhanced oversights, please refer to the AICPA's PRP Annual Oversight Report which can be found [here](#).

Use of panels

A panel of at least three National PRC members or RAB Task Force members oversee the peer reviews of firms annually inspected by the PCAOB with more than 1,000,000 accounting and auditing hours for engagements not subject to PCAOB permanent inspection. In addition, panels are assigned to other reviews by the National PRC OTF as needed or when requested by a firm. Reviews with oversight panels assigned are also presented to the full National PRC for acceptance.

Panel members are appointed by the National PRC, its chair or the OTF with assistance from staff. Panel members are selected based on various factors, including size of firm and industry experience of the panel member's firm and of the firm under review. Panel members must be independent of the reviewed firm and the review team members.

The panel is supported by National PRC staff that assists it in carrying out its duties. This responsibility includes coordination and facilitation of discussions between the reviewed firm, its reviewers and the panel. The staff member coordinating the panel also performs an oversight and technical review.

The panel typically participates in calls to understand and provide feedback on the planning, interim and final phases of the peer review. The scope of the peer review is ordinarily approved by the panel prior to the review's commencement. The panel may also consider the appropriateness of the review team's conclusions and may consult with the review team or the reviewed firm concerning matters resulting from the review. Generally, the panel chair will participate in the peer review exit conference to inform the reviewed firm and review team of the panel's recommendation on acceptance. Once the review is complete, the panel chair presents the review and the panel's conclusions, including whether the panel recommends its acceptance, to the National PRC. During 2020-2022, seventeen firms were appointed panels to oversee their peer reviews.

Peer reviewer performance

Staff utilizes PRIMA to monitor the status of reviews, enrolled firms and peer reviewer performance. Difficulties encountered on reviews with enrolled firms and peer reviewers are discussed during bi-weekly staff meetings, as well as with the Technical Director of Peer Review/CPA on Staff, RABs, the National PRC Chair, and the full PRC, as necessary. In considering peer review documents for acceptance, the National PRC evaluates the reviewer's performance on each peer review. In addition to the National PRC's evaluation, the PRB and AICPA staff also evaluate and track reviewers' performance on peer reviews.

On occasion, weaknesses will be noted in the performance of reviewers. In such circumstances, the National PRC or its RABs advise the reviewers of the weaknesses noted so that improvements are made on reviews performed in the future. Performance matters are initially communicated to the reviewer through a reviewer feedback form issued by the National PRC or RAB. The reviewer feedback form is designed to give reviewers positive and constructive feedback directly from the National PRC or RAB. Reviewer feedback forms also document a reviewer's performance on individual reviews to provide the National PRC and the OTF with useful evidence to determine whether a pattern of weaknesses is evident in the reviewer's performance.

If serious weaknesses in the reviewer's performance are noted on a particular review, or if a pattern of poor performance by a particular reviewer is noted, then the PRB or National PRC, depending on the particular circumstances, will consider the need to impose corrective actions on the service of the reviewer through the issuance of the performance deficiency letter. If performance issues continue to be present once a performance deficiency letter is issued, then the National PRC will consider referring the reviewer to the PRB with a recommendation that he or she be prohibited from performing peer reviews in the future.

Results of reviews administered by the National Peer Review Program

As provided for in the *Standards*, firms can receive a rating of pass, pass with deficiency(ies) or fail. In a system review, this rating relates to whether or not the firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. In an engagement review, this rating relates to whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects. Exhibits A – D illustrate the results of the National PRC for the years 2020-2022 and in comparison, to the AICPA PRP.

Reviews of quality control materials (QCM)

The guidance associated with performing and reporting on QCM reviews was eliminated from the clarified peer review standards effective for peer reviews commencing on or after May 1, 2022. It was eliminated because the guidance was not designed to address QCM made available through technology, for example, through automated tools and techniques, and IT applications because the technology either did not exist or was not extensively employed for QCM at the time. Further, the PRB no longer believed it was appropriate for practitioners to perform QCM reviews under the peer review standards.

In its place, the AICPA is developing a new assertion-based examination performed under AT-C section 205, *Assertion-Based Examination Engagements* and AT-C section 105, *Concepts Common to All Attestation Engagements* of Statements on Standards for Attestation Engagements (SSAEs, or attestation standards). The examination will focus on the content of

the QCM related to the relevant standards and interpretive guidance (QCM content) and a description of the QCM content (description). The AICPA exposed the [proposed criteria](#) to be used in the examination in late 2022, and responses to the exposure draft are being analyzed. Among other items, the exposure draft discusses the scope of the criteria; the characteristics of suitable criteria; and other resources and means for a user firm to address the risks associated with the use of QCM and to monitor its practice. In addition, to assist practitioners engaged to examine and report on QCM content and the description, the AICPA is developing an AICPA Guide on reporting on the examination performed under the SSAEs.

Because of the expected shift from QCM reviews to examinations, there was a decline in the number of National PRC oversights of QCM reviews over the last few years. Only one oversight was performed in each of the years from 2020 to 2022. While the proposed criteria has been in development, some QCM providers have opted to obtain an examination of their QCM performed under the SSAEs using their own criteria. These engagements, and those expected to be performed using the AICPA's proposed criteria, are not subject to the National PRC's oversight or acceptance procedures.

Superseded guidance on QCM reviews

The superseded peer review guidance described quality control materials (QCM) as materials that were suitable for adoption by a firm as an integral part of that firm's system of quality control. Such materials provide guidance to assist firms in performing and reporting in conformity with professional standards. They may have included (but were not limited to) engagement aids, including accounting and auditing manuals, checklists, questionnaires, work programs, computer-aided accounting and auditing tools and similar materials intended for use by accounting and auditing engagement teams.

The superseded peer review guidance described a QCM Review as a study and appraisal by an independent evaluator, known as a QCM reviewer, of an organization's (hereinafter referred to as provider) system of quality control to develop and maintain the QCM, and the actual materials that result from that system. The system represented the policies and procedures that the provider had designed, and is expected to follow, when developing and maintaining the materials. The QCM reviewer had two objectives:

1. Determining whether the system was appropriately designed and whether the organization was complying with its system in order to produce reliable aids and
2. Determining whether specific QCM that are listed in the report or in an attachment to the report were reliable aids.

Users of the materials, primarily CPA firms and their peer reviewers, were interested in this type of review to assess whether they could place some degree of reliance on the design of the materials. In addition, a QCM review was required in order to preserve the peer reviewer's independence and objectivity if a provider was:

- Performing peer reviews,
- Sold the QCM it developed to other firms and
- Wanted to perform peer reviews of the firms that purchased its QCM;

The National PRC was responsible for the administration of QCM reviews, including acceptance of the resultant QCM review reports. QCM reviews have inherently higher risks due to firm use

of and reliance on the QCM. In response to that higher risk and public interest in the process to evaluate QCM, the National PRC created the QCM Task Force for added involvement in the administration and acceptance process. The task force's involvement includes facilitating oversights of QCM reviews, developing practice aids, and recommending enhancements to the standards, interpretations, and other guidance related to QCM reviews.

Superseded oversight and acceptance process of QCM reviews

Similar to peer reviews of firms, QCM reviews underwent full working paper technical reviews and concurring reviews. In addition, all QCM reviews were subject to oversight. Oversight was intended to corroborate the review team's overall review results to provide the National PRC (as the acceptance body) with comfort that the review team's overall procedures had detected any issues with the system to develop and maintain the materials or with the resultant materials. To provide this corroboration, oversight entailed reviewing a sample of the QCM opined upon in the report, focusing on the areas of the materials that were reviewed or tested by the review team.

Oversight was performed by a panel that was typically composed of a chair and two to four other members. A member of the QCM Task Force was generally the chair of the panel. The other panel members were solicited either from the task force, the National PRC or the PRB on an as needed basis. Oversight encompassed reviewing and approving the review team's planned review procedures and scope prior to the commencement of fieldwork (including the risk assessment and planning portions of the Team Captain's Checklist and SRM), reviewing other peer review documentation as considered necessary and performing a review of a sample of the QCM opined upon in the report.

In addition to panel oversight, staff performed on-site oversight procedures on all QCM reviews. The on-site visit included observing and reviewing the QCM reviewer's procedures for testing the functional aspects of the provider's system for developing and maintaining QCM. The panel may have judgmentally determined that due to the higher risk nature of a QCM review, a panel member should perform the on-site oversight procedures.

Once technical, concurring and oversight reviews are completed, QCM reviews were presented to the full National PRC for acceptance with a recommendation from the panel.

II. Summary of Peer Review Program

The National PRC only administers the AICPA PRP. There are currently 562 firms enrolled who have their peer reviews administered by the National PRC. This is a decrease from prior years and is consistent with the AICPA as a whole, which has noted a decrease in the number of firms enrolled in the Program. This is attributed to firm mergers and firms no longer performing the accounting and auditing engagements that would subject them to a peer review.

Refer to Exhibits A through D for the results of peer reviews of the National PRC for the years 2020-2022 and in comparison, to the AICPA PRP.

III. Oversight Process

Peer Reviews

<u>Type</u>	<u>National PRC oversights conducted*</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Full Oversight**	4	6	6
Limited Oversight	16	16	23
Engagement Oversight***	-	2	8
Total	20	24	37
# of peer reviews accepted during year	194	213	187
% of peer reviews accepted during year	10.31%	11.27%	19.79%

*Of these oversights, the following were engagement reviews: 1 in 2022, 2 in 2021, and 1 in 2020.

**Of these oversights, the following include a must-select engagement: 3 in 2022, 3 in 2021, and 3 in 2020.

***Of these oversights, the following included a must-select engagement: 5 in 2022 and 2 in 2021.

Fluctuations in oversights conducted as a percentage of peer reviews accepted during the year were driven by the following:

- In May 2020, firms were granted automatic six-month due date extensions.
- AEs were encouraged to continue to be lenient when considering due date extension requests from firms in 2021, resulting in fewer peer reviews being submitted throughout 2020 and an increase in 2021.
- The percent of reviews that were oversights in 2022 is somewhat higher than other years and above the goal of eight to 10% of all reviews due in part to the following:
 - There were several oversights conducted at the request of the RAB, as a result of the due diligence process or as a result of disagreement panels, resulting in eight engagements selected for additional oversight in 2022.
 - There were a large number of firms that met the criteria for mandatory oversight, resulting in 13 engagements selected for oversight.

Oversight Performed on the AE

Administrative oversight

An internal review of the administrative functions of the National PRC was conducted in September 2021 by the National PRC OTF. The review encompassed the calendar year ending December 31, 2020. The objective and procedures of the review were the same as those discussed below. The reviewer had no comments and concluded that the NPRC complied with the administrative procedures and standards in all material respects.

An external review of the administrative functions of the National PRC was conducted in Fall 2022 by a member of the PRB Oversight Task Force (OTF). The reviewing member is not a member of the National PRC nor is his firm’s peer review administered by the National PRC. The objective of the oversight was to determine whether (1) the National PRC is complying with the administrative procedures established by the PRB, (2) the reviews administered are being conducted and reported upon in accordance with the standards, (3) the results of the reviews are being evaluated on a consistent basis by all other AE peer review committees, and (4) information disseminated by the National PRC is accurate and timely. A comprehensive oversight work program was utilized by the reviewer in the conduct of the review.

The oversight procedures included the following:

- Evaluation of various policies and procedures for administering the AICPA PRP.
- Evaluation of a sample of peer review documents and applicable working papers assembled by technical staff on a post-acceptance basis. This evaluation was focused on the accumulation of matters for RAB consideration.
- Inquiries of certain technical reviewers and key staff involved with administration.
- Observation of a RAB meeting to evaluate the acceptance process.

The OTF concluded that the National PRC has complied with the administrative procedures and standards in all material respects as established by the PRB.

All related letters and responses are available online on the [NPRC website](#). The results of our most recent oversight performed by the AICPA Oversight Task Force are available on the [AICPA's website](#).

Exhibit A

Results by Type of Peer Review and Report Issued

The following shows the results of the Program from 2020–2022 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review. The AICPA Peer Review Program data reflects reviews administered by all administering entities, including the National PRC and is provided for comparative purposes.

	2020				2021				2022			
	AICPA Peer Review Program		National PRC		AICPA Peer Review Program		National PRC		AICPA Peer Review Program		National PRC	
System Reviews	#	%	#	%	#	%	#	%	#	%	#	%
Pass	2,316	79	170	89	3,200	86	184	90	2,682	81	154	85
Pass with deficiency(ies)	394	14	6	4	358	10	13	6	419	13	12	7
Fail	219	7	14	7	167	4	7	4	200	6	15	8
Total	2,929	100	190	100	3,725	100	204	100	3,301	100	181	100
Engagement Reviews	#	%	#	%	#	%	#	%	#	%	#	%
Pass	2,814	83	3	75	3,890	85	5	71	3,180	84	4	67
Pass with deficiency(ies)	365	11	1	25	467	10	-	-	436	11	2	33
Fail	190	6	-	-	245	5	2	29	182	5	-	-
Total	3,369	100	4	100	4,602	100	7	100	3,798	100	6	100

As discussed earlier in this report, National PRC firms generally are larger firms that typically have extensive audit and accounting practices. Therefore, engagement reviews have historically represented a very small part of National PRC's administered reviews. In 2021, broker-dealer audits were removed from the scope of the peer review program for reviews commencing on or after July 1, 2021; however, firms that perform these types of engagements are still administered by the National PRC as they perform engagements under PCAOB standards. For some of these firms, the only engagements that are subject to peer review are the agreed upon procedures associated with the broker-dealer. As such, the number of engagements reviews that are administered by the National PRC may increase going forward. Further, National PRC firms typically are more heavily regulated, necessitating more developed internal quality control systems and more resources devoted to this function. Therefore, the National PRC typically administers fewer peer reviews in which a report other than pass is issued by the nature of the firms it administers.

Exhibit B

Type and Number of Reasons for Report Deficiencies

A system review includes determining whether the firm’s system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including QC section 10, *A Firm’s Systems of Quality Control*, in all material respects. QC section 10 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm (“the tone at the top”), relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, human resources, engagement performance and monitoring.

The following table lists the reasons for report deficiencies (that is, pass with deficiency[ies] or fail reports) from system reviews in the Program accepted from 2020–2022 summarized by each element of quality control as defined by QC section 10. Since pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in Exhibit A, “*Results by type of peer review and report issued.*”

	2020				2021				2022			
	AICPA PRP		National PRC		AICPA PRP		National PRC		AICPA PRP		National PRC	
	#	%	#	%	#	%	#	%	#	%	#	%
Leadership responsibilities for quality within the firm (“the tone at the top”)	99	8	5	11	67	6	1	3	89	7	7	12
Relevant ethical requirements	67	5	3	6	47	4	3	8	26	3	1	2
Acceptance and continuance of client relationships and specific engagements	77	6	4	9	52	5	3	8	64	5	3	6
Human resources	207	16	7	15	219	21	10	26	288	24	12	23
Engagement performance	530	41	18	38	433	42	17	44	465	38	19	36
Monitoring	309	24	10	21	237	22	4	11	277	23	11	21
Total	1,289	100	47	100	1,055	100	38	100	1,209	100	53	100

When a peer review report other than pass is issued, the firm should respond in writing to the deficiencies or significant deficiencies and related recommendations to indicate what appropriate actions it will take. Per the *Standards*, the National PRC may require certain remedial, corrective actions related to the deficiencies or significant deficiencies noted in the peer review report, in addition to those described by the reviewed firm in its letter of response. The National PRC required a wide variety of corrective actions, such as agreement to take or submit proof of certain continuing professional education, agreement to hire an outside party to perform pre- or post-issuance reviews, agreement to hire an outside party to perform inspections or to review the results of the firm’s inspections.

Exhibit C

Number of Nonconforming Engagements

The following shows the total number of engagements accepted for both system and engagement reviews, and the number identified as not performed or reported on in conformity with applicable professional standards in all material respects (nonconforming) from peer reviews accepted from 2020–2022. The AICPA Peer Review Program data reflects reviews administered by all administering entities, including the National PRC and is provided for comparative purposes.

The information presented in the chart below is based on firms currently administered by the NPRC. Firms that historically were administered by the NPRC but are currently administered by a different AE will not be included in the current year data below.

Engagement Type	2020						2021						2022					
	AICPA Peer Review Program			National PRC			AICPA Peer Review Program			National PRC			AICPA Peer Review Program			National PRC		
	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%
	Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards	
Audits:																		
Single Audit (Uniform Guidance)	1,314	532	40%	287	70	24%	1,346	554	41%	192	74	39%	1,238	402	32%	202	44	22%
Governmental – All Other	1,617	494	31%	225	53	24%	1,812	526	29%	183	47	26%	1,592	357	22%	157	30	19%
ERISA	2,249	724	32%	590	104	18%	2,380	665	28%	487	83	17%	2,085	462	22%	410	108	26%
FDICIA	71	24	34%	48	5	10%	46	3	7%	26	1	4%	53	17	32%	34	11	32%
Broker-Dealers ²	144	61	42%	135	54	40%	121	48	40%	115	41	36%	14	9	64%	14	9	64%
Other	6,434	1,261	20%	3,165	168	5%	6,016	1,387	23%	889	127	14%	4,238	848	20%	655	68	10%
Reviews	4,435	450	10%	355	18	5%	5,787	616	11%	333	18	5%	4,934	579	12%	262	22	22%

² The information above is for firms that are currently enrolled in the NPRC. While the National PRC administers all reviews of firms that perform broker-dealer engagements, if a firm performed a broker-dealer in the past under the NPRC but is no longer administered by the NPRC, they will not be reflected in the NPRC statistics but will be captured in the AICPA PRP statistics. SEC registered broker-dealer engagements were removed from the scope of Peer Review for reviews commencing on or after July 1, 2021; however, reviews were accepted during 2022 that commenced prior to this date and are thus included in the nonconforming statistics.

Engagement Type	2020						2021						2022					
	AICPA Peer Review Program			National PRC			AICPA Peer Review Program			National PRC			AICPA Peer Review Program			National PRC		
	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%
Reviewed	Not Performed in Accordance with Professional Standards	Reviewed		Not Performed in Accordance with Professional Standards	Reviewed		Not Performed in Accordance with Professional Standards	Reviewed		Not Performed in Accordance with Professional Standards	Reviewed		Not Performed in Accordance with Professional Standards	Reviewed		Not Performed in Accordance with Professional Standards	Reviewed	
Compilations and Preparations:																		
With Disclosures	2,725	149	5%	199	7	4%	3,629	250	7%	181	5	3%	2,975	242	8%	125	3	2%
Omit Disclosures	7,330	639	9%	272	18	7%	10,736	647	6%	270	34	13%	8,030	551	7%	227	43	19%
Financial Forecasts & Projections	22	1	5%	6	1	17%	17	2	12%	7	0	0%	9	1	11%	5	1	20%
SOC Reports	199	22	11%	108	7	6%	215	28	13%	84	10	12%	214	15	7%	86	3	3%
Agreed Upon Procedures	987	143	14%	156	9	6%	1,232	99	8%	136	7	5%	1,290	95	7%	111	8	7%
Other SSAEs	165	11	7%	53	3	6%	194	18	9%	55	2	4%	181	18	10%	34	3	9%
Totals	27,692	4,511	16%	5,599	517	9%	33,531	4,843	14%	2,958	449	15%	26,853	3,596	13%	2,322	353	15%

Exhibit D

Summary of Required Follow-up Actions

The National PRC is authorized by the *Standards* to decide on the need for and nature of any additional follow-up actions required as a condition of cooperation or acceptance of the firm's peer review. Follow-up actions include both corrective actions and implementation plans and offer education and remediation guidance to firms. These provide a mechanism for the peer review committee to monitor firms' remedial actions in response to deficiencies and findings. . A review can have multiple corrective actions and/or implementation plans. For 2020–2022 reviews, the following represents the type of corrective actions and/or implementation plans required.

Type of Follow-Up Action	2020				2021				2022			
	AICPA Peer Review Program		National PRC		AICPA Peer Review Program		National PRC		AICPA Peer Review Program		National PRC	
	#	%	#	%	#	%	#	%	#	%	#	%
Agree to take/submit proof of certain CPE	2,276	57	83	51	2,561	60	61	50	2,280	55	57	36
Submit to review of nonconforming engagements	235	6	0	0	246	6	0	0	292	7	0	0
Agree to pre-issuance reviews	364	9	25	15	352	8	19	16	423	10	34	21
Agree to post-issuance reviews	468	12	25	15	522	11	19	16	488	11	12	7
Agree to review of remedial actions	105	3	8	5	108	3	6	5	115	3	17	11
Submit monitoring or inspection report to Team Captain or Peer Review Committee	200	5	0	0	129	3	3	2	159	4	18	11
Submit to outside party revisit	84	2	1	1	76	2	0	0	44	1	0	0
Elect to have accelerated review	1	0	0	0	1	0	0	0	1	0	0	0
Submit evidence of proper firm licensure	62	2	0	0	63	1	0	0	79	2	0	0
Firm represented in writing they no longer perform engagements in the industry or level of service	62	2	8	5	39	1	4	2	63	2	14	8
Agree to hire outside party to perform inspection	46	0	2	1	25	1	6	5	24	1	3	2
Outside Party to review Quality Control Document	26	0	1	1	25	1	2	2	24	1	1	1
Submit proof of purchase of manuals	13	0	0	0	13	0	0	0	10	0	0	0
Agree to join a Quality Center	20	0	2	1	29	1	1	1	24	1	3	2
Other	62	2	8	5	102	2	1	1	69	2	1	1
Total	4,024	100	163	100	4,291	100	122	100	4,095	100	160	100

Exhibit E

2022-2023 National Peer Review Committee Roster

Michael J Wagner, Chair
PricewaterhouseCoopers, LLP

Shawn Hanrahan
Deloitte & Touche LLP

Peter Alfele
CliftonLarsonAllen LLP

Stephen Hicks
KPMG LLP

Michael Buher
BD & Company

Kevin Humphries
PBMares LLP

David Chavez- Canales
BDO USA, LLP

Jamie Klenieski
RSM US LLP

Betina Dufault
UHY LLP

Jared Rosen
Ellin & Tucker

Stephen Fetterman
Ernst & Young LLP

James Smolinski
Baker Tilly Virchow Krause, LLP

Liz Gantnier
FORVIS

Dawn Trapani
Grant Thornton LLP

James Gero
Hobe & Lucas, CPAs Inc

Mark Wiseman
Brown Edwards & Company LLP

Daniel Goff
Goff Backa Alfera & Company, LLC

AICPA Staff

Barry C. Melancon, President & Chief Executive Officer

Susan S. Coffey, Chief Executive Officer – Public Accounting

James W. Brackens, Jr., Vice President Ethics and Practice Quality

Gary Freundlich, Technical Director and CPA on Staff

Beth Thoresen, Director of Operations

Chris Ellis, Manager – Peer Review Operations

Laurel Gron, Associate Director

Frances McClintock, Associate Director

Rachelle Drummond, Senior Manager

Lisa Joseph, Senior Manager

Tim Kindem, Senior Manager

LaVonne Montague, Senior Manager

David Andrews, Manager

Karen Aylor, Manager

Ivory Bare, Manager

Jaime Beasley, Manager

Brad Coffey, Manager

Jennifer Dintsch, Manager

Jesse Herschbein, Manager

Justin Long, Manager

Tracy Peterson, Manager

Kelley Poulk, Manager

Susan Rowley, Manager

Andrew Volz, Manager

Rachel Johnson, Associate Manager

Kenya Jordan, Program Coordinator

Joy Young, Administrator

Exhibit F

History of the National PRC

A system of internal inspection was first used regularly in the early 1960s, when a number of large firms used it to monitor their accounting and auditing practices and to make certain that their different offices maintained consistent standards. Firm-on-firm peer review emerged in the 1970s. No real uniformity to the process existed until 1977, when the AICPA's Governing Council (council) established the Division for CPA Firms to provide a system of self-regulation for its member firms. Two voluntary membership sections within the Division for CPA Firms were created—the SEC Practice Section (SECPS) and the Private Companies Practice Section (PCPS).

One of the most important membership requirements common to both sections was that once every three years, member firms were required to have a peer review of their accounting and auditing practices to monitor adherence to professional standards. The requirements also mandated that the results of peer review information be made available in a public file. Each section formed an executive committee to administer its policies, procedures, and activities as well as a peer review committee to create standards for performing, reporting, and administering peer reviews.

AICPA members voted overwhelmingly to adopt mandatory peer review, effective in January 1988, and the AICPA Quality Review Program was created. Firms could enroll in the newly created AICPA Quality Review Program or become a member of the Division for CPA Firms and undergo an SECPS or PCPS peer review. Firms enrolling in the AICPA Quality Review Program that had audit clients would undergo on-site peer reviews to evaluate the firm's system of quality control, which included a review of selected accounting and auditing engagements. Firms without audit clients that only performed engagements under the attestation standards or accounting and review services standards would undergo off-site peer reviews, which also included a review of selected engagements to determine if they were compliant with professional standards.

From its inception, the peer review program has been designed to be educational and remedial in nature. Deficiencies identified within firms through this process are then corrected. For firms that perform audits and certain other engagements, the peer review is accomplished through procedures that provide the peer reviewer with a reasonable basis for expressing an opinion on whether the reviewed firm's system of quality control for its accounting and auditing practice has been appropriately designed and whether the firm is complying with that system.

In 1990, a new amendment to the AICPA bylaws mandated that AICPA members who practice public accounting with firms that audit one or more SEC clients must be members of the SECPS. In 1994, council approved a combination of the PCPS Peer Review Program, and the AICPA Quality Review Program under the Program governed by the PRB, which became effective in 1995. Thereafter, because of this vote, the PCPS no longer had a peer review program.

The Sarbanes-Oxley Act of 2002 established the Public Company Accounting Oversight Board (PCAOB) as a private sector regulatory entity to replace the accounting profession's self-regulatory structure as it relates to public company audits. One of the PCAOB's primary activities is the operation of an inspection program that periodically evaluates registered firms' SEC issuer audit practices.

As a result, effective January 1, 2004, the SECPS was restructured and renamed the AICPA Center for Public Company Audit Firms (CPCAF). The CPCAF Peer Review Program (CPCAF PRP) became the successor to the SECPS Peer Review Program (SECPS PRP), with the objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with and inspected by the PCAOB. Because many SBOAs and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAF PRP provided the mechanism (along with the PCAOB inspection process) to allow member firms to meet their SBOA licensing and other state and federal governmental agency peer review requirements.

Because both programs (AICPA and CPCAF PRPs) were only peer reviewing non-SEC issuer practices, the PRB determined that the programs could be merged and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved the revised *Standards* effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the programs, at which time the CPCAF PRP was discontinued, and the Program became the single program for all AICPA firms subject to peer review. Upon the discontinuance of the CPCAF PRP, the activities of the former program were succeeded by the National Peer Review Committee (NPRC), a committee of the AICPA PRB. In

February 2022, the AICPA PRB approved Clarified AICPA Standards for Performing and Reporting on Peer Reviews effective for peer reviews commencing on or after May 1, 2022.

In 2009, the National PRC became one of the 42 administering entities of the AICPA PRP, now one of 26. The mission of the National PRC is achieved through supporting the PRB in meeting its vision, which is stated as follows:

- Maintain the AICPA Peer Review Program as the globally recognized, preeminent practice-monitoring program.
- Cultivate exceptional reviewers and superb staff and develop innovative technologies; and
- Lead development of timely, focused recommendations for accounting service and audit quality improvements.

The National PRC supports this mission by fulfilling its responsibilities as a task force of the PRB and as an AE.

Exhibit G

Common acronyms

AE	Administering Entity
AICPA	American Institute of Certified Public Accountants
CPA	Certified Public Accountant
CPE	Continuing Professional Education
CPCAF PRP	Center for Public Company Audit Firms Peer Review Program
EAQ	Enhancing Audit Quality
ECTF	Education and Communication Task Force
EQCR	Engagement Quality Control Review
ERISA	Employee Retirement Income Security Act
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FFC	Finding for Further Consideration
FSBA	Facilitated State Board Access
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office (U.S.)
IP	Implementation Plan
MFC	Matter for Further Consideration
NPRC	National Peer Review Committee
OTF	Oversight Task Force (AICPA Peer Review Board)
PCAOB	Public Company Accounting Oversight Board
PCPS	Private Companies Practice Section
PRIMA	Peer Review Information Management Application
PRISM	Peer Review Information System Management
PRB	Peer Review Board (AICPA)
PRP	Peer Review Program
QCPP	Quality Control Policies and Procedures
RAB	Report Acceptance Body (Administering Entity Peer Review Committee)
SASs	Statements on Auditing Standards
SBOA	State Board of Accountancy
SEC	Securities and Exchange Commission (U.S.)
SECPS	Securities and Exchange Commission Practice Section
SEFA	Schedule of Expenditures of Federal Awards
SOC	Service Organization Control
SME	Subject Matter Expert
STF	Standards Task Force
SQCS	Statements on Quality Control Standards
SRM	Summary Review Memorandum
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statements on Standards for Accounting and Review Service