
**AICPA Peer Review Board
Open Session Highlights
January 30, 2019
Scottsdale, AZ**

PRB Members:

Tom Parry, Chair
Jeannine Birmingham
Brian Bluhm
Dawn Brenner
Mike Colgan
Bert Denny
Liz Gantnier
Jeff Gendreau
John Guido
Karen Kerber
Barbara Lewis
Kristen Mascis*
Mike Pescatore
Marty Shannon
Mike Wagner
Lori Warden
Karen Welch*

Absent:

Ethan Miller
Andrew Pope

AICPA Staff:

Karen Aylor*
Ivory Bare*
Jaime Beasley*
Jim Brackens
Brad Coffey*
Rachelle Drummond*
Kim Ellis*
Donna Freundlich
Gary Freundlich
Laurel Gron*
Jennifer Gum*
Kristy Illuzzi*
Tim Kindem
Sue Lieberum
Justin Long*
Fran McClintock
LaVonne Montague*
Carl Peterson*
Susan Rowley*
Beth Thoresen
Tricia Van Vliet*

Observers:

See attachment A

1.1 Welcome Attendees and Roll Call of Board – Mr. Kindem/Mr. Parry**

Discussion Summary: Mr. Kindem conducted the roll call of the Peer Review Board (PRB), staff and observer registrants. Mr. Parry called the meeting to order at approximately 9:35am.

1.2 Approval of Revisions to Chapter 3 of the Oversight Handbook* - Mr. Bluhm

Discussion Summary: Mr. Bluhm noted that the Oversight Task Force (OTF) will defer its request for PRB approval for the majority of proposed revisions included in agenda items 1.2A through 1.2D. This would allow relevant stakeholders (for example, administering entities (AEs) or state boards of accountancy (SBOAs)) an opportunity to provide additional feedback on the proposed revisions. The PRB will work with Staff to distribute the proposed revisions to any relevant stakeholders for comment and to identify a reasonable deadline for those comments. The PRB will also request that feedback include references to any information that a respondent needs to perform its job duties that is currently unavailable.

However, the OTF did request that the PRB approve the following additional footnote included in agenda item 1.2A:

“SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, employees of such SBOAs have a conflict of interest and may not be permitted

access to confidential information. However, if an SBOA lacks such enforcement authority, and the employee otherwise has no conflict of interest, the AE may provide such employee the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an employee would also be required to sign a confidentiality letter.”

Resolutions: The aforementioned footnote was approved unanimously with immediate effect.

Open Items: Staff will distribute the proposed revisions included in agenda items 1.2A through 1.2D to relevant stakeholders for comment.

1.3 Approval of Revisions to Qualification Requirements for Technical Reviewers and RAB Members* - Mr. Bluhm

Discussion Summary: Mr. Bluhm described the proposed changes outlined in agenda items 1.3A through 1.3C. Mr. Bluhm noted that part of the intent of these changes was to reinforce that individuals involved in enforcement related work cannot serve as technical reviewers or report acceptance body (RAB) members. Questions and comments related to these proposed changes included:

- AEs that have already obtained confidentiality letters for the current year do not need to obtain updated letters at this time. These AEs should use the updated letters the next time signed confidentiality letters are obtained.
- While there is no specific definition of enforcement, the overarching principle remains. Individuals that are unsure if they are involved in enforcement related work should contact Staff or their AE. The PRB approved adding a footnote that indicated performing work within the framework of peer review is not considered enforcement work.

Resolutions: The PRB approved the proposed guidance changes included in agenda item 1.3A through 1.3C subject to changing the confidentiality letters to clarify that when an individual commences, rather than performs, enforcement related work, they should notify the AE immediately.

Open Items: None

1.4 Approval of Guidance for Program Administration Non-Compliance and Fair Procedures* - Mr. Bluhm

Discussion Summary: Mr. Bluhm provided a brief overview of the guidance proposed in agenda item 1.4A. In response to questions received, Mr. Bluhm noted:

- In terms of remediation plans assigned to AEs, the OTF intends to provide AEs ample time to evidence completion. Additionally, AEs won't be unduly assessed for non-compliance during the pilot period.
- From a transparency perspective, the OTF will not share benchmark reports among AEs, but OTF is still considering how results will be communicated or shared.
- The OTF intends on using the pilot period to assess the practicality of each benchmark, including those more subjective in nature. AEs are also encouraged to provide feedback during the pilot period regarding any benchmark.

Resolutions: The guidance proposed in agenda item 1.4A was approved unanimously.

Open Items: None

1.5 Approval of Changes to the Summary Review Memorandum and Other Related Updates* - Ms. Gantnier

Discussion Summary: Ms. Gantnier discussed this agenda item as Mr. Pope was unable to attend. She provided a brief update regarding the changes to the Summary Review Memorandum (SRM), Team Captain Checklist (TCC) and Review Captain Summary (RCS) as outlined in agenda items 1.5A through 1.5C. Questions and comments related to these proposed changes are as follows:

- Staff will evaluate removing the Personnel section of the SRM and adding a breakout of personnel by office to the PRI form in PRIMA through discussions with the AATF, TRATF and reviewer user groups.
- Staff will issue a reviewer alert and add a PRIMA Help article to inform reviewers that the firm can complete the population of engagements section in PRIMA.
- The relevancy of question “A.” in the ‘Specific Findings’ section of the SRM was discussed. It was ultimately decided that the question was needed to allow the reviewer to provide all the necessary documentation related to their assessment of non-conforming engagements.
- Staff will assess whether questions “B.” in the ‘Specific Findings’ section and “J.” in the “Overall Findings” section of the SRM are duplicative and whether question “J.” can be removed.
- Staff will modify question “K.” in the ‘Overall Findings and Conclusions’ section of the SRM to include reference to individual partners, so that reviewers can describe any situations and the peer review impact of any individual partners that were responsible for a disproportionate amount of non-conforming engagements.
- Staff will assess whether any additional changes are necessary to allow peer review teams to indicate who has reviewed specific engagements, for example, allowing a space on the engagement checklist for the reviewer to print their name. This would be for the benefit of enhanced oversights, the reviewer performance feedback process and other related areas.
- Staff will assess if any additional modifications are necessary related to deletion of the “How many MFC forms were issued to the firm?” and “How many FFC forms were issued to the firm?” questions from the ‘SRM Summary’ section of the SRM, specifically as it relates to the Administrative Checklist process.
- Staff will modify question “E.” of the ‘Specific Findings’ section of the SRM to indicate that the effective date of the guidance mentioned is “for reviews commencing on or after October 1, 2018...” as opposed to “2019” as currently listed.
- Staff will move the following bullet in the RCS from the “Planning the Review” section to the “At the Conclusion of the Review:” section or other relevant section.
 - “Obtain the representation letter from the reviewed firm. The letter should be dated the same date as the peer review report.”

Resolutions: The proposed changes as shown in agenda items 1.5A through 1.5C were approved unanimously subject to the clerical changes described above being made.

Open Items: Staff will assess the additional items described above and, if needed, will propose any additional changes at a future PRB meeting.

1.6 Approval of Revised Guidance Related to Quality Control Material (QCM) Reviews* - Ms. Schweigel and Ms. Gantnier

Discussion Summary: Ms. Schweigel began the discussion related to this agenda item with a brief summary of the various aspects of the QCM task force’s project to overhaul guidance

related to the review of QCM, including the development of a QCM examination guide being issued under the auspices of the ASB. Ms. Gantnier then provided an overview of the guidance changes proposed in agenda item 1.6A.

Resolutions: The guidance changes outlined in agenda item 1.6A were approved unanimously.

Open Items: None.

1.7 Approval of Revisions to the RAB Handbook Related to Corrective Actions and Implementation Plans* - Ms. Gantnier

Discussion Summary: Ms. Gantnier reviewed the proposed guidance changes as described in agenda item 1.7A.

Resolutions: The guidance changes as described in agenda item 1.7A were approved unanimously.

Open Items: Staff are working to develop the peer review webpage referred to in the proposed guidance. Staff will alert relevant stakeholders when the webpage is published.

1.8 Approval of Revised Guidance Related to SSARS No. 24* - Mr. Pope

Discussion Summary: Ms. Gantnier went over the proposed guidance changes included in agenda item 1.8A.

Resolutions: The proposed guidance changes outlined in agenda item 1.8A were approved unanimously.

Open Items: None

1.9 Task Force Updates*

Discussion Summary:

- Standards Task Force Report – Ms. Gantnier
 - Ms. Gantnier described progress made related to the project to clarify peer review program guidance and thanked current STF members for their hard work so far. An update on the progress made so far, as well as the proposed schedule going forward was included in the meeting materials at agenda item 1.9A.
 - Ms. Gantnier also described the various projects, both completed and ongoing, the STF was working on as summarized in agenda item 1.9.
- Oversight Task Force Report – Mr. Bluhm
 - Mr. Bluhm provided a brief overview of various OTF projects including the following:
 - (1) The OTF continues to review Staff prepared summaries of reviewer feedback and other referrals of reviewers (such as from the AICPA Professional Ethics team). The OTF will continue to work with AEs with respect to issuing appropriate feedback to reviewers.
 - (2) The OTF continues to assess the tone and content of enhanced oversight reports. The task force continues to see improvement in reviewer performance with respect to the enhanced oversights performed.
 - (3) Agenda item 1.9C covers recent statistics of report RAB observations. The OTF is also reviewing benchmark reports from the pilot period to aid in the assessment of the appropriateness of each established benchmark.

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- (4) The OTF reviewed and conditionally approved 2019 plans of administration. OTF also approved CPA on staff waiver requests for 14 AEs. Minor changes to the peer review administration change form were recently approved. Finally, AEs will not be required to prepare an annual report on oversight by April. AEs may prepare a qualitative report explaining the various oversight initiatives performed and request assistance from the OTF in order to do so, but this is optional.
 - Education and Communication Task Force Report – Ms. Kerber
 - Ms. Kerber provided an update in the following areas related to ECTF initiatives:
 - (1) The ECTF continues to monitor the sufficiency of the current pool of peer reviewers and continues to perform tasks designed to enhance the number and quality of peer reviewers.
 - (2) The ECTF continues to update the peer review website where appropriate.
 - (3) Updated on-demand courses for team captains, review captains and reviewers of certain must-select courses were published in late December and early January.
 - (4) The ECTF continues its preparation for the 2019 Peer Review Conference and its development of peer review related sessions at the EBP Conference, Engage and the NFP Industry Conference.
 - (5) Updated initial training courses for RAB members and technical reviewers are currently in development as is a webcast for reviewers of broker-dealer engagements.
 - (6) The task force has discussed changing the process for issuing reviewer alerts in order to optimize the effectiveness of those communications.

Resolutions: None

Open Items: None

1.10 Uniform Accountancy Act (UAA) Model Rules on Peer Review* - Mr. Freundlich

Discussion Summary: Mr. Freundlich briefly discussed NASBA's proposed changes to the UAA's Model Rules and the process used to issue those proposed changes. The Model Rules are a set of best-practice regulations that are intended to promote uniformity in regulations governing accountancy practices in all of the licensing jurisdictions for governing accountancy by each licensing jurisdiction.

Mr. Freundlich then provided a brief overview of Staff's draft comments to the proposed changes. These draft comments, as shown in agenda item 1.10B were as of the date of the meeting and will be sent once finalized at a future date.

Resolutions: None

Open Items: None

1.11 Operations Director's Report – Ms. Thoresen**

Discussion Summary: Ms. Thoresen provided an update on the following items:

- Since the last PRB meeting, reviewer alerts were distributed each of the past 4 months.
- The annual RAB member training webcast was held in November.
- A PRIMA Alert was sent to AEs in December in addition to an update on the outgoing PRIMA email address as described below.
- After implementing more than 200 enhancements to PRIMA last year based on user feedback, Staff remain committed to enhancing the PRIMA user experience in 2019.

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- A third-party user interface consulting firm is now in the process of conducting a PRIMA usability study with firms and reviewers and Staff will implement further enhancements to PRIMA in either June or July based on their recommendations.
 - User enhancements and enhancements to Reviewer Search are scheduled to be published in PRIMA on February 25.
 - Reporting enhancements in PRIMA are currently scheduled to be published on April 1.
 - The way the email is displayed from the PRIMA email account was changed to “Peer Review Program.” The address remains the same, prima@aicpa.org. As the address hasn’t changed, PRIMA users do not need to take action.

Resolutions: None

Open Items: None

1.12 Report from State CPA Society CEOs – Ms. Birmingham**

Discussion Summary: Mr. Colgan provided a brief update related to the peer review discussions that occurred at recent meetings with state society CEOs. Several states have expressed concerns about the tone of enhanced oversight process and the perception that the focus of the Peer Review Program is turning from remedial to enforcement. The group believes this has impacted the number of peer reviewers actively performing reviews.

Resolutions: None

Open Items: None

1.13 Update on National Peer Review Committee – Mr. Fawley**

Discussion Summary: Mr. Fawley provided an update on recent NPRC meetings and other related activities. This included:

- The NPRC has met twice since the PRB’s October meeting, October 25, 2018 and December 13, 2018. At these meetings:
 - Three large firm reviews were presented and accepted.
 - Four QCM reviews were presented and accepted including for PPC, CCH, CaseWare, and BDO. The website has been updated to reflect these new reports.
 - The NPRC’s 2019 Plan of Administration was reviewed, approved and submitted to the POA Focus Group of the PRB Oversight Task Force for approval.
 - The NPRC’s 2017 Annual Report on Oversight and the results of the ad hoc inspection were reviewed and approved. Documents related to both can be found on the NPRC’s website.
- At the December meeting, George Botic, the Director of the Division of Registration and Inspections at the PCAOB, shared common findings from the 2018 inspections and some of the focus areas for the 2019 inspections.
 - Common findings remain similar to previous years and include:
 - revenue recognition,
 - management estimates,
 - ICFR,
 - risk assessment, and
 - independence.
 - Areas of focus include technology and new accounting standards including revenue recognition and leases.

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- Mr. Botic also discussed the current legislation that could remove the requirement for certain broker-dealer engagements to being performed under PCAOB auditing standards. At this stage, the legislation is still being discussed and the likelihood it passes is unknown.

Resolutions: None

Open Items: None

1.14 Other Business - Mr. Parry**

Discussion Summary: No other items were brought to the attention of the PRB.

Resolutions: Not applicable.

Open Items: Not applicable

1.15 For Informational Purposes*:

Discussion Summary: Mr. Parry informed attendees that the following items were included in the meeting materials for their reference.

- A. Report on Firms Whose Enrollment was Dropped or Terminated*
- B. Approved 2019 Association Information Forms for Associations of CPA Firms*
- C. Updates to the AICPA Peer Review Program Question & Answers*
- D. Compliance Update - Firm Noncooperation*

Attendees should inform Staff of any questions they may have.

Resolutions: None

Open Items: None

1.16 Future Open Session Meetings**

Discussion Summary: Mr. Parry went over the dates and locations of future meetings as follows:

- A. May 3, 2019 Open session – Durham, NC
- B. August 8, 2019 Open session – Washington, DC
- C. October 24, 2019 Open session – Teleconference

The meeting adjourned at 11:03am.

**AICPA Peer Review Board Meeting
Participants for Peer Review Board Open Session
January 30, 2019**

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