



Peer Review  
Program

# Peer Review Board Open Session Materials

**May 20, 2020**  
Teleconference

**AICPA Peer Review Board  
Open Session Agenda  
Wednesday May 20, 2020  
Virtual Meeting**

**Date:** Wednesday, May 20, 2020

**Time:** 11:00AM – 1:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Mr. Pope
- 1.2 Update on COVID-19 Related Matters\*\* – Mr. Brackens
- 1.3 Approval of Exposure Draft Related to Offsite System Review Guidance\* – Ms. Gantnier
- 1.4 Task Force Updates\*
  - Oversight Task Force Report – Mr. Bluhm
  - Education and Communication Task Force Report – Mr. Gendreau
  - Standards Task Force Report – Ms. Gantnier
    - A – Update on Clarified Peer Review Standards\*
- 1.5 Other Reports\*
  - Operations Director's Report – Ms. Thoresen
  - Report from State CPA Society CEOs – Mr. Colgan
  - Update on National Peer Review Committee – Mr. Fawley
- 1.6 Other Business\*\* – Mr. Pope
- 1.7 For Informational Purposes\*:
  - A. AICPA PRB Annual Report on Oversight\*\*\*
  - B. Report on Firms Whose Enrollment was Dropped or Terminated\*
  - C. Compliance Update - Firm Noncooperation\*
  - D. Revised Technical Reviewer Evaluation Form\*
- 1.8 Future Open Session Meetings\*\*
  - A. September 2, 2020 – Teleconference
  - B. November 11, 2020 – Teleconference

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\* Included on SharePoint

\*\* Verbal Discussion

\*\*\* To Be Provided at a Later Date

## Remote Performance of System Review Procedures

### Why is this on the Agenda?

The STF would like the board to consider the proposed exposure draft included at Agenda Item 1.3A - The Remote Performance of System Review Procedures Exposure Draft. The objective of the proposed guidance changes outlined within the exposure draft is to allow reviewers, based on risks identified as part of a peer review, more flexibility in determining:

- Where system review procedures are performed and
- If one or more of the engagement selections should be provided to the reviewed firm after the peer review's commencement date (i.e. a surprise engagement).

More specifically, the proposed changes would:

- Allow a reviewer to determine the location of procedures to be performed for a system review based on the conclusions reached from the reviewer's peer review risk assessment
- Not require a reviewer to obtain advanced approval from an administering entity if the reviewer elects to perform the majority of procedures at a location other than the reviewed firm's offices
- Allow a reviewer to determine if a surprise engagement should be selected based on the conclusions reached from the reviewer's peer review risk assessment
- Provide guidance to assist the reviewer in determining if procedures should be performed at the reviewed firm's office or remotely
- Provide guidance to assist the reviewer with recommended procedures and considerations when procedures are performed remotely

Proposed conforming changes related to The Remote Performance of System Review Procedures Exposure Draft are provided at Agenda Item 1.3B for the reference of PRB members and any other meeting attendees. Agenda Item 1.3C contains the supplemental guidance referred to in Agenda Item 1.3B.

### Feedback Received

A sub task force (Brian Bluhm, Dawn Brenner, and Ethan Miller) was developed at the direction of the STF to draft the proposed guidance. The STF reviewed the proposed guidance on May 1 and their revisions are reflected in the materials being presented to the board.

### PRIMA Impact

None

### AE Impact

AEs are encouraged to read the exposure draft and respond, if they deem necessary.

### Communications Plan

Staff will communicate the issuance of the exposure draft via a draft reviewer alert article and through other various forums and channels.

### Manual Production Cycle (estimated)

September 2020

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**Effective Date**

The exposure draft proposes that if ultimately approved by the Board, final revisions to the Standards and Interpretations will be effective for reviews commencing on or after October 1, 2020, with early implementation permitted.

**Board Consideration**

The Standards Task Force requests the board review and approve the proposed exposure draft for issuance. Specific items to consider/discuss include:

- Are the proposed revisions to the Standards and Interpretations appropriate? Are any other changes to peer review guidance necessary?
- Is the proposed effective date appropriate?
- Is the planned exposure period sufficient?
- Are any other changes to the exposure draft necessary? (for example, to any information included in the Explanatory Memorandum)

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# **EXPOSURE DRAFT**

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## **PROPOSED CHANGES TO THE AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS**

### **Remote Performance of System Review Procedures**

**May 22, 2020**

**Comments are requested by July 15, 2020**

**Prepared by the AICPA Peer Review Board for comment from persons  
interested in the  
AICPA Peer Review Program**

**Comments should be received by July 15, 2020, and sent to  
[PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)**

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## AICPA Peer Review Board

### Peer Review Board Members 2020 – 2021

Andrew Pope, Chair  
Joseph Beck  
Dawn Brenner\*  
Michael Colgan  
Michael DeFalco  
Stephen Fetterman  
Elizabeth Gantnier\*  
Jeffrey Gendreau  
Jeffrey Graham  
John Guido  
Clynt Hart

Barbara Lewis\*  
Kristen Mascis\*  
Ethan Miller\*  
Michael Pescatore  
Catherine Schweigel\*  
Art Sparks  
Bonnie Stewart  
Michael Wagner  
Dan Wernke\*  
Richard Wortman

*\*Member—Peer Review Board Standards Task Force*

### Non-Peer Review Board Standards Task Force Members 2020 – 2021

Paul Brown

Jerry Cross

### AICPA Staff

Susan S. Coffey  
Executive Vice President  
Public Practice

James Brackens, Jr.  
Vice President  
Ethics and Practice Quality

Gary Freundlich  
Technical Director  
AICPA Peer Review Program

Frances McClintock  
Associate Director  
AICPA Peer Review Program

Laurel Gron  
Associate Director  
AICPA Peer Review Program

Tim Kindem  
Senior Manager  
AICPA Peer Review Program

Jennifer Gum  
Manager  
AICPA Peer Review Program



## Letter From the Chair of the Peer Review Board

May 22, 2020

The AICPA Peer Review Board (board) approved issuance of this exposure draft, which contains proposals for review and comment by the AICPA's membership and other interested parties regarding revisions to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)* and *Interpretations*.

Written comments or suggestions on any aspect of this exposure draft will be appreciated and must meet the following criteria:

- Must be received by July 15, 2020
- Should be sent to [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)
- Should refer to the specific paragraphs and include supporting reasons for each comment or suggestion
- Should be limited to those items presented in the exposure draft

The exposure draft includes the following:

- An explanatory memorandum of the proposed revisions to the current *Standards*
- Explanations, background and other pertinent information
- Marked excerpts from the current *Standards* to allow the reader to see all changes:
  - Items that are being deleted from the *Standards* are struck through
  - New items are underlined
  - Items relocated are double struck through in the original location and double underlined in the new location)

A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at [www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx](http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx).

Sincerely,

Andrew Pope  
Chair  
AICPA Peer Review Board

## Explanatory Memorandum

### Introduction

This memorandum provides background on the proposed changes to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)* and *Interpretations* issued by the AICPA Peer Review Board (Board). The proposed changes:

- Allow a reviewer to determine the location of procedures to be performed for a System Review based on the conclusions reached from the reviewer's peer review risk assessment without prior approval of the reviewed firm's administering entity,
- Allow a reviewer to determine if a surprise engagement should be selected based on the conclusions reached from the reviewer's peer review risk assessment,
- Provide guidance to assist the reviewer in determining if procedures should be performed at the reviewed firm's office or remotely,
- Provide guidance to assist the reviewer with recommended procedures and considerations when procedures are performed remotely.

This memorandum solicits input on the proposal from all interested parties.

### Background

The AICPA Peer Review Program (Program) monitors the quality of reviewed firms' accounting and auditing engagements and evaluates the systems under which those engagements are performed. Participation in the peer review program is mandatory for AICPA membership. In addition, peer review is now required for licensure in nearly all states.

The revisions in this exposure draft have been under consideration by the Peer Review Board (board) for some time. As a result of the ongoing pandemic, the board allowed reviewers to deviate from the current standards and to perform remote System Reviews without prior administering entity approval. The board believes it is in the best interest of the program to make permanent changes in the near term.

Advancements in technology give the profession the opportunity to make changes to peer review guidance that will enable flexibility in an ever-changing business environment without sacrificing quality. The proposals included in this exposure draft are intended to enhance the peer review process by aligning the standards and interpretations with changing office environments and practice structures of the CPA firms the program serves. Allowing reviewers more flexibility in determining what procedures are necessary and where those procedures are performed will enhance the peer review process for firms and reviewers without impacting the usefulness of the peer review report.

## **Explanation of Proposed Changes**

### **Revisions to standards and interpretations**

The proposed changes include:

- Modifying Paragraph .08 to remove the requirement for a majority of System Review procedures to be performed at the reviewed firm's office,
- Modifying Paragraph .61 to remove the requirement for the reviewer to select a surprise engagement,
- Removing the existing Interpretation 8-1 and replacing it with guidance for reviewers related to evaluating risks to determine if procedures should be performed at the reviewed firm's office or remotely,
- Adding Interpretation 8-2 to provide reviewers recommended procedures and considerations when performing procedures remotely,
- Modifying Interpretation 61-1 to provide guidance for reviewers related to evaluating risks to determine if and how a surprise engagement may be selected, and
- Removing Interpretation 61-2 as the selection of a surprise engagement would be based on the risks identified by the peer reviewer

### **Comment Period**

The comment period for this exposure draft ends on July 15, 2020.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA's website after July 15, 2020.

### **Guide for Respondents**

The Board welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs or interpretations, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

Comments and responses should be sent to [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org), and should be received by July 15, 2020.

### **Effective Date**

If approved by the Board, final revisions to the Standards and Interpretations will be effective for reviews commencing on or after October 1, 2020, with early implementation permitted.

## Proposed Revisions

To aid understanding, Standards and Interpretations are presented in this section if they contain a proposed revision or assist the reader in understanding the proposed revisions. Conforming changes will be required to other interpretations not included in this Exposure Draft and to the remainder of the Peer Review Program Manual.

### Peer Review Standards

#### Overview

#### Introduction and Scope

~~.08 The majority of the procedures in a System Review should be performed at the reviewed firm's office. The location of the procedures performed during a System Review should be based on the reviewer's risk assessment (see interpretations). Engagement Reviews are normally performed remotely at a location other than the reviewed firm's office.~~

#### Planning and Performing Compliance Tests

##### *Selection of Engagements*

~~.61 The initial selection of engagements to be reviewed should ordinarily be provided to the reviewed firm no earlier than three weeks prior to performing the review of engagements, while taking into account the risks identified by the reviewer commencement of the peer review procedures at the related practice office or location. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review. However, at least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance. Ordinarily, based on the nature of the firm's practice and assuming that the engagement would not be automatically anticipated for selection by the reviewed firm, the engagement should be an audit. Otherwise, the engagement should be the firm's next highest level of service where the same criteria can be met. This should not increase the scope of the review (see interpretations).~~

#### Peer Review Interpretations

##### **Performing System Reviews Remotely Offsite at a Location Other Than the Reviewed Firm's Office**

8-1

*Question*—Paragraph .08 of the standards states that the location of the procedures performed during a System Review should be based on the reviewer's risk assessment. What risk criteria should the reviewer consider when determining the location of the procedures?

*Interpretation*—Regardless of the location of the procedures performed, the peer review should meet the objectives of a System Review and the reviewer should comply with the standards. The reviewer should provide sufficient documentation in their risk assessment to support the conclusion of whether one or more of the procedures are performed at the reviewed firm’s office or remotely. The following decision matrix provides an illustration of possible risk criteria and indicators regarding where the reviewer may perform the procedures.

**One indicator does not preemptively decide where the procedure should be performed. If a risk indicates the related procedures should be performed onsite, the reviewer may mitigate the risk and perform the procedure remotely. The risks should be evaluated in the aggregate and responded to effectively.**

If reviewers are unsure of their conclusions reached, they are encouraged to consult with their administering entity during the planning process.

Risk Factors to Consider	Indications Onsite Procedures May Be Appropriate	Indications Remote Procedures May Be Appropriate
Communication capability of the firm	The firm does not have virtual meeting capability	The firm has committed to a communication plan provided by the reviewer that includes virtual meetings and communication during the review of engagements to resolve questions timely
Initial engagements and their impact on the firm’s practice	The firm has started performing engagements in must select industries	The firm has started performing preparation engagements in accordance with the SSARSs
The industries in which the firm’s clients operate, especially the firm’s industry concentrations (consider the industries represented in the “other” category of the firm’s review summary information.)	The firm practices in multiple must select practice areas without a concentration in any one practice area or industry	The firm has historically had a concentration in several industries
The results of the prior peer review	<p>The firm received a pass with deficiencies or fail report rating with numerous deficiencies in various elements of their system of quality control</p> <p>The firm was not timely in their completion of their prior peer review</p>	The firm received a pass report rating
The actions of the firm in response to the prior report and FFCs	The firm’s responses were vague	The firm’s responses were detailed and appropriately addressed the findings

The results of any regulatory or governmental oversight or inspection procedures	The firm received several comments from a regulatory inspection, in a firm industry concentration	Inspections were performed without significant findings
The risk level of the engagements performed	The firm performs engagements in several must select practice areas	The firm primarily performs audits of less complex SAS engagements
Changes in professional standards or regulatory requirements	Several professional standards changes implemented in the practice areas of the firm	Changes in the professional standards do not impact the firm's practice area concentrations
Changes in the firm's structure or personnel since the prior peer review	The firm has a new director of quality control	The firm acquired a small local competitor firm with a similar practice area mix
	The firm acquired another firm with new practice areas for the reviewed firm	
The geographic distribution of offices	The firm has several offices and each office performs quality control functions independently	The firm has several offices and the system of quality control is centralized
Firm's CPE policy and the firm's philosophy toward education	The firm's CPE policy is generic and hasn't been tailored to the firm's industry concentrations	The firm's CPE policy refers to compliance requirements specific to firm's practice area mix
Firm's professional library	The firm's professional library is hardcopy	The firm's professional library is accessed through a web portal
Firm's engagement acceptance policy	The firm's engagement acceptance policy does not require consideration of another individual besides the engagement partner and the firm has grown substantially since the prior peer review	The firm's acceptance policy appears reasonable in the circumstances and the firm's client base is relatively unchanged since the prior peer review
Firm's EQCR policy and procedures	The firm's EQCR policy is not sufficiently detailed to require any EQCR on their engagements	The firm's EQCR policy is sufficiently tailored to the firm's practice areas
Firm's monitoring activity	The partner in charge of the firm's monitoring activities is the head of their tax department	The firm's monitoring activities appear reasonable in the circumstances
Firm's QCM	The firm develops their own QCM but the firm's policies and procedures for their development are not sufficiently detailed to ensure the materials are suitable for the firm's practice	The firm uses a 3 <sup>rd</sup> party provider that has successfully undergone an external review for their QCM
Firm's policies and procedures for timely completion of the assembly of final engagement files by engagement teams	The firm has paper files	The firm utilizes an electronic file management system with programmed lockdown rules

*Question*—Paragraph .08 of the standards states that the location of the procedures performed during a System Review should be based on the reviewer’s risk assessment. What are some reviewer considerations when performing procedures remotely for a System Review?

*Interpretation*—Peer review standards still need to be complied with before issuing the review report. The following is a list of recommended procedures and considerations reviewers may implement when performing a System Review remotely.

- Mirror onsite procedures as much as possible
- Consider performing optional procedures from the QCPP checklists in response to elements with higher risk
- During planning procedures, coordinate with the firm to ensure timeliness of responses, communication preferences and expectations
- Consider videoconferencing for interviews, closing meetings, and exit conferences to allow visual observation of the other person
- Leverage technology to increase the accuracy, completeness, relevance and reliability of review results
- Consider security and privacy controls as firm information is received in different ways
- Preserve electronic communication for corroborating evidence
- Manage communications with the review team by setting expectations and document the review team process

## Office and Engagement Selection in System Reviews

### 61-1

*Question* — Paragraph .61 of the standards requires that the selection of engagements to be reviewed should ordinarily be provided to the reviewed firm no earlier than three weeks prior to performing the review of engagements, while taking into account the risks identified by the reviewer at least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance (the surprise engagement). What steps should be followed when making the selection of the surprise engagement Do all of the selections have to be provided to the firm at the same time?

*Interpretation* — No. In some instances, a reviewer may determine that at least one of the selections to be reviewed will be communicated to the firm after the review team begins performing the review of engagements (surprise engagement). This determination would likely be made as a result of a specific risk or risks identified by the reviewer. For example, the firm may have had a finding or deficiency related to documentation lockdown procedures during their most recent peer review or the firm uses paper files to document the work performed and manual signatures to evidence supervisory review.

Regardless of whether a surprise engagement is selected or not, the reviewer's determination should be clearly stated and supported by the reviewer's documentation of their peer review risk assessment.

If the reviewer determines to select surprise engagements, the following steps should be followed:

1. Complete the risk assessment as described in paragraphs .46–.52 of the standards.
2. Plan the compliance tests as described in paragraphs .53–.63 of the standards and determine which engagements should be selected for the review, independent of any surprise selections.
3. Based on the ~~case~~ engagements selected for review, determine which engagements should be ~~the~~ surprise engagements. ~~If the risk assessment warrants, more than one surprise engagement may be selected.~~

If the risk assessment warrants, more than one surprise engagement may be selected. Although the standards indicate that the engagement should be from the firm's highest level of service (which ordinarily means an audit), in situations where the audit cannot be the surprise selection (for instance, if there is only one audit required to be selected or the only audit is a must select engagement), an engagement from the next highest level of service should be selected. It is not always possible for the reviewer to know whether a reviewed firm expects a certain engagement to be selected. Reviewers should be asked to use their professional judgment in these situations. The selection should be based on the risk assessment performed in step 1 and the engagement should be from the list of engagements determined in step 2. The team captain should not increase the original scope of the selection whether another audit or another level of service is selected as the surprise engagement.

See section 3100 for several examples for selecting surprise engagements.

## 61-2

*Question* — ~~How does the requirement to select a surprise engagement apply for a System Review performed at a location other than the reviewed firm's offices (Interpretation No. 8-1)?~~

*Interpretation* — ~~For System Reviews approved by the administering entity to be performed at a location other than a reviewed firm's offices, engagements selected to be~~



~~reviewed are submitted to the reviewer by the firm. As a result, the requirement to select a surprise engagement on a System Review performed at a location other than the reviewed firm's offices is not applicable.~~

Conforming Changes from Exposure Draft – For Reference

PRP Section 3100 *Supplemental Guidance*

Staff is proposing to remove *System Reviews Performed at a Location Other Than the Reviewed Firm’s Office* and maintain *Surprise Engagements*. For illustrative purposes, the guidance is provided in Agenda Item 1.3C.

PRP Section 3300 *RAB Handbook*

B. Reviewer Performance Feedback Forms

*Reviewer Performance Findings*

- Engagement Selection and Review: The reviewer

~~—did not properly select the “surprise” engagement or did not provide sufficient documentation of reasoning for selection. (standards sec. 1000 par. .61)~~

PRP Section 3400 *Technical Reviewer Checklists*

Exhibit 1 – System Review Technical Reviewer Checklist

3. <del>Was the surprise engagement selected in accordance with Standards and other related guidance?</del>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
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PRP Section 4100 *Instructions to Firms Having System Reviews*

.17 The team captain will select certain engagements for review, and request the firm to prepare a profile sheet on each engagement selected. The ~~initial~~ selection of engagements to be reviewed should ordinarily be provided to the reviewed firm no earlier than three weeks prior to the reviewer performing the review of engagements, but requests for engagement may be made throughout the peer review, based on any risks identified by the peer reviewer. ~~no earlier than three weeks prior to the commencement of the peer review procedures at the related practice office or location. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review. However, at least one engagement from the initial selection to be reviewed will be provided to the firm once the review commences and not provided to the firm in advance.~~ Careful and complete preparation of the profile sheets is important for the efficient performance of the peer review.

PRP Section 4200 *Instructions to Reviewers Performing System Reviews*

## Engagement Selection

- .22 Engagements selected for review should provide a reasonable cross section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. The ~~initial~~ selection of engagements to be reviewed should ordinarily be provided to the reviewed firm no earlier than three weeks prior to performing the review of engagements while taking into account any risks identified during the risk assessment, ~~but no earlier than three weeks before the commencement of the peer review at the related practice office or location.~~ This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review. However, at least one engagement from the initial selection to be reviewed should be provided to the firm only once the review has commenced and not provided to the firm in advance. Based on the peer review's identified risks, it may be necessary to communicate one of the selections to the firm after the review team begins performing the review of engagements (surprise engagement). Ordinarily, based on the nature of the firm's practice and assuming that the engagement would not be automatically anticipated for selection by the reviewed firm, the surprise engagement selected should be an audit. Otherwise, the surprise engagement should be the firm's next highest level of service where the same criteria can be met. This should not increase the scope of the review.

## PRP Section 4800 Summary Review Memorandum (SRM)

### Other Planning

- I. Based on your responses to the previous questions, describe your planned selection of office(s), procedures to be performed remotely and engagement(s) for review to reduce peer review detection risk to an acceptably low level. Include how the scope covered a reasonable cross-section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with a higher assessed level of peer review risk.
- J. ~~If any of the following situations apply, provide the requested response/documentation:~~

~~If the review is performed at a location other than the reviewed firm's office, describe the impact on the risk assessment of performing the review offsite.~~

If you plan to significantly reduce the scope of procedures to be performed based on inspection reliance, describe basis for and degree of reliance on the firm's inspection program. Inform the AICPA technical staff during peer review planning and document the discussion. *Reliance should not be placed on the firm's inspection program when one was not performed during the current year. See Int. 45-1 and 45-2, and PRP section 3100, Supplemental Guidance.*

Describe any significant deviations from AICPA peer review questionnaires and checklists. Explain the reason(s) for the deviations. *See Int. 24-1. Consultation with and approval from the administering entity is required prior to using alternative materials. Provide*

documentation of the approval below or attached.

M. 1. If you plan to communicate one of the engagement selections after the review team has started its review of engagements (surprise engagement), please identify the level of service and industry of the engagement. See Int. 61-1.

2. If you do not plan to communicate one of the engagement selections after the review team has started its review of engagements (surprise engagement), please describe the basis for your conclusion.

~~1. Identify the level of service and industry of the engagement selected for review and not provided to the firm in advance (surprise engagement). See Int. 61-1.~~

~~2. Describe any deviation from this requirement, or revision to the original engagement selected.~~

## PRP Section 4900 Team Captain Checklist

II. **Planning the Review** (see paragraph .106 of AICPA Standards for Performing and Reporting on Peer Reviews (sec. 1000) (Standards) )

11. Use the knowledge obtained from the foregoing to select the offices and the engagements to be reviewed and to determine the nature and extent of the tests to be applied in the functional areas (see Standards paragraphs .53–.63):

- Tests should ~~be performed at the practice office(s) visited, and should~~ include the following:
  - Review highest risk areas on selected engagements, including accounting and auditing documentation, and reports
  - Review evidential material to determine whether the firm has complied with its policies and procedures for monitoring its system of quality control
  - Review other evidential matter as appropriate
- Office selections—consider the following factors when assessing peer review risk at the office level:
  - Number, size, and geographic distribution of offices
  - Degree of centralization of accounting and auditing practice control and supervision
  - Review team’s evaluation, if applicable, of the firm’s monitoring procedures
  - Recently merged or recently opened offices
  - Significance of industry concentrations and of specialty practice areas

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- Extent of non-audit services to audit clients
  - Significant clients' fees to practice office and partners
  - Engagement selections:
    - Attestation engagements with report dates during the year under review.
    - Reasonable cross selection of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements with higher assessed levels of peer review risk.
    - Provide the reviewed firm with the ~~initial~~ selections no earlier than three weeks prior to performing the review of engagements while taking into account any identified risks, no earlier than three weeks prior to the commencement of the peer review procedures at the related practice office or location. Request the firm to complete the profile sheets in the engagement checklists and to assemble the working papers and reports ~~before the review begins~~ shortly thereafter.
    - ~~At least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance. This engagement would ordinarily be an audit.~~
  - If the firm performs any of the following types of engagements, then at least one of each of the following types that the firm performs is required to be included in the sample of engagements selected for review (Interpretation 63-1 [sec. 2000]):
    - Engagements subject to the *Government Auditing Standards* (the Yellow Book). (If the engagement selected is of an entity subject to GAS but not subject to the Single Audit Act and the firm performs engagements of entities subject to the Single Audit Act, at least one such engagement should also be selected for review. The review of this additional engagement may exclude those audit procedures strictly related to the audit of the financial statements. See Interpretation 63-1a.)
    - Audit engagements pursuant to the Employee Retirement Income Security Act.
    - Federally insured depository institution engagements with more than \$500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act.
    - Audits of broker-dealers. If a firm performs the audit of one or more carrying broker-dealers, at least one such audit engagement (and the

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related attestation engagement) should be selected for review. It is also expected that if a firm's audits of broker-dealers include only non-carrying broker-dealers, the team captain select at least one such engagement (including the related attestation engagement) for review.

— Examinations of service organizations (SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements).

- Confirm that the firm understands SEC independence implications and impacted engagements with the firm, as applicable. (For example, are there any regulatory bodies that require compliance with SEC independence rules, that is, Commodity Futures Trading Commission, or for investment advisers, specific states?)
- Confirm that the firm understands its responsibilities concerning engagement(s) or certain aspects of functional areas it wishes to exclude from selection. If in a rare situation the firm has legitimate reasons for the exclusion, confirm that it has requested and obtained a waiver for the exclusion(s) from the administering entity prior to the commencement of the review.

This agenda item is for illustrative purposes for the board's consideration of removing *System Reviews Performed at a Location Other Than the Reviewed Firm's Office* and maintaining *Surprise Engagements* in PRP Section 3100 Supplemental Guidance due to the proposed changes in the Remote Performance of System Review Procedures Exposure Draft.

## **PRP Section 3100 *Supplemental guidance***

### **System Reviews Performed at a Location Other Than the Reviewed Firm's Office**

Though the majority of reviews are required to take place at the reviewed firm's office, the new *Standards* provide criteria for when a review can be performed at a location other than the reviewed firm's office. Reviewers and reviewed firms should always consider that if the review could be reasonably performed at the reviewed firm, it should be. Reducing the cost of a peer review or convenience for the reviewer is not acceptable criteria, except in extraordinary circumstances.

#### **Examples:**

##### *Scenario 1*

The reviewed firm requests that the reviewer perform the review at the reviewer's office to reduce the travel expenses and the cost of the review. The reviewer is willing and able to travel to the reviewed firm's office. The cost for the travel is reasonable. Should the administering entity approve the review to be performed at a location other than the reviewed firm's office?

No, the ability to reduce the peer review or reasonable travel costs is not a valid reason to have the review take place at the reviewer's office.

##### *Scenario 2*

The reviewed firm has been using the same peer reviewer for all of their prior peer reviews. The peer reviewer recently relocated and is now three hours away from the reviewed firm, making it more difficult for him to perform the review at the reviewed firm's office. The reviewed firm would like to continue using this peer reviewer. Should the review be allowed to take place at a location other than the reviewed firm's office?

No, if there are other qualified reviewers available to do the review at the reviewed firm's office, the reviewed firm cannot choose to have the review performed at another location without good reason.

##### *Scenario 3*

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A reviewer arranges to perform the peer review of a sole practitioner. The sole practitioner has only one audit (in an industry in which the reviewer is experienced). Due to the low number of audits, should the administering entity approve to have the review performed at a location other than the reviewed firm's office?

No, if the review could be performed at the reviewed firm's office without extreme difficulty or excessive costs, the review should be performed there.

*Scenario 4*

A firm in Alaska performs two audits in the construction industry. There are no reviewers with qualifications in the relevant industries in which the firm practices in the state of Alaska. Should the team captain be permitted to perform the review at a location other than the reviewed firm's office?

Yes, the Administering Entity should allow a qualified reviewer from another state to perform the review from his home state, providing the necessary documents can be sent and the results of the review would be substantially the same as if it was performed at the office of the reviewed firm.

*Scenario 5*

A small firm performs a small number of engagements in the banking industry. The industry and engagements are considered high risk, but the firm is concerned about having a review by a competitor in the vicinity of his firm. Aside from these competitors and other firms that are not considered independent, no other qualified reviewers exist within a reasonable vicinity. Should the review be permitted to be performed at a location other than the reviewed firm's office?

Yes, it is a reasonable request to not have a competitor as a reviewer. If no other reviewer with the necessary expertise is available, the administering entity could allow a review to be performed at a location other than the reviewed firm's office, providing the necessary documents can be sent and the results of the review would be substantially the same as if it was performed at the office of the reviewed firm.

Another acceptable solution would be to involve the expert as a team member to only review those industry specific engagements, and the team captain performs the review of the remaining engagements and other responsibilities at the reviewed firm's office.

## **Surprise Engagements**

The following are several examples for selecting surprise engagements.

Question 1:

Sole practitioner #1 only has one "must select" audit engagement (Employee Retirement Income Security Act [ERISA]), one very small manufacturing audit, and 15 review engagements, the team captain's risk assessment may determine that selecting the ERISA



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covers the audit level of service. There would be no need to select the manufacturing audit, and the peer reviewer would select one or more reviews. Sole practitioner #2 has two ERISA audits, several audits of manufacturers, and 15 review engagements.

Answer 1:

- a. In the case of sole practitioner #1, the ERISA audit cannot be a surprise as it is a “must select,” and, assuming that the risk assessment concluded that the other audit would not be selected, a review engagement would be the surprise. The team captain’s conclusion should be adequately documented in the SRM (including that the appropriate “audit level” coverage results with the “must select” audit), and it is appropriate to select the surprise engagement from the next highest level of service.
- b. In the case of sole practitioner #2, it is likely that the risk assessment would identify that only one ERISA, at least one manufacturing audit, and one or more reviews would be selected. So, if two audits were going to be selected by the reviewer and there is a population large enough for it to be a surprise, then that is the level of service the surprise engagement should come from. The reviewer could select one of the two ERISA audits or one of the manufacturing audits to be the surprise. Of course, whether a surprise engagement or not, an ERISA audit must be selected. Once again, the team captain’s conclusion should be adequately documented in the SRM.
- c. Another situation that is more difficult to apply is when on sole practitioner #1’s peer review, the peer reviewer’s risk assessment determines that it would be appropriate to look at several key audit areas of the firm’s manufacturing audit (maybe it wasn’t a very small audit) in addition to the ERISA audit. It would be acceptable for the manufacturing audit, even though only the key audit areas are being reviewed, to satisfy the surprise engagement requirement.

The board recognizes that it is not always possible for the reviewer to know whether a reviewed firm expects a certain engagement to be selected. In this case, the reviewed firm may or may not have expected the manufacturing audit to be selected. Reviewers are asked to use their professional judgment in these situations.

Question 2:

A firm only performs one audit, one AUP engagement and/or one review engagement and/or one compilation engagement.

Answer 2:

Although it is possible when assessing and documenting a risk assessment that if a firm performs one of each of these engagements that they may not all be selected for the peer review but realistically all of them being selected would not be a surprise to the firm. Therefore, for example, where the firm performs only one of each of these, a team

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captain would not be prohibited from notifying the firm when presenting the original list of engagements to be selected that he or she may select an engagement that wasn't on the original list. This is not required because it really does not constitute a surprise engagement, but it is permitted.

Question 3:

Will there be a surprise audit engagement selected when a two partner firm performs two manufacturing audits of a similar size (one by each partner) and no other engagements?

Answer 3:

A reviewed firm would realistically expect both audits to be selected, and, therefore, picking both would not be a surprise. However, similar to the answer in question 2, a team captain would not be prohibited from notifying the firm that one audit is selected when presenting the original list of selected engagements and that he or she may select the engagement that wasn't on the original list.

Question 4:

Can there ever be a surprise engagement when a sole practitioner (with professional staff) only performs two audits (independent of any other level of service performed)?

Answer 4:

A team captain's risk assessment would indicate to pick both audits (maybe one is an initial client and the other a high risk industry) and reasons why in some cases only one of the 2 audits would need to be selected (existing clients in same industry). It is possible that in either case a reviewed firm would realistically expect both audits to be selected, and, therefore, picking both would not be a surprise to them. Therefore, the team captain must use professional judgment in determining whether there would be a "surprise engagement" in these instances. If a risk assessment indicates that only one audit should be selected, a team captain may inform the firm he or she will select at least one audit upon arrival (without saying which one). If a risk assessment indicates that both audits should be selected, the team captain would not be prohibited from notifying the firm that one audit is selected when presenting the original list of engagements and that he or she may select the other audit upon arrival.

The team captain should thoroughly document his or her considerations in the SRM, and a Report Acceptance Body (RAB) should not be expected to challenge the team captain in the two-audit scenario unless it is somehow very apparent that there should have been a surprise audit selected.

Question 5:

When the firm does not have an audit that is eligible to select as the surprise engagement, what level of service should be selected?

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Answer 5:

When the threshold for selecting an audit is not met (as discussed in the previous questions and answers [Q&As]), similar logic should be applied to selecting an engagement performed under the Statements on Standards for Attestation Engagements (SSAEs) and then Statements on Standards for Accounting and Review Services (SSARS) as the surprise engagement.

The team captain should thoroughly document his or her considerations in the SRM, and a RAB should not be expected to challenge the team captain unless it is very apparent that there should have been a surprise engagement selected or one of a different level of service than what was selected.

## Standing Task Force Updates

### Why is this on the Agenda?

Each of the standing task forces of the PRB will provide this information to the Board at each open session meeting to gather feedback on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

### Standards Task Force

#### Accomplished since last PRB meeting:

- Continued discussions related to the project to clarify the peer review standards (for additional information, see agenda item 1.4A)
- Approved the Remote Performance of System Review Procedures Exposure Draft (Agenda Item 1.3)
- Approved an optional enhanced risk assessment template for reviewers
- Approved revisions to the audit checklist questions related to risk of material misstatement based on feedback received during the 2019 Peer Review Conference
- Approved the removal of PRP 6100 Appendix B *Engagement Questionnaire*. In its place, reviewers will utilize updated engagement checklists that apply to both System and Engagement Reviews. The updated checklists will include a profile for all SSARS engagements and a profile for all SSAE engagements

#### Upcoming tasks:

- Continued focus on the clarity project
  - For additional information, see Agenda Item 1.4A
- Continued consideration of QCM review guidance revisions
- Assessment of potential guidance needed in response to continued PRIMA enhancements

### Oversight Task Force

#### Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- Reviewed administering entity (AE) responses to RAB observation reports
- Approved AE oversight visit reports and responses
- Reviewed AE benchmark summary forms and feedback received
- Monitored enhanced oversight results
- Reviewed sample of enhanced oversight reports for consistency
- Discussed the type of feedback issued by AEs as a result of the enhanced oversight
- Monitored reviewer performance
- Approved AICPA Annual Report on Oversight
- Approved revisions to the technical reviewer evaluation form

#### Upcoming tasks:

- Approve RAB observation reports
- Approve responses from AEs to AE oversight visit reports

- OTF members will perform AE oversight visits
- Approve, conditionally approve or defer AE plans of administration for 2020
- Review and approve revisions to guidance for establishing an AE back-up plan
- Review AE benchmark summary forms and feedback received
- Monitor results of enhanced oversights
- Monitor reviewer performance

### **Education and Communication Task Force**

#### **Accomplished since last PRB meeting:**

- Continued monitoring of peer review website content and implementing changes where appropriate.
- Hosted the following webcasts:
  - Peer Review Update: Performing System Reviews in a COVID-19 World (May 6<sup>th</sup>)
  - AICPA Peer Review Must-Select Industry Update: Brokers and Dealers in Securities (May 12<sup>th</sup>)
  - Are You Ready For Your Peer Review? (May 13<sup>th</sup>)
- Developed the following training materials/courses:
  - A Peer Review Update presentation for use by an administering entity/state society
  - A Peer Review Update session to be held during the Interactive Solution and Key Initiative Sessions of Engage 2020 (to be held on June 10<sup>th</sup>)
- Continue to issue appropriate communications on an as needed basis related to various Peer Review initiatives. This includes:
  - An upcoming edition of PR Prompts (likely to be made available later this month). As a reminder, this is a newsletter that peer reviewers can provide to their peer review clients and highlights peer review program changes, new A&A standards, and resources that are available and will be issued twice a year.
  - The April edition of Reviewer Alerts, which covered:
    - Changes to the Peer Review Program Manual, which were published in late April
    - Links to register for certain peer review related webcasts
  - The May edition of Reviewer Alerts, which will be published later this month. Topics include:
    - Updates on educational offerings
    - Updates on the coronavirus impact on peer review
    - An overview of topics discussed during May's open session meeting of the PRB.
    - Miscellaneous other 'quick hits'

#### **Upcoming tasks:**

- Finalize the agenda and related materials for the 2020 conference including:
  - Potential concurrent session topics and presentations
  - Specialized sessions for each stakeholder group (for example, peer reviewers, committee members, technical reviewers)
  - Sessions for certain must-select industries (Employee benefit plan engagements and Governmental engagements)
  - Conference Cases
- Develop session materials for sessions at other AICPA Conferences including:

- 
- EBP Conference (satisfies the EBP must-select training requirement)
  - Hold rebroadcasts for the various recently held webcasts. Check the AICPA's peer review webpage for more information, including dates and times
  - Monitor process for issuing reviewer alerts to ensure appropriate communication frequency and effectiveness of content
  - Ongoing efforts to implement various action items designed to improve the peer reviewer pool

**Update on Clarified Peer Review Standards**

**Why is this on the Agenda?**

The STF will have an update on the project to clarify peer review standards as a standing agenda item during the Task Force Update portion of upcoming PRB open session meetings.

The STF is either reviewing or has completed their detailed review of guidance related to:

- System Reviews from the perspective of the peer reviewer
- Administration related to the technical reviewer
- Concepts common to all peer review stakeholders
- General peer reviewer responsibilities and
- Engagement Reviews from both the perspective of the peer reviewer and the reviewed firm

Staff and the related sub task forces are currently drafting and reviewing guidance related to:

- System Reviews from the perspective of the reviewed firm
- General firm responsibilities and
- Administration (including administrator and Committee/RAB responsibilities)

The following is a summary of the meetings related to the clarity project since the last PRB Meeting:

- February 14, March 9, and May 1, 2020 – The entire STF met to review PR-C secs. 200, which will contain guidance for reviewers and 210, which will contain guidance for firms having System Reviews
- February 19, and April 22, 2020 – The Common Concepts Sub Task Force\* completed their review of PR-C sec. 100, which will contain guidance applicable to all peer review stakeholders
- February 14, March 20, April 9, and April 29, 2020 – The Administration Sub Task Force\*\* continued discussions on PR-C sec. 410, which will contain guidance for committees and RABs, and started discussing PR-C sec. 400, which will contain general administrative guidance

Currently scheduled future meetings include:

- May 12, 2020 – The entire STF will meet to complete their review of PR-C sec. 420 and start their review of PR-C sec. 410
- May 2020 – The Administration Sub Task Force will continue discussing PR-C sec. 400

\*Common Concepts Sub Task Force members: Mike DeFalco, Bert Denny, Liz Gantnier and Tom Parry

\*\*Administration Sub Task Force members: Brian Bluhm, Paul Brown, Jerry Cross and Bonnie Stewart

**Board Considerations**

The purpose of this item is to provide an update on progress made to date related to the project to clarify the peer review standards and related guidance.

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While the task force is not seeking specific feedback on any given item presented at this time, PRB members and observers are invited to ask any questions or provide any commentary deemed necessary.



## Other Reports

### Why is this on the Agenda?

The purpose of this agenda item is to provide PRB members and other attendees an update on various PRB related activities and initiatives.

### Operations Director's Report

Since the January 2020 AICPA Peer Review Board meeting, we've launched numerous PRIMA enhancements, including but not limited to:

- Benchmark reporting
- Checklist 20,900A Agreed-Upon Procedures Engagement Checklist added to MFC
- Corrective action and implementation plan extensions
- Hearings
- Prior review documents

We decided to hold the AICPA Peer Review Conference virtually on the same dates as originally planned, with optional sessions on August 3 from 1-5pm ET and general sessions on August 4 and 5 from 1-5pm ET. Keeping attendees, speakers and staff safe was the driving force behind that decision.

### Report from State CPA Society CEOs

Mr. Colgan will provide his state society CEO update verbally during the meeting on the May 20.

### Report on the National Peer Review Committee

The NPRC has met once since the last Board meeting in January on February 20. Two large firm reviews were presented, and both were accepted.

Since the January PRB meeting, the NPRC has held eight RAB meetings. During those meetings:

- 116 reviews have been presented including:
  - 104 Pass
  - 3 Pass with Deficiencies and
  - 9 Fail reports

The NPRC met on May 7, 2020. One large firm review will be presented and is expected to be accepted. The next NPRC meeting will be held on October 29, 2020.

### Update on Quality Control Material (QCM) Project

- The QCM task force, in cooperation with ASEC and AITF, continues to work on its QCM Project to transition the traditional QCM Review performed under peer review guidance to an examination of QCM under the SSAEs (QCM Examination), while continuing to provide QCM providers, and user firms and their peer reviewers, with a means to evaluate whether the QCM assists user firms in complying with the professional standards that the QCM purports to encompass.
- This project involves the issuance of criteria by ASEC, and issuance of an AICPA guide to perform the QCM examinations.

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- Estimated delivery of criteria to ASEC, and guide to AITF, by mid-2020, exposure of criteria by ASEC, “Final” criteria and guide to be available by late 2020.



**AICPA<sup>®</sup>**

Peer Review  
Program

# **ANNUAL REPORT ON OVERSIGHT**

**Issued  
May XX, 2020**

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## **Introduction**

### **Purpose of This Report**

The purpose of this Annual Report on Oversight (report) is to provide a general overview, including statistics and information, of the results of the AICPA Peer Review Program (Program) oversight procedures and to conclude whether the objectives of the AICPA Peer Review Board's (PRB) oversight processes performed in 2018 and 2019 were compliant with the requirements of the Program.

### **Scope and Use of This Report**

This report contains data pertaining to the Program and should be reviewed in its entirety to understand the full context. Statistical information presented in this report pertains to peer reviews accepted during calendar years 2017-19, which covers a full three-year peer review cycle. Oversight procedures included in this report are performed on a calendar year basis.

## Letter to the AICPA Peer Review Board

To the members of the AICPA Peer Review Board:

This report includes oversight procedures performed in 2018 and 2019. Statistical information presented in this report pertains to peer reviews accepted during the calendar years 2017-19 which covers a full three-year peer review cycle. In planning and performing our procedures, we considered the objectives of the oversight program, which state that there should be reasonable assurance that (1) administering entities (AEs) are complying with the administrative procedures established by the Peer Review Board (PRB) as set forth in the *AICPA Peer Review Program Administrative Manual*; (2) the reviews are being conducted and reported upon in accordance with the *AICPA Standards for Performing and Reporting on Peer Reviews (Standards)*; (3) the results of the reviews are being evaluated on a consistent basis by all AE peer review committees; and (4) the information provided via the AEs' websites is accurate and timely. Our responsibility is to oversee the activities of AEs that elect and are approved to administer the AICPA Peer Review Program (Program), including the establishment and results of each AE's oversight processes.

Oversight procedures performed by the AEs in accordance with the *AICPA Peer Review Program Oversight Handbook* included the following:

- *Oversight of peer reviews and reviewers.* Oversight of various reviews, selected based on reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2018 and 2019, 261 and 264 reviews, respectively, were selected for oversight at the AE level. See pages 11–12, "Oversight of the Peer Reviews and Reviewers."
- *Annual verification of reviewers' resumes.* Verification of accuracy of information included on peer reviewer resumes. For 2018 and 2019, resumes were verified for 957 and 737 reviewers, respectively. See pages 12–13, "Annual Verification of Reviewers' Resumes."
- *Benchmarks.* In 2018, AEs started monitoring and periodically reporting compliance with AE benchmarks which are qualitative, objective, and measurable criteria to enhance overall quality and effectiveness of Program administration. See pages 13–14, "Benchmark Model."

The Oversight Task Force (OTF) utilizes focus groups of OTF members to monitor and perform procedures in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook*.

### **AE Oversight Focus Group**

The AE oversight focus group oversees the AE oversight visit process. Visits to the AEs occur on a rotating basis, ordinarily every other year, by a member of the OTF. The visits include testing the administrative and report acceptance procedures established by the PRB. OTF members visited 17 AEs in 2018 and 12 AEs in 2019. See pages 5-6 "Oversight Visits of the Administering Entities" for further information.

### **Report Acceptance Body (RAB) Observation Focus Group**

The RAB observation focus group reviews and approves RAB observation reports, including any responses received from the AEs. Periodically, the focus group will review the process including applicable checklists. RAB observations are performed by OTF members and Program staff. The RAB observations focus on whether the report acceptance process is being conducted in accordance with *Standards* and guidance. For 2018 and 2019, 298 and 178 reviews, respectively,

were selected for RAB observations. See pages 6-7 for a detailed description of the RAB observation process.

#### **Enhanced Oversight Focus Group**

Enhanced oversights are performed by subject matter experts on must-select engagements and include the review of financial statements and working papers for such engagements. The enhanced oversight focus group evaluates the results of enhanced oversights. The focus group reviews the oversight reports with comments and provides input and feedback to Program staff. The focus group also evaluates the reviewer performance feedback issued as a result of these oversights and will recommend that the reviewer performance focus group consider issuing feedback when necessary. See pages 7-11 for a detailed description of the enhanced oversight process.

#### **Evolution Focus Group**

The evolution focus group developed the AE benchmark criteria approved by the PRB. The focus group reviews the results of the benchmark reports submitted by the AEs and monitors to determine whether modifications are needed.

#### **Plan of Administration (POA) Focus Group**

The POA focus group reviews and approves the plans submitted annually by the AEs agreeing to administer the Program in compliance with *Standards* and guidance.

#### **Reviewer Performance Focus Group**

The reviewer performance focus group reviews the reviewer performance monitoring report prepared by Program staff. This report summarizes Program staff's procedures to evaluate and monitor peer reviewers and AEs for satisfactory performance and compliance with Standards. The focus group evaluates the report to determine if further action should be taken.

Based on the results of the oversight procedures performed, the OTF has concluded, for the oversight initiatives performed in 2018 and 2019, that the objectives of the PRB oversight program were met.

Respectfully submitted,

*Brian Bluhm*

Brian Bluhm, Chair  
Oversight Task Force  
AICPA Peer Review Board



## AICPA Peer Review Program

There are approximately 23,500 firms currently enrolled in the Program within the United States and its territories, that have a peer review performed once every three years, at the time this report was prepared. In recent years, the AICPA has noted a decrease in the number of firms enrolled in the Program. This is attributed to firm mergers and firms no longer performing accounting and auditing engagements that would subject them to a peer review. See exhibit 2. There are also approximately 1,000 firms enrolled in the Program that indicated they do not currently perform any engagements subject to peer review. Approximately 8,200 peer reviews are performed each year by a pool of approximately 2,100 qualified peer reviewers. Refer to appendix 2 for an additional overview of the Program and information about the AEs.

### Results of AICPA Peer Review Program

#### *Overall Results*

From 2017-19, approximately 24,000 peer reviews were performed in the Program. Exhibit 2 shows a summary of these reviews by type of peer review and report issued. The overall results of the reviews performed during the three-year period by report type were:

	<b>System Reviews</b>	<b>Engagement Reviews</b>
Pass	79%	77%
Pass with Deficiency(ies)	14%	11%
Fail	7%	12%

A list of the most recent examples of matters noted in peer review is available on the [AICPA's website](#). This list contains examples of noncompliance (both material and immaterial) with professional standards. Although this list is not all-inclusive and is not representative of all peer review results, it does contain more common examples of matters that were identified during the peer review process.

Exhibit 3 summarizes the number and type of reasons by quality control element as defined by the Statement on Quality Control Standards (SQCS), for report modifications (that is, pass with deficiency(ies) or fail) on system reviews accepted from 2017-19 in the Program.

#### *Non-Conforming Engagements Identified*

The *Standards* state that an engagement is ordinarily considered “not being performed and/or reported on in accordance with professional standards in all material respects” (hereinafter referred to as non-conforming) when deficiencies, individually or in the aggregate, exist that are material to understanding the report or the financial statements accompanying the report or represents omission of a critical accounting, auditing or attestation procedure required by professional standards. Exhibit 4 shows the total number of individual engagements reviewed (system reviews and engagement reviews) along with those identified as non-conforming.

The percentage of non-conforming engagements identified each year from 2017-19, as well as the percentage of non-conforming audit engagements each year were:

Year	% of Non-Conforming Engagements	% of Non-Conforming Audits
2017	11%	12%
2018	11%	11%
2019	10%	15%

The increase in 2019 is due to the increased focus on compliance with risk assessment standards. The PRB issued guidance related to evaluation of non-compliance with the risk assessment standards effective for peer reviews commencing on or after October 1, 2018. This led to an increase in the number of non-conforming audit engagements identified in 2019 because the statistics in this report are based on the acceptance date of the review.

#### *Corrective Actions and Implementation Plans*

During the report acceptance process, the AEs' peer review committees determine the need for and type of any corrective actions based on the nature, significance, pattern and pervasiveness of engagement deficiencies noted in the report. They also consider whether the reviewed firm's responses are comprehensive, genuine and feasible. Corrective actions are remedial or educational in nature and imposed to strengthen the performance of the firm. There can be multiple corrective actions or implementation plans required on an individual review. Corrective actions and/or implementation plans required from 2017-19 are summarized in exhibit 5.

There were increases in the overall number of corrective actions and implementation plans each year from 2017-19. The number of corrective actions and implementation plans as a percentage of overall reviews accepted was consistent between 2017 and 2018. There was an increase in the number of corrective actions and implementation plans as a percentage of overall reviews in 2019. This increase was mainly in the category of firms submitting proof of continuing professional education (CPE). This increase is due to the previously discussed guidance on risk assessment issued by the PRB. As part of this guidance, if non-conforming engagements are identified due to non-compliance with the risk assessment standards, RABs are instructed to issue an implementation plan or corrective action to the firm. The most common implementation plan or corrective action to address issues with risk assessment was having the firm take prescribed CPE.

In addition to corrective actions, there may be instances in which an implementation plan is to be completed by the firm as a result of Findings for Further Consideration (FFCs). For implementation plans, the firm will be required to agree to perform and complete the implementation plan in writing as a condition of cooperation with the AE and the PRB. Agreeing to and completing such a plan is *not* tied to the acceptance of the peer review. The reviewed firm would receive an acceptance letter with no reference to the implementation plan if the peer review committee did not otherwise request the firm to also perform a corrective action plan related to the deficiencies or significant deficiencies, if any, noted in the peer review report. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to fair procedures that could result in the firm's enrollment in the Program being terminated.

Since a firm can receive a pass with deficiency(ies) or fail report in addition to FFCs, it is possible for a corrective action plan to be imposed upon the firm for the deficiency(ies) or significant deficiency(ies) in the peer review report, as well as an implementation plan for the FFCs.

## **Oversight Process**

The PRB is responsible for oversight of all AEs. In turn, each AE is responsible for overseeing peer reviews and peer reviewers for the states they administer. This responsibility includes having written oversight policies and procedures.

All state boards of accountancy (SBOAs) that require peer review accept the Program as a program satisfying their peer review licensing requirements. Some SBOAs oversee AEs' administration of the Program. This report does not describe or report on that process.

## **Objectives of PRB Oversight Process**

The PRB appointed the OTF to oversee the administration of the oversight program and make recommendations regarding oversight procedures. The main objectives of the OTF are to provide reasonable assurance that:

- AEs are complying with the administrative procedures established by the PRB
- Reviews are being conducted and results of reviews are being evaluated and reported on in accordance with the *Standards* and on a consistent basis in all jurisdictions and
- Information provided to firms and reviewers (via the internet) by AEs is accurate and timely.

The oversight program also establishes a communications link with AEs and builds a relationship that enables the PRB to:

- Obtain information about problems and concerns of AEs' peer review committees and staff
- Provide consultation on those matters to specific AEs and
- Initiate the development of guidance on a national basis, when appropriate.

## **OTF Oversight Procedures**

The following Program oversight procedures were performed:

### ***Oversight Visits of the Administering Entities***

#### **Description**

Each AE is visited by a member of the OTF (ordinarily, at least once every other year). No member of the OTF is permitted to visit the AE in the state that his or her main office is located, where he or she serves as a technical reviewer or may have a conflict of interest (for example, performing the oversight of the AE that administers the OTF member's peer review) or where he or she performed the most recently completed oversight visit.

#### **Oversight Visit Procedures**

During these visits, the OTF member will:

- Meet with the AE's peer review committee during its consideration of peer review documents
- Evaluate a sample of peer review documents and applicable working papers on a post-acceptance basis, as needed

- Perform interviews with the administrator, CPA on Staff (or individual managing the program when a waiver has been approved), committee chair and technical reviewers and
- Evaluate the various policies and procedures for administering the Program.

As part of the visit, the OTF member requests that the AE complete an information sheet that documents policies and procedures in the areas of administration, technical review, peer review committee, report acceptance and oversight processes in administering the Program. The OTF member evaluates the information sheet, results of the prior oversight visit and comments from the RAB observations to develop a risk assessment. A comprehensive oversight work program that contains the various procedures performed during the oversight visit is completed with the OTF member's comments. At the end of the visit, the OTF member discusses any comments and issues identified as a result of the visit with the AE's peer review committee. The OTF member then issues an AICPA Oversight Visit Report (report) to the AE that discusses the purpose of the oversight visit and that the objectives of the oversight program were considered in performing those procedures. The report also contains the OTF member's conclusion about whether the AE has complied with the Program's administrative procedures and *Standards* in all material respects.

In addition to the report, the OTF member issues an AICPA Oversight Visit Letter of Procedures and Observations (letter) that details the oversight procedures performed and observations noted by the OTF member. The letter also includes recommendations to enhance the quality of the AE's administration of the Program. The AE is then required to respond to the chair of the OTF, in writing, to any findings included in the report and letter or, at a minimum, with an acknowledgement of the visit if there are no findings reported. The oversight documents, including the report, the letter of procedures and observations and the AE's response, are presented to the OTF members for acceptance. The AE may be required to take corrective actions as a condition of acceptance. The acceptance letter would reflect corrective actions, if any. A copy of the acceptance letter, the report, letter of procedures and observations and the AE's response is available on the [AICPA's website](#).

## **Results**

For the years 2018 and 2019, a member of the OTF performed at least one on-site oversight visit of each AE. See exhibit 6 for a list of the 29 AE oversight visits performed for 2018 and 2019. See exhibit 7 for a summary of observations from the on-site oversight visits performed during the two years.

## **RAB Observations**

### **Description**

The purpose of the RAB observation is to determine whether:

- Reviews are conducted and reported on in accordance with the *Standards*
- Results of reviews are evaluated on a consistent basis within an AE and in all jurisdictions
- Administrative procedures established by the PRB are being followed and
- Administrators, technical reviews, committee/RAB members and CPA on Staff (or individual managing the program when a waiver has been approved) are complying with applicable benchmarks monitored through RAB observations.

RAB observations allow for real-time feedback to the RABs which helps improve overall quality and consistency of the RAB process. The process for the RAB observations is similar to the process used during the oversight visits which includes a focus on familiarity threats. The RAB

observer receives the materials that will be presented to the RAB prior to the meeting, selects a sample of reviews of firms enrolled in the Program and reviews the materials. During the RAB meeting, the observer offers comments at the close of discussions based on issues or items noted during their review of the materials. All significant items that were noted by the observer, but not the RAB, are included as comments in the RAB observation report. Program staff draft the report which is reviewed and approved by the OTF. The final report is sent to the AE's peer review committee. Peer review committees may also choose to respond after the final report is issued by the OTF.

## Results

For 2018, all AEs had at least one RAB observation, and in 2019, 22 AEs had at least one RAB observation. RAB observations were performed by OTF members and Program staff. Recurring comments generated by RAB observations are summarized in exhibit 8. Peer reviews selected for observation incorporate an element of risk and are not reflective of the entire population. Results for the year ended 2018 and 2019 RAB observations are as follows:

	2018	2019
RAB meetings observed	69	30
AEs observed	34	22
Peer reviews observed	298	178
Peer reviewers	218	126
Based on observers' comments:		
Acceptance delayed or deferred	58	17
Feedback forms issued	13	6

Fewer RAB observations were performed by Program staff in 2019 due to personnel changes. The number of reviews delayed or deferred as a result of the RAB observers' comments decreased from 19.5% in 2018 to 9.6% in 2019. The number of feedback forms issued as a result of RAB observers' comments also decreased from 4.4% in 2018 to 3.4% in 2019.

## Enhanced Oversight

### Description

In May 2014, the PRB approved the addition of enhanced oversight performed by subject matter experts (SMEs). For 2018 and 2019, the SMEs consisted of members of the applicable Audit Quality Center executive committees and expert panels, PRB members, former PRB members, individuals from firms that perform a large number of engagements in a must-select category, individuals recommended by the Audit Quality Center executive committee and expert panel members and other individuals approved by the OTF. Enhanced oversight are one element of the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative.

The oversight increase confidence in the peer review process, identify areas that need improvement and provide meaningful data to inform other EAQ activities. As a result of the oversight, the PRB has approved multiple initiatives to improve reviewer performance on must-select engagements, including additional training requirements for reviewers and additional RAB observations with emphasis on must-select engagements. The results of the enhanced oversight findings are shared with other teams at the AICPA to further the goal of improving audit quality.

The 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. This objective is achieved through 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 OTF. Beginning in 2019, peer reviewers were limited to being selected in the random sample no more than two times per year. These oversights neither replace nor reduce the minimum number of oversights currently required by AEs.

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), audits of broker-dealers and examinations of service organizations). For *Government Auditing Standards* engagements with Single Audit Act/Uniform Guidance portions of the engagement, the oversight focused only on the Single Audit Act/Uniform Guidance portion of the audit.

### **Enhanced Oversight Process**

The enhanced oversight process consists of the review of the financial statements and working papers by the SME for the engagement selected. Program staff notifies the peer reviewer and the firm that they have been selected for oversight once the peer review working papers and report have been submitted to the AE. The peer reviewer is not aware that he or she has been selected for oversight until after the peer reviewer has completed work on the review. The SME reviews the same working papers and compares their results to those of the peer reviewer. The SME issues a report detailing any material items not identified by the peer reviewer that cause the engagement to be considered non-conforming. If there are any material items included in the report, the peer reviewer has an opportunity to complete a letter of response (LOR) detailing whether he or she agrees with the oversight report and lists any additional procedures that he or she will perform. The report and LOR (if applicable) are provided to the AE for consideration during the report acceptance process. If the peer reviewer disagrees with the results of the oversight, the AE will follow the disagreement guidance in the RAB Handbook. Program staff monitors the effects of the oversights on the peer review results (report rating change from “pass” to “pass with deficiency” or “pass with deficiency” to “fail”), and the type of reviewer performance feedback (feedback form or performance deficiency letter), if any, is issued to the peer reviewer.

### **OTF Review of Oversight Reports**

The OTF reviews a selection of oversight reports issued in which the SME identifies material items not identified by the peer reviewer that cause the engagement to be considered non-conforming. The OTF reviews the reports for consistency and to verify that the items identified by the SME are material departures from professional standards.

### **Enhanced Oversight Samples**

The 2018 and 2019 samples were selected from peer reviews with must-select engagements performed in calendar year 2018 and 2019, respectively. In the 2018 sample, 145 different peer reviewers were selected for oversight, and 75 different peer reviewers were selected for oversight in the 2019 sample.

All must-select engagement types are included in the enhanced oversight program. Most oversights are performed on Employee Benefit Plan, Single Audit/Uniform Guidance, and *Government Auditing Standards* engagements as these are the most common. The must-select engagements selected for oversight in 2018 and 2019 consisted of the following:

<b>Engagement Type</b>	<b>2018</b>	<b>2019</b>
Employee Benefit Plans	87	42
Single Audit/Uniform Guidance	62	22
<i>Government Auditing Standards</i>	32	14
FDICIA	2	-
Broker-dealers	-	-
SOC <sup>®</sup>	2	1
<b>Total</b>	<b>185</b>	<b>79</b>

Exhibit 9 provides a list of items identified by SMEs that were not identified by the peer reviewer that, either individually or in the aggregate, led to a nonconforming engagement. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight. Refer to the following section for further discussion of the sample selection.

### **Random Sample**

Each year, a random sample is selected from all peer reviews that include at least one must-select engagement. Each peer review included in the random population has an equal chance at being selected for oversight.

### **Risk-Based Sample**

Each oversight year, a risk-based sample (targeted) is selected based on certain risk criteria established by the OTF. If a peer reviewer is selected twice during the random sample or through a combination of the random and risk-based samples, he or she is not selected for the targeted sample to limit the number of times a peer reviewer can be selected for enhanced oversight each oversight year.

### **Results**

In 2018, an increased focus was placed on evaluating non-compliance with the risk assessment standards, and the PRB issued guidance effective for peer reviews commencing on or after October 1, 2018. This increased focus impacted the Program, as neither peer reviewers nor SMEs were raising risk assessment issues to the level of non-conforming, whereas these engagements are now being deemed non-conforming. To compare the results of the 2018 and 2019 oversight years with the prior years, the table below shows an adjusted non-conforming rate for each year. Engagements from peer reviews commencing on or after October 1, 2018 with only risk assessment issues identified are excluded from the number of non-conforming engagements. This risk assessment guidance had a limited impact on the results of the 2018 oversight sample; however, there has been a significant impact on the results in 2019. Of the 46 engagements identified as non-conforming in 2019, 16 only had risk assessment issues causing the engagement to be non-conforming. The adjusted non-conforming rate when excluding engagements with only risk assessment issues is 38% which is an improvement from prior years.

Year	Sample Size	Total Non-Conforming Engagements Identified	%	Non-Conforming Engagements with Only Risk Assessment Issues	Adj %	Number of Non-Conforming Engagements Identified by Peer Reviewer	% of Non-Conforming Engagements Identified by Peer Reviewer
2014	90	40	44%	N/A	44%	7	18%
2015	190	104	55%	N/A	55%	42	40%
2016	108	38	35%	N/A	35%	18	47%
2017	87	43	49%	N/A	49%	27	63%
2018	185	108	58%	11	52%	68	63%
2019	79	46	58%	16	38%	37	80%

Based on an analysis of the 2018 and 2019 samples, the oversights indicated considerable improvement in peer reviewer performance. Each year, peer reviewers improved in their detection of non-conforming engagements. In the first year of oversights, peer reviewers only identified a non-conforming engagement 18% of the time prior to the oversight. This increased to 80% in the most recent oversights performed in 2019. The PRB’s focus on oversight and reviewer education led to significant improvements in peer reviewer performance.

**Feedback Issued from Enhanced Oversight Process**

For the oversights where a non-conforming engagement was not identified by the peer reviewer or for oversights where the peer reviewer identified the engagement as non-conforming but failed to identify significant additional items, the following feedback was issued by the AE:

Type of Feedback	2018	2019
Deficiency Letter	-	-
Feedback Form – Reviewer Performance Deficiency	15	1
Feedback Form – Reviewer Performance Finding	16	3
No Feedback	11	2
RAB Process Not Completed	3	2
Total	45	8

Some reviews selected for oversight have not completed the RAB process as of the date of this report, including consideration of feedback. The delay in consideration of feedback is either due to the firm or peer reviewer not cooperating with the process, or the peer reviewer disagreed with the result of the oversight, which resulted in a delay in the acceptance of the peer review and consideration of feedback.

The OTF monitors the types of feedback issued as a result of the oversights, and if an AE does not issue feedback, the OTF considers if any further actions are necessary, including whether to issue a reviewer performance finding, deficiency or deficiency letter to the peer reviewer.

A *reviewer performance finding* is issued when a peer reviewer fails to identify a non-conforming engagement but demonstrates sufficient knowledge and experience required to review the



engagement. A *reviewer performance deficiency* is issued when a peer reviewer fails to identify a non-conforming engagement and does not demonstrate sufficient knowledge and experience required to review the engagement. A *deficiency letter* is issued when a peer reviewer has a pattern of reviewer performance findings or deficiencies.

### **Oversight by the AEs' Peer Review Committees**

The AEs' peer review committees are responsible for monitoring and evaluating peer reviews of those firms whose main offices are in their licensing jurisdiction(s). Committees may designate a task force to be responsible for the administration and monitoring of its oversight program.

AEs are required to submit their oversight policies and procedures to the PRB on an annual basis. In conjunction with AE personnel, the peer review committee establishes oversight policies and procedures that meet the minimum requirements established by the PRB to provide reasonable assurance that:

- Reviews are administered in compliance with the administrative procedures established by the PRB
- Reviews are conducted and reported on in accordance with the *Standards*
- Results of reviews are evaluated on a consistent basis
- Open reviews are monitored on a timely and consistent basis and
- Information disseminated by the AE is accurate and timely.

### **AE Oversight Procedures**

The following oversight procedures are performed as part of the AE oversight program:

#### ***Oversight of Peer Reviews and Reviewers***

##### **Description**

Throughout the year, the AE selects various peer reviews for oversight. The selections can be on a random or targeted basis. The oversight may consist of completing a full working paper review after the review has been performed but prior to presenting the peer review documents to the peer review committee. The oversight may also consist of having a peer review committee member or designee visit the firm, either while the peer review team is performing the review or after the review, but prior to final committee acceptance.

As part of its oversight process, the peer review committee oversees firms being reviewed and reviewers performing reviews. Minimum oversight selection requirements are also imposed by the PRB.

*Firms* – The selection of firms to be reviewed is based on several factors, including the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement review) and whether the firm conducts engagements in high-risk industries.

*Reviewers* – All peer reviewers are subject to oversight and may be selected based on several factors, including random selection, any unusually high percentage of pass reports as compared to non-pass reports, conducting a significant number of reviews for firms with audits in high-risk industries, performance of the peer reviewer's first peer review or performing high volumes of

reviews. Oversight of a reviewer can also occur due to previously noted performance deficiencies or a history of performance deficiencies, such as issuance of an inappropriate peer review report, not considering significant matters or failure to select an appropriate number of engagements. When an AE oversees a reviewer from another state, the results are conveyed to the AE of that state.

*Minimum Requirements* – At a minimum, the AE is required to conduct oversight on two percent of all reviews performed in a 12-month period, and within the two percent selected, there must be at least two system and two engagement reviews. Additionally, at least two system review oversights are required to be performed on-site. Selections for oversight will be made by the committee chair, committee or designated task force based on input from AE staff, the technical reviewer and committee members. The oversight involves completing a full working paper review, and it may be performed on-site in conjunction with the peer review or after the review has been performed. It is recommended that the oversight be performed prior to presenting the peer review documents to the peer review committee. This allows the committee to consider all the facts prior to accepting the review. However, a RAB may review the peer review documents and decide an oversight should be performed before they can accept the peer review.

AEs that administer fewer than 25 system reviews annually are required to perform a minimum of one system review oversight on-site. If the AE administers fewer than 25 engagement reviews annually, a minimum of one must be selected for oversight. Waivers may be requested in hardship situations, such as a natural disaster or other catastrophic event.

## **Results**

For 2018, the AEs conducted oversight on 261 reviews. There were 151 system and 110 engagement reviews oversights. Approximately 53 percent of the system oversights were conducted on-site. For 2019, the AEs conducted oversight on 264 reviews. There were 158 system and 106 engagement reviews oversights. Approximately 51 percent of the system oversights were conducted on-site. See exhibit 12 for a summary of oversights by AEs.

## ***Annual Verification of Reviewers' Resumes***

### **Description**

To qualify as a reviewer, an individual must be an AICPA member and have at least five years of recent experience in the practice of public accounting in accounting or auditing functions. The firm(s) with whom the member is associated should have received a pass report on either its system or engagement review. The reviewer should obtain at least 48 hours of CPE in subjects related to accounting and auditing every three years, with a minimum of eight hours in any one year.

A reviewer of an engagement in a high-risk industry should possess not only current knowledge of professional standards, but also current knowledge of the accounting practices specific to that industry. In addition, the reviewer of an engagement in a high-risk industry should have current practice experience in that industry. If a reviewer does not have such experience, the reviewer may be called upon to justify why he or she should be permitted to review engagements in that industry. The AE has the authority to decide whether a reviewer's or review team's experience is sufficient to perform a particular review.

Ensuring that reviewers' resumes are updated annually and are accurate is a critical element in determining if the reviewer or review team has the appropriate knowledge and experience to perform a specific peer review. The AE must verify information within a sample of reviewers'

resumes on an annual basis. All reviewer resumes should be verified over a three-year period, as long as, at a minimum, one-third are verified in year one, a total of two-thirds have been verified by year two, and 100 percent have been verified by year three. Verification must include the reviewers' qualifications and experience related to engagements performed under generally accepted government auditing standards (GAGAS), audits of employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), audits of insured depository institutions subject to the FDICIA, audits of broker-dealers and examinations of SOC 1<sup>®</sup> engagements and SOC 2<sup>®</sup> engagements, as applicable. Verification procedures may include requesting copies of their license to practice as a CPA, CPE certificate from a qualified reviewer training course, CPE certificates that document the required 48 CPE credits related to accounting and auditing to be obtained every three years with at least eight hours in one year and CPE certificates that document qualifications to perform audits under *Government Auditing Standards*, if applicable. The AE also verifies whether the reviewer is a partner or manager in a firm enrolled in the Program and whether the reviewer's firm received a pass report on its most recently completed peer review.

## **Results**

Each AE submitted a copy of its oversight policies and procedures indicating compliance with this oversight requirement, along with a list of reviewers whose resume information was verified during 2018 and 2019. See exhibit 13.

## ***Evolution of Peer Review Administration***

### **Introduction**

The evolution of peer review administration is part of the AICPA's EAQ initiative, with the objective to ultimately improve audit performance by increasing the consistency, efficiency and effectiveness of the Program administration.

Each of the state CPA societies and all peer review AEs have been integral to the success of the peer review function, which is enormous in both scope and size across the country. Their commitment to meeting the needs of practitioner members and regulators has been, and continues to be, tremendous. At the same time, the need for an evolution of peer review administration was overwhelmingly validated by stakeholder feedback.

Peer review has grown and matured over the years in the marketplace, as well as the regulatory and technological environments. This evolution does not diminish the contributions of any state CPA society or AE. As the Program evolved over time, some state societies began to examine their role in peer review, and 11 AEs opted to discontinue administering peer review over the past three years and have allowed other state AEs to administer their programs.

### **Benchmark Model**

As part of evolution and the AICPA's EAQ initiative, the PRB approved AE benchmarks to enhance overall quality and effectiveness of Program administration. The benchmarks include qualitative, objective and measurable criteria, which may be modified over time due to advances in technology and other factors. AE benchmarks were derived from the final evolution paper released on August 31, 2017, the webcast presentation for AEs released on September 20, 2017 and stakeholder feedback.

The benchmark model started with a pilot period for monitoring and reporting on the benchmarks. During the pilot period, which began on July 2, 2018 and ended on December 31, 2019, AEs were not subject to fair procedures. For the reporting period beginning January 1, 2020, AEs will be

subject to fair procedures when there is a pattern of consistent non-compliance with the benchmarks. Although AE self-monitoring and reporting to the OTF are new concepts, the overall peer review process should not have significant changes, as many of the benchmarks have always been expected and implied. So, AEs are expected to follow peer review *Standards* and guidance and will be held accountable for non-compliance.

During the pilot, the OTF monitored benchmarks and reporting requirements to determine if modifications were needed, including the frequency and timing of reporting. Revisions to the benchmarks were made during this process. The OTF will continue to evaluate the benchmark measurements to make sure they are appropriate and achievable and will make modifications as needed.

**Exhibit 1**  
**Administering Entities Approved to Administer the Program in 2018 and 2019**

<b>Administering Entity</b>	<b>Licensing Jurisdiction(s)</b>
Alabama Society of CPAs	Alabama, Arkansas <sup>1</sup> , Mississippi <sup>2</sup>
California Society of CPAs	California, Arizona, Alaska
Colorado Society of CPAs	Colorado, New Mexico
Connecticut Society of CPAs	Connecticut
Florida Institute of CPAs	Florida
Georgia Society of CPAs	Georgia
Kansas Society of CPAs	Kansas
Society of Louisiana CPAs	Louisiana
Maryland Association of CPAs	Maryland
Massachusetts Society of CPAs	Massachusetts, New Hampshire
Michigan Association of CPAs	Michigan
Minnesota Society of CPAs	Minnesota, North Dakota <sup>3</sup>
Missouri Society of CPAs	Missouri
National Peer Review Committee	N/A
Nevada Society of CPAs	Nevada, Idaho <sup>2</sup> , Montana <sup>4</sup> , Nebraska, Utah, Wyoming
New England Peer Review, Inc.	Maine, Rhode Island, Vermont
New Jersey Society of CPAs	New Jersey
North Carolina Association of CPAs	North Carolina
The Ohio Society of CPAs	Ohio
Oklahoma Society of CPAs	Oklahoma, South Dakota
Oregon Society of CPAs	Oregon, Guam, Hawaii <sup>5</sup> , Northern Mariana Islands
Peer Review Alliance	Illinois, Indiana <sup>6</sup> , Iowa, Kentucky, South Carolina, West Virginia, Wisconsin
Pennsylvania Institute of CPAs	Pennsylvania, Delaware, New York <sup>5</sup> , Virgin Islands
Puerto Rico Society of CPAs	Puerto Rico
Tennessee Society of CPAs	Tennessee
Texas Society of CPAs	Texas
Virginia Society of CPAs	Virginia, District of Columbia
Washington Society of CPAs	Washington

<sup>1</sup> Effective April 2019.

<sup>2</sup> Effective July 2019.

<sup>3</sup> Effective July 2018.

<sup>4</sup> Effective May 2018.

<sup>5</sup> Effective March 2018.

<sup>6</sup> Effective September 2018.

**Exhibit 2**  
**Results by Type of Peer Review and Report Issued**

The following shows the results of the Program from 2017-19 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review.

	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>Total</u>	
<u>System reviews</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Pass	2,489	80	3,098	78	3,246	79	8,833	79
Pass with deficiency(ies)	416	13	587	15	579	14	1,582	14
Fail	<u>207</u>	<u>7</u>	<u>276</u>	<u>7</u>	<u>263</u>	<u>7</u>	<u>746</u>	<u>7</u>
Subtotal	<u>3,112</u>	<u>100</u>	<u>3,961</u>	<u>100</u>	<u>4,088</u>	<u>100</u>	<u>11,161</u>	<u>100</u>

  

	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>Total</u>	
<u>Engagement reviews</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Pass	2,763	77	3,591	76	3,867	79	10,221	77
Pass with deficiency(ies)	390	11	488	10	532	11	1,410	11
Fail	<u>421</u>	<u>12</u>	<u>641</u>	<u>14</u>	<u>483</u>	<u>10</u>	<u>1,545</u>	<u>12</u>
Subtotal	<u>3,574</u>	<u>100</u>	<u>4,720</u>	<u>100</u>	<u>4,882</u>	<u>100</u>	<u>13,176</u>	<u>100</u>

**Exhibit 3**  
**Type and Number of Reasons for Report Modifications**

The following lists the reasons for report modifications (that is, pass with deficiency(ies) or fail reports) from system reviews in the Program accepted from 2017-19 summarized by elements of quality control as defined by QC section 10. 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, 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. 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 2, "Results by Type of Peer Review and Report Issued."

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Leadership responsibilities for quality within the firm ("the tone at the top")	97	140	144
Relevant ethical requirements	39	72	76
Acceptance and continuance of client relationships and specific engagements	30	84	78
Human resources	117	192	266
Engagement performance	544	768	728
Monitoring	<u>243</u>	<u>368</u>	<u>438</u>
<b>Totals</b>	<b><u>1,070</u></b>	<b><u>1,624</u></b>	<b><u>1,730</u></b>

**Exhibit 4**  
**Number of Engagements Not Performed in Accordance**  
**with Professional Standards in All Material Respects**

The following shows the total number of engagements reviewed (system reviews and engagement reviews) and the number identified as not performed in accordance with professional standards in all material respects from peer reviews accepted from 2017-19 in the Program.

Engagement Type	2017			2018			2019		
	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	
Audits:									
Single Audit (Uniform Guidance)	1,365	299	22%	1,426	260	18%	1,353	304	22%
Governmental - All Other	1,374	193	14%	1,855	239	13%	1,955	292	15%
ERISA	2,368	356	15%	2,595	406	16%	2,527	400	16%
FDICIA	58	4	7%	46	5	11%	47	12	26%
Broker-Dealers	162	35	22%	160	32	20%	121	21	17%
Other	4,268	271	6%	5,433	318	6%	5,349	635	12%
Reviews	4,624	377	8%	5,943	480	8%	6,140	423	7%
Compilations & Preparations:									
With Disclosures	2,837	219	8%	3,766	283	8%	3,894	244	6%
Omit Disclosures	8,247	1,020	12%	10,707	1,457	14%	10,696	1,057	10%
Forecasts & Projections	57	2	4%	91	7	8%	21	3	14%
SOC® Reports	188	27	14%	209	21	10%	167	19	11%
Agreed Upon Procedures	1,104	29	3%	1,348	38	3%	1,223	91	7%
Other SSAEs	208	24	12%	141	3	2%	161	2	1%
<b>Totals</b>	<b>26,860</b>	<b>2,852</b>	<b>11%</b>	<b>33,720</b>	<b>3,549</b>	<b>11%</b>	<b>33,654</b>	<b>3,503</b>	<b>10%</b>



**Exhibit 5**  
**Summary of Required Follow-Up Actions**

The AEs' peer review committees are authorized by the *Standards* to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. The peer review committee also considers the matters noted by the reviewer and the firm's response thereto. Corrective actions and implementation plans are remedial and educational in nature and imposed to strengthen the performance of the firm. A review can have multiple corrective actions and/or implementation plans. For 2017-19 reviews, the following represents the type of corrective actions and/or implementation plans required.

<b>Type of Follow-Up Action</b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Agree to take/submit proof of certain (CPE)	1,311	2,099	2,974
Submit to review of correction of engagements that were not performed in accordance with professional standards	112	173	272
Agree to pre-issuance reviews	442	702	641
Agree to post-issuance reviews	503	835	820
Agree to review of remedial actions	33	113	143
Submit monitoring or inspection report to Team Captain or Peer Review Committee	174	309	297
Submit to revisit (Team Captain or Peer Review Committee Member)	163	172	187
Elect to have accelerated review	6	6	11
Submit evidence of proper firm licensure	26	61	87
Firm has represented in writing they no longer perform any auditing engagements	51	68	63
Agree to hire outside party or consultant for inspection	36	61	70
Team captain to review Quality Control Document	20	54	37
Submit proof of purchase of manuals	31	50	23
Agree to join a Quality Center	38	55	56
Other	103	153	204
<b>Total</b>	<b><u>3,049</u></b>	<b><u>4,911</u></b>	<b><u>5,885</u></b>

**Exhibit 6**  
**On-Site Oversight of Administering Entities**  
**Performed by the AICPA Oversight Task Force**

For the years 2018 and 2019, a member of the OTF performed an on-site oversight visit to each of the following AEs. The oversight results are available on the [AICPA's website](#).

<u>2018</u>	<u>2019</u>
Alabama	Colorado
Arkansas	Connecticut
California	Louisiana
Florida	Maryland
Georgia	Massachusetts
Idaho	Minnesota
Kansas	North Carolina
Michigan	Oklahoma
Mississippi	Peer Review Alliance
Missouri	Texas
Nevada	Virginia
New England	Washington
New Jersey	
Ohio	
Oregon	
Pennsylvania	
Tennessee	

**Exhibit 7**  
**Observations from On-Site Oversight of Administering Entities**  
**Performed by the AICPA Oversight Task Force**

The following represents a summary of observations made by the OTF resulting from the on-site oversight visits performed during 2018-19. The observations are examples not indicative of every AE and may have been a single occurrence that has since been corrected upon notification.

**Administrative Procedures**

- Committee decision letters not sent timely
- All required materials not provided to the RAB
- Resume verification not completed timely and documentation not retained in accordance with program guidance
- Technical reviewers not evaluated annually
- Open reviews did not appear to have been identified by administrative procedures as open, so, these reviews were not being monitored for completion Peer review data maintained on the website is not current or not in accordance with Program guidance
- RAB member qualifications were not appropriately monitored to determine their eligibility to participate in RAB meetings

**Technical Reviewers**

- Technical reviewers did not meet the applicable training requirements on a timely basis
- Technical reviewers did not address issues before reviews were presented to the RAB
- Technical reviewers did not evaluate reviewer performance history and present to the RAB
- Technical reviewers recommended implementation plans not in accordance with guidance
- Engagement reviews with certain criteria were not accepted within 60 days of receipt of working papers from the reviewer
- Reviews were not presented to the RAB within 120 days of receipt of working papers from the reviewer

**Committee Procedures**

- Reviewer performance feedback not issued when appropriate
- Required oversights not performed timely
- RAB not was not identifying issues during the deliberation process of review acceptance until noted by the observer

**Exhibit 8**  
**Comments from RAB Observations**  
**Performed by AICPA Peer Review Program Staff and OTF Members**

The following is a summary of recurring comments generated from the RAB observations performed by the Program staff and OTF members for 2018 and 2019. The comments provide the AEs, their committees, RABs, peer reviewers and technical reviewers with information that will increase consistency and improve the peer review process. The comments vary in degree of significance and are not applicable to all the respective parties.

- Potential issue regarding auditor compliance with independence requirements of *Government Auditing Standards* (Yellow Book)
- Firms' response on the FFC forms did not address all items listed
- Systemic cause missing or did not appropriately address the underlying cause of the finding on FFC forms
- Firm representation letters not consistent with the illustration in appendix B of the *Standards*
- Report language was not consistent with current *Standards*
- Reviewer did not expand scope in accordance with *Standards* and guidance
- Firm letter of response and FFC responses did not appropriately address nonconforming engagements
- Reviewer performance feedback not initially recommended when:
  - Reviewers did not appropriately aggregate and evaluate matters
  - Reviewers did not identify nonconforming engagements
  - Oversight identified issues not previously detected by the reviewer
  - Reports and letters of response were not in compliance with *Standards*
- Reviews were not consistently presented to the RAB free from open technical issues causing the RAB to spend extra time discussing, leading to deferred or delayed acceptance
- RAB members that performed or participated in a review did not recuse themselves from the meeting when their reviews were presented
- Corrective actions and implementation plans recommended were not in accordance with RAB Handbook guidance
- The referral database included a referral from the Department of Labor or ethics; however, this was not referenced in the technical reviewer's checklist
- Technical reviewers did not evaluate reviewer performance history and present to the RAB
- Technical reviewers were not available to address questions raised by RAB members during the presentation of reviews
- Committee decision letters not sent timely
- All required materials not provided to the RAB

**Exhibit 9**  
**Material Departures from Professional**  
**Standards Identified by SMEs**

As discussed in more detail in the “Enhanced Oversight” section, the SMEs identified material departures from professional standards that were not identified by the peer reviewers. The following is a list of the most common departures from professional standards identified by the SMEs in the 2018 and 2019 samples. The SMEs identified these departures from professional standards, individually or in the aggregate, as material departures from professional standards that caused the engagement to be considered nonconforming.

*Employee Benefit Plan Engagements*

- Failure to perform an appropriate risk assessment including: not assessing risk at the assertion level, not properly identifying relevant assertions and not documenting specific audit responses to risk
- Lack of documentation of understanding of internal controls and internal control testing, including, plan controls, payroll, IT and complimentary user controls
- Lack of documentation over tests of operating effectiveness on key complementary user controls for a SOC<sup>®</sup> report upon which reliance was placed
- Control risk assessed at less than high without obtaining a SOC<sup>®</sup> report or performing other control testing
- Failure to perform an appropriate preliminary analytic
- Lack of documentation of testing of benefit/claim payments
- Lack of documentation of testing over census data provided to third party
- Failure to perform sufficient procedures of the plan’s investments in a full scope audit
- Failure to include sufficient documentation to meet the re-performance standards
- Failure to appropriately document size determination

*Single Audit/Uniform Guidance and Government Auditing Standards Engagements*

- Lack of documentation of independence considerations, including skills, knowledge, and experience, threats to independence and safeguards
- Failure to appropriately document risk assessment including: assessing risk at only the financial statement level, not appropriately linking audit procedures performed to the risk assessment and not documenting understanding of controls including IT controls
- No testing of internal control over compliance or lack of testing of internal control over all direct and material compliance requirements
- Lack of documentation of internal controls over compliance
- Failure to document internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA), document procedures performed over the SEFA or reconcile the SEFA to the financial statements.
- Failure to sufficiently test or document testing of all direct and material compliance requirements
- Insufficient documentation of auditor analysis and judgement of which applicable compliance requirements were determined not to be direct and material
- Lack of documentation of risk of material non-compliance of each of the major programs
- Failure to appropriately document sample size determination  
Failure to perform major program determination in accordance with Uniform Guidance

**Exhibit 10**  
**Summary of Oversight Performed by Administering Entities**

The following shows the number of oversights performed by each AE for 2018 and 2019.

<b>Administering Entity</b>	<b>2018</b>			<b>2019</b>		
	<b>Type of Review/Oversights</b>			<b>Type of Review/Oversights</b>		
	<b>System</b>	<b>Engagement</b>	<b>Total</b>	<b>System</b>	<b>Engagement</b>	<b>Total</b>
Alabama	7	6	13	4	2	6
California	16	18	34	10	19	29
Colorado	2	3	5	3	2	5
Connecticut	2	2	4	2	2	4
Florida	8	4	12	5	5	10
Georgia	3	4	7	3	2	5
Kansas	2	2	4	2	2	4
Louisiana	3	2	5	5	4	9
Maryland	2	3	5	4	2	6
Massachusetts	4	2	6	4	3	7
Michigan	4	4	8	4	4	8
Minnesota	2	2	4	3	2	5
Missouri	2	2	4	2	2	4
National Peer Review Committee	24	-	24	28	-	28
Nevada	3	5	8	2	4	6
New England	4	2	6	3	2	5
New Jersey	8	2	10	5	2	7
North Carolina	4	3	7	5	4	9
Ohio	4	4	8	4	4	8
Oklahoma	2	2	4	2	2	4
Oregon	2	2	4	5	2	7
Peer Review Alliance	14	6	18	9	11	20
Pennsylvania	7	9	16	14	2	16
Puerto Rico	2	-	2	5	1	6
Tennessee	2	3	5	3	2	5
Texas	8	8	16	17	12	29
Virginia	2	6	8	2	4	6
Washington	8	4	12	3	3	6
<b>Total</b>	<b>151</b>	<b>110</b>	<b>261</b>	<b>158</b>	<b>106</b>	<b>264</b>

**Exhibit 11**  
**Summary of Reviewer Resumes Verified by Administering Entities**

The following shows the number of reviewer resumes verified by AEs for the years 2017-19.

<b><u>Administering Entity</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Alabama	34	35	32
California	36	49	47
Colorado	15	28	20
Connecticut	6	7	4
Florida	25	60	35
Georgia	10	24	25
Kansas	5	7	4
Louisiana	25	25	18
Maryland	14	18	24
Massachusetts	11	20	6
Michigan	22	21	21
Minnesota	17	37	10
Missouri	19	19	13
National Peer Review Committee	124	68	84
Nevada	18	73	19
New England	10	8	4
New Jersey	33	35	31
North Carolina	25	48	11
Ohio	-	70	35
Oklahoma	9	10	12
Oregon	10	16	11
Peer Review Alliance	101	78	74
Pennsylvania	52	63	82
Puerto Rico	-	5	13
Tennessee	19	26	21
Texas	32	46	52
Virginia	18	44	21
Washington	11	17	8
<b>Total</b>	<b>701</b>	<b>957</b>	<b>737</b>

## **Appendix 1 History of Peer Review at the AICPA**

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.



## Appendix 1, continued

### History of Peer Review at the AICPA

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 the 30 years since peer review became mandatory for AICPA membership, 53 SBOAs have adopted peer review requirements, and many require their licensees to submit certain peer review documents as a condition of licensure. To help firms in complying with SBOA 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 (listed in the following paragraph) to SBOAs through a state-board-only-access website. Permission is granted through various opt-out and opt-in procedures. Some SBOAs now require their licensees to participate in FSBA, whereas others recognize it as an acceptable process to meet the peer review document submission requirements.

The FSBA documents typically include the following:<sup>7</sup>

- Peer review reports
- Letters of response (if applicable)
- Acceptance letters
- Letters signed by the reviewed firm indicating that the peer review documents have been accepted, with the understanding that the reviewed firm agrees to take certain actions (if applicable)
- Letters notifying the reviewed firm that required actions have been completed (if applicable)

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

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<sup>7</sup> As of February 2015, a firm's current and prior peer review documents are available via facilitated state board access (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.

## Appendix 2 AICPA Peer Review Program Overview

AICPA bylaws require that members engaged in the practice of public accounting be with a firm that is enrolled in an approved practice-monitoring program or, if practicing in firms that are not eligible to enroll, the members themselves are enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice monitoring standards, and the firm or individual issues reports purporting to be in accordance with AICPA professional standards.

Firms enrolled in the Program are required to have a peer review of their accounting and auditing practice once every three years, not subject to PCAOB permanent inspection, covering a one-year period. The peer review is conducted by an independent evaluator known as a *peer reviewer*. The AICPA oversees the Program, and the review is administered by an entity approved by the AICPA to perform that role. An *accounting and auditing practice*, as defined by the *Standards*, is "all engagements covered by Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARs); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office (GAO); and engagements performed under Public Company Oversight Board (PCAOB) standards."

The following summarizes the different peer review types, objectives, and reporting requirements as defined under the *Standards*. There are two types of peer reviews: system reviews and engagement reviews.

*System reviews*: System reviews are for firms that perform engagements under the SASs or *Government Auditing Standards*, examinations under the SSAEs, or engagements under PCAOB standards. In addition, agreed-upon procedures, reviews, compilations and preparation engagements are also included in the scope of the peer review. The peer reviewer's objective is to determine whether the firm's system of quality control for its auditing and accounting practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control (Redrafted)* (QC sec. 10)<sup>8</sup>, in all material respects. The peer review report rating may be *pass* (firm's system of quality control is adequately designed and firm has complied with its system of quality control); *pass with deficiency(ies)* (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 with the exception of deficiency(ies) described in the report); or *fail* (firm's system of quality control is not adequately designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects).

*Engagement reviews*: Engagement reviews are available only to firms that do not perform engagements under the SASs, *Government Auditing Standards*, examinations under the SSAEs, or engagements performed under PCAOB standards. The peer reviewer's objective is to evaluate whether engagements submitted for review are performed and reported on in conformity with

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<sup>8</sup> QC section 10 can be found in AICPA *Professional Standards*.

## Appendix 2, continued AICPA Peer Review Program Overview

applicable professional standards in all material respects. The peer review report may be a rating of *pass* when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects. A rating of *pass with deficiency(ies)* is issued when the reviewer concludes that at least one, but not all, the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *fail* is issued when the reviewer concludes that all engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects.

### **AEs**

Each state CPA society elects the level of involvement that it desires in the administration of the Program. The three options are (1) self-administer; (2) arrange for another state CPA society or group of state societies to administer the Program for enrolled firms whose main offices are located in that state; or (3) ask the AICPA to request another state CPA society to administer the Program for enrolled firms whose main offices are located in that state. The state CPA societies that choose the first option agree to administer the Program in compliance with the *Standards* and related guidance materials issued by the PRB. The PRB approved 28 state CPA societies, groups of state societies, or specific-purpose committees, known as AEs, to administer the Program in 2019. See exhibit 1. Each AE is required to establish a peer review committee that is responsible for administration, acceptance and oversight of the Program.

To receive approval to administer the Program, AEs must agree to perform oversight procedures annually. The results of their oversight procedures are submitted as part of the annual Plan of Administration (POA). The annual POA is the AE's request to administer the Program and is reviewed and approved by the OTF.

AEs may also elect to use the *Standards* and administer a PRP for non-AICPA firms and individuals. Non-AICPA firms and individuals are enrolled in the state CPA society PRPs and these reviews, although very similar to reviews administered by the Program, are not considered as being performed under the auspices of the Program. The reviews are not oversighted by the AICPA PRB; so, this report does not include information or oversight procedures performed by the AEs on their PRPs of non-AICPA firms and individuals.

## Glossary

<u>Term</u>	<u>Definition</u>
AICPA Peer Review Board	Functions as the senior technical committee governing the Program and is responsible for overseeing the entire peer review process.
AICPA Peer Review Program Manual	The publication that includes the revised <i>AICPA Standards for Performing and Reporting on Peer Reviews (Standards)</i> and interpretations to the revised <i>Standards</i> and other guidance that is used in administering, performing and reporting on peer reviews.
AICPA Peer Review Program Oversight Handbook	The handbook that includes the objectives and requirements of the AICPA PRB and the AE oversight process for the Program.
AICPA Peer Review Program Report Acceptance Body Handbook	The handbook that includes guidelines for the formation, qualifications, and responsibilities of AE peer review committees, report acceptance bodies and technical reviewers. The handbook also provides guidance in carrying out those responsibilities.
Program Administrative Manual	The publication that includes guidance used by the AICPA PRB, approved state CPA societies or other entities in the administration of the Program.
Administering entity	A state CPA society, group of state CPA societies or other entity annually approved by the PRB to administer the Program in compliance with the <i>Standards</i> and related guidance materials issued by the PRB.
Agreed upon procedures	An attestation engagement in which a practitioner performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or conclusion.
Attest engagement	An examination, review, or agreed-upon procedures engagement performed under the attestation standards related to subject matter or an assertion that is the responsibility of another party.
Audit	An engagement which provides financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework.
Compilation	An engagement where the accountant applies accounting and financial reporting expertise to help management in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework.
Corrective Action	A corrective action is a course of action that a reviewed firm has agreed to take in response to deficiencies.

<u>Term</u>	<u>Definition</u>
CPA on Staff	Individual at the AE responsible for managing the Program.
Employee Retirement Income Security Act of 1974	The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for pension plans in private industry.
FDICIA	Federal law enacted in 1991 to address the thrift industry crisis. The Federal Deposit Insurance Corporation Improvement Act (FDICIA) recapitalized the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), expanded the authority of banking regulators to seize undercapitalized banks and expanded consumer protections available to banking customers.
Engagement review	A type of peer review for firms that do not perform audits or certain SSAE engagements that focuses on work performed and reports and financial statements issued on particular engagements (reviews or compilations).
Enhancing Audit Quality initiative	The Enhancing Audit Quality (EAQ) initiative is the AICPA's commitment to providing the resources and tools, as well as standards, monitoring, and enforcement, necessary to move the profession further on its journey toward greater audit quality.
Facilitated State Board Access (FSBA)	Developed by the AICPA to assist firms in complying with state peer review document submission requirements. Firms give permission to provide the results of their peer reviews to SBOAs via the secure FSBA website. Several SBOAs allow firms to voluntarily meet their state peer review document submission requirements using FSBA and many SBOAs require firms to use FSBA.  FSBA was enhanced in January 2020 to provide certain objective information about a firm's enrollment in the Program and the firm's current peer review when a firm gives permission.
Financial statements	A presentation of financial data, including accompanying notes, if any, to communicate an entity's economic resources or obligations, or both, at a point in time or the changes therein for a period of time, in accordance with GAAP, a comprehensive basis of accounting other than generally accepted accounting principles, or a special purpose framework.
Finding for further consideration (FFC)	A finding is one or more matters that the reviewer concludes does not rise to the level of a deficiency or significant deficiency and is documented on a finding for further consideration (FFC) form.
Firm	A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.

<u>Term</u>	<u>Definition</u>
Hearing	When a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial corrective actions are not adequate, the PRB may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm’s enrollment in the Program should be terminated or whether some other action should be taken.
Implementation plan	An implementation plan is a course of action that a reviewed firm has agreed to take in response to findings for further consideration. A RAB may require an implementation plan when the responses to a firm’s FFC(s) are not comprehensive, genuine and feasible.
Licensing jurisdiction	For purposes of this report, licensing jurisdiction means any state or commonwealth of the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico or the Virgin Islands.
Matter for further consideration	A matter is noted as a result of evaluating whether an engagement submitted for review was performed or reported on, or both, in conformity with applicable professional standards in all material respects. Matters are typically one or more “No” answers to questions in peer review questionnaires(s). A matter is documented on a matter for further consideration (MFC) form.
Other comprehensive basis of reporting	Consistent accounting basis other than GAAP used for financial reporting.
Oversight Task Force	Appointed by the PRB to oversee the administration of the Program and make recommendations regarding the PRB oversight procedures.
Peer Review Committee	An authoritative body established by an AE to oversee the administration, acceptance, and completion of the peer reviews administered and performed in the licensing jurisdiction(s) it has agreed to administer.
Plan of administration (POA)	A document that state CPA societies complete annually to elect the level of involvement they desire in the administration of the Program.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
Preparation engagement	An engagement to prepare financial statements pursuant to a specified financial reporting framework.
PRIMA System	An online system that is accessed to carry out the Program administrative functions.
Report Acceptance Body	A committee or committees appointed by an AE for the purpose of considering the results of peer reviews and ensuring that the requirements of the Program are being complied with.

<u>Term</u>	<u>Definition</u>
Review	An engagement where the accountant obtains limited assurance, primarily through performance of analytical procedures and inquiries, to conclude whether the financial statements are in accordance with an applicable financial reporting framework.
Reviewer feedback form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer resume	A document residing in PRIMA and required to be updated annually by all active peer reviewers, which is used by AEs to determine if individuals meet the qualifications for service as reviewers as set forth in the <i>Standards</i> .
Special purpose framework	A financial reporting framework, other than GAAP, that is one of the following bases of accounting: cash basis, tax basis, regulatory basis, contractual basis, or another basis.
State board of accountancy	An independent state governmental agency that licenses and regulates CPAs.
State CPA society	Professional organization for CPAs providing a wide range of member benefits.
Summary review memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in an FFC form.
System of quality control	A process to provide the firm with reasonable assurance that its personnel will comply with applicable professional standards and the firm's standards of quality.
System review	A type of peer review for firms that have an accounting and auditing practice. The peer reviewer's objective is to determine whether the system of quality control for performing and reporting on accounting and auditing engagements is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.
Technical reviewer	Individual(s) at the AE whose role is to provide technical assistance to the RAB and the Peer Review Committee in carrying out their responsibilities.
Territory	A territory of the United States is a specific area under the jurisdiction of the United States and, for purposes of this report, includes Guam, the District of Columbia, the Northern Mariana Islands, Puerto Rico and the Virgin Islands.

**Agenda Item 1.7B**

**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation  
between January 8, 2020 and April 21, 2020**

In response to the coronavirus impact on firms and the probability of firms not receiving fair procedure notifications, the AICPA Peer Review Program temporarily ceased dropping firm enrollment in March. Enrollment was dropped prior to March for the firms reported below:

\* Indicates firm is reenrolled as of April 22, 2020.

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900010130606	Holt, McDuffee & Ramsey, L.L.C.	AL
900005236261	Jesse S. Ellis, CPA, PC	AL
900004379403	Henry W Varga PLC	AZ
900010136769	Melvin D. Phelps, PC	AZ
900006083636	Tomisato PC	AZ
900255349897	Aguirre, Greer & Co.	CA
900010112432	Alfred V. Reuter Accountancy Corp	CA
900010006127	BPE&H, An Accountancy Corporation	CA
900005669483	CMM, LLP	CA
900011587709	Craig Schauer, CPA	CA
900011978796	Dale R. Howe, CPA	CA
900010084680	David Brody & Co.	CA
900011321409	Dennis P. Iden, CPA	CA
*900001019686	Edward I Goldberg	CA
900009928343	England Financial Corporation	CA
900001035551	Foote Accountancy	CA
900011476772	Gerald B. Newman	CA
900255248808	Gregory M. Maher, CPA	CA
900000504278	Harvey H. Levy CPA, P. C.	CA
900010143618	Infinity Accountancy Group LLP	CA
900255187549	JP Accountancy Company, Inc.	CA
900255273394	Kenneth L. Creal, An Accountancy Corporation	CA
900007225701	Kim & Lee Accounting, Inc.	CA
900010099970	Lang and Company	CA
900007913929	Magidov CPA Firm An Accountancy Corporation	CA
*900004992107	Marcello & Company, CPAs	CA
900000003581	Michael Campos	CA
900005556944	P&C Group Inc.	CA
900005099633	Patrick J. Rooney, CPA	CA
900000082740	Ralph Bovitz CPA, A. C.	CA
900006938408	Robert Wm. Wheeler, CPA, Inc.	CA



<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900255187030	Samuel E. Arthur	CA
900005839724	Scott Alan Furman CPA	CA
900255274013	Sung Joon Lee, CPA (dba SJ Accounting Consulting)	CA
900001065501	William H. Daillak	CA
900005903005	Aliquam Financial Services, LLC	CO
900005311048	Cline & Associates LLC	CO
*900010140638	Fleming & Associates, LLP	CO
900010154180	Gomerding & Associates, LLC	CO
900010133534	Hristopoulos & Company	CO
900010119574	Michael S. Pinksa CPA	CO
900001087918	Susan H Moore	CO
900255226522	Butcher and Company	CT
900255348775	F.M. Harrison & Co. CPA LLC	CT
900010104263	Gregory E. Butler P. C.	CT
900011642971	John W. Ferland	CT
900011645210	Novaro, Capella & Johnstone	CT
900008829087	Joyce CPA LLC	FL
900010153958	Sharpp and Company, PA	FL
900010133468	Benny C. Phillips, P.C.	GA
*900255344976	Conexus CPA Group, LLC	GA
*900255249345	David E. Barnett III	GA
900008395771	DLC Audit Tax & Advisory dba DLC CPAs	GA
900010106900	John C. Dills Jr.	GA
900010117986	Kendall L. Davis , P. C.	GA
*900081191126	Kerry E Robbins	GA
*900010155300	Long & Associates, LLC	GA
900255349005	Morris and Waters	GA
*900002282624	PJC Group LLC	GA
900010101587	William L. Wong CPA & Associates, Inc	HI
900010144032	Roger Klosterman & Co., LLP	IA
900005531639	Roth Tax & Accounting	IA
900010140005	Cox-CPA & Company PLLC	ID
900255180904	Johannsen and Company CPAs	ID
*900005629092	Reliant Group, Inc.	ID
*900010144589	Albert N. Panzeca, CPA Ltd	IL
*900255350211	Christopher O. Ihejirika, CPA and Associates	IL
*900255181893	Edward Izzi & Associates Ltd.	IL
900255349191	EZ Taxes, LLC	IL
900255347763	Jan J. Acquafredda dba The J Joseph Group CPA	IL
900255189477	John P. Grimes, CPA	IL

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900255349824	Muhammad CPA & Associates, LLC	IL
900255349959	Takeisha A Strong CPA	IL
900255350021	William Lewis Hayes II, CPA, CIA, CCSA	IL
900010094084	Willock, Warning & Co., P. C.	IL
900001079920	Dirk A. Yoder	IN
900004645947	Elevation CPA Group, PC	IN
*900255166037	Howard & Company, LLC	KS
900010082294	Cook & Associates PSC	KY
*900005294724	Jones & Hurley CPAs PLLC	KY
*900010138720	Brian D. Goguen P. C.	MA
900006444544	Ingle & Associates LLC	MA
900001169931	John T. Brozowski CPA, P. C.	MA
900011721552	Laurie H. Knapp, CPA	MA
*900010083306	Plumb & Pierce	MA
900010119014	Powers & Sullivan	MA
900010150640	Roy & Rurak, LLC	MA
900010081761	Rutfield & Hassey, LLP	MA
*900010147091	Timothy M. Craven	MA
900005406423	Davis and Associates	MD
900010098364	Sandon, Leist & Company, PLLC	MI
*900010144132	Abacus CPAs, LLC	MO
900010115937	David P. Linderer, LLC	MO
900005929760	Mitch Boleware	MS
900006386086	Shoemaker & Company, CPA PLLC	MS
900011764952	Tew & Company, PA	MS
900004038674	Martin J. Halloran, CPA	NC
*900010017512	Dorfman, Abrams, Music, LLC	NJ
900005277716	Kosek Mundi, P.C.	NJ
900255350336	Kunj Sheth CPA, P.C	NJ
*900255270813	Steven M. Delsanto CPA LLC	NJ
*900006169586	AXIOM Certified Public Accountants and Business Advisors LLC	NM
*900001073037	Gilbert L. Sanchez	NM
900010149705	Laws & Company, LLC	NM
*900010149446	LeCompte, P.C.	NM
900010097636	Sloan & Company	NM
900004540192	Caroline Chieffo CPA	NV
900007234353	Howard Fuller, CPA	NV
900005477841	Stephens Consulting, Ltd. dba Jacquelyn Stephens, CPA	NV
900255021100	Bucknam & Rodecker CPAs	NY
900010130972	Conrado A. Payabyab	NY

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
*900010143837	Gianfranco Ricciardella CPA, P. C.	NY
900255349252	Jeffrey Eng CPA P.C.	NY
*900010109206	Joseph A. Albano CPA, P. C.	NY
900001175825	Lawrence Priolo CPA	NY
*900010134839	Lerner & Sipkin, CPAs, LLP	NY
*900010077535	Rosenblatt, Levittan, Vulpis, Goetz & Co LLP	NY
900008183463	Rosenfeld CPA PLLC	NY
900010094277	Roy, Cole & Speranza	NY
900004291428	Carey & Associates, Inc.	OH
900010130201	Christopher J. Groubert Co	OH
900255273991	Keplinger & Longacher	OH
900010148923	Lux & Associates, CPA, Inc.	OH
900010130184	Michael J. Nyikos CPA	OK
900009035669	Roger K Laxton CPA	OK
900010103014	Alberici, Diasio & Associates, P. C.	PA
900255273470	C. Jane Bachman, CPA	PA
900004435957	Fola & Associates, P.C.	PA
900010060648	Rudney Smith CPAs PC	PA
900010084444	Falcón Sánchez & Associates, PSC	PR
900001162054	Jesus Oyola Cuadrado	PR
*900010112360	Veguilla CPA Group, PSC	PR
900010103647	Leonelli & Vicario, Ltd.	RI
900004799309	David C. Nanney, CPA, PLLC	TN
900255349274	Tresa Y. Scott, CPA PLLC	TN
900010118465	Brosowske, Mares, Smothermon & Co., P. C.	TX
900005107608	Claudia L. Marrufo, CPA	TX
900010114387	Elizabeth Anne Miles CPA	TX
900004302492	HH Kwon CPA	TX
900001103316	Keith A. Barfield P. C.	TX
*900010119346	Parr & Associates, P.C.	TX
900255348410	Sandra Reid CPA PLLC	TX
900010117485	Sung Whan Cho	TX
900010138853	James A. Shore	UT
900005552237	John N. Gardner, CPA	UT
900255182518	K.C. Smith, CPA, PC	UT
900000416121	Scott L. Jenson P C	UT
900004098567	Sippel & Company, P.C.	UT
900005022374	Whitehouse & Company CPAs	UT
900000035638	DJC Tax & Accounting LLC	WI
900010146347	Mattson & Pedersen Accounting, Ltd.	WI

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<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900010144910	Strosahl & Co., CPA's, S.C.	WI
900010118761	Ovie Gibson CPA-AC	WV
*900001050448	Vandevander & Nypl, CPAs, A.C.	WV

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## **Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Reporting at the January 2020 Meeting**

In response to the coronavirus impact on firms and the probability of firms not receiving fair procedure notifications, the AICPA Peer Review Program temporarily ceased terminating firm enrollment in March. Enrollment was terminated prior to March for the firms reported below:

### Failure to complete a corrective action

The AICPA Peer Review Program terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate. The firms did not complete corrective actions designed to remediate deficiencies identified in the firm's most recent peer review.

Susan J. Landman, Inc. – Lawrenceville, GA

### Failing to submit signed acknowledgement letters

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not timely submit evidence of agreement to perform remedial actions as required as a condition of completion of its peer review.

Gene Damron CPA – Olive Branch, MS

### Consecutive non-pass reports in system reviews

The AICPA Peer Review Program terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate by failing to design a system of quality control, and/or sufficiently complying with such a system, that would provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Key & Associates, P.C. – Silver Spring, MD

### Failing to correct deficiencies or significant deficiencies after consecutive corrective actions

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm failed to correct deficiencies or significant deficiencies after consecutive corrective actions required by the peer review committee on the same peer review.

Jennings and Harris CPA's PC – Sedalia, MO

Firm terminations are also published on our website at:

<https://www.aicpa.org/forthepublic/prfirmterm/2020peerreviewfirmterminations.html>

### Compliance Update - Firm Noncooperation

#### Why is this on the Agenda?

This is an informational item to keep AICPA Peer Review Board (PRB) members informed about firm noncooperation, such as drops and terminations.

In response to the coronavirus impact on firms and the probability of firms not receiving fair procedure notifications, the AICPA Peer Review Program (PRP) made several temporary changes to noncooperation fair procedures, which were implemented in March 2020:

- Increased interval between warning communications that might lead to drop or termination of a firm’s enrollment (effectively delaying end processes by at least 60 days);
- Ceased dropping or terminating firm enrollment; and
- Extended appeal periods for firm enrollment drops or terminations.

These temporary changes have impacted the timing of the drop, termination, and appeal processes and related volume noted throughout this agenda item. Assessment to determine if additional changes are necessary and appropriate will take place prior to these processes resuming normal timeframes and function.

#### Hearings, Drops, and Terminations

##### Firm Hearing Referrals and Mediation

Referrals are firm noncooperation cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing. Firms referred to the PRB for a termination hearing increased significantly after PRIMA implementation in 2017, due in part, to process automation as well as changes in guidance to expedite such matters and align more closely with Enhancing Audit Quality initiatives.

Due to the previously discussed temporary changes, the table below shows a significant decrease in the current year to date:



\*through 4/7/2020

The types of matters for which firms are referred for termination hearings were as follows:



\*through 4/7/2020

**Legend:**

- FUOD Failure to complete corrective action(s)
- NC General non-cooperation (includes completeness activities/material omission from scope, failure to undergo/complete peer review, failure to improve after consecutive corrective actions, etc.)
- NOAGRE Failure to agree to corrective action
- REPEAT Failure to improve after consecutive non-pass peer reviews
- SIGNED Failure to sign MFCs, FFCs, etc.

In some situations, firms can be encouraged and assisted to resolve the matter to avoid a hearing. This includes noncooperation types such as failure to agree to or complete corrective actions, implementation plans, MFCs or FFCs. Normally, staff attempts to mediate hearing referrals where appropriate, which ultimately leads to fewer panels and other resource usage. Due to the AICPA PRP's response to the coronavirus impact on firms, mediation outreach has temporarily been suspended, but will recommence prior to subjecting the firm to a hearing panel. Since May 2019, staff outreach (primarily phone calls) has resulted in stopping 54% of the firm hearings out of 77 outreaches attempted. Staff does not perform mediation outreach to firms referred for charges such as consecutive non-pass reports or material omission from scope because those firms do not have any recourse to avoid the hearing (other than pleading guilty by agreeing to the charges).

**Firm Drops and Terminations**

A firm's enrollment may be dropped from the AICPA PRP without a hearing (typically prior to the commencement of a review) for failure to submit requested information concerning the arrangement or scheduling of its peer review or timely submit requested information necessary to plan or perform the peer review. A detailed list of noncooperation reasons that may lead to a drop is in the [Peer Review Board Drop Resolution](#) (Interpretation 5h-1) on aicpa.org. Although warning letters are sent, staff does not perform mediation outreach to firms that may be dropped. Normally, firms whose enrollment will be dropped from AICPA PRP are sent to PRB members for approval via negative clearance and subsequently reported in PRB open session materials. Firms may appeal being dropped or terminated from the AICPA PRP.

A firm's enrollment may be terminated for other failures to cooperate with the AICPA PRP (typically after the commencement of a review). A detailed list of noncooperation reasons that may lead to a termination is in the [Peer Review Board Termination Resolution](#) (Interpretation 5h-

1) on aicpa.org. Terminations from the AICPA PRP must be decided upon by a hearing panel of the PRB.

Drops and terminations of firms enrolled in the AICPA PRP are ordinarily reported in a monthly communication to state boards of accountancy Executive Directors and State Society CEOs and are available on the Extranet for AEs.

[Firms with AICPA members whose enrollment in the AICPA Peer Review Program is terminated](#) are published on aicpa.org and included in the PRB open session materials. Firms without AICPA members whose enrollment in AICPA PRP has been terminated are not published by the AICPA but are included in the statistics of this agenda item.

Below is a summary of firm hearing panel decisions over the past several years:

	<u>Number of Firms</u>	
<u>Year</u>	<u>Terminated</u>	<u>Not Terminated</u>
2016	41	6
2017	18	6
2018	41	25
2019	59	57
2020*	<u>15</u>	<u>9</u>
<b>Total</b>	<b><u>174</u></b>	<b><u>103</u></b>

\*through 4/7/2020

Terminated firms reported above include hearing panel decisions to terminate, including those within their available appeal period, and firms that agreed to the charges and were terminated without a hearing.

For firms whose enrollment was not terminated, the firm may be required to complete additional corrective actions to remain enrolled. Examples of additional corrective actions that might be required include, but are not limited to:

- Replacement review (omission cases)
- Formalization (in writing) of a firm's decision to limit practice in a certain industry or engagement type or
- Pre-issuance or post-issuance review

In the rare circumstances that additional corrective actions are not required, the review continues uninterrupted. For example, any outstanding corrective actions would need to be completed and accepted before the review is completed.

This summary does not reflect:

- Later decisions by an appeal mechanism to reverse or modify PRB hearing panel termination decisions or
- Cases that are mediated or the underlying cause is resolved (stopped hearings)



**Revised Technical Reviewer Evaluation Form**

**Why is this on the Agenda?**

The revised Technical Reviewer Evaluation Form attached to this agenda item was approved by the Oversight Task Force on April 23 and will be maintained on the AE SharePoint space going forward.

Now available on SharePoint, [this form](#) should be used by CPAs on Staff instead of the prior version located in Exhibit 2-1 of the RAB Handbook. Exhibit 2-1 and references to it will be removed from the RAB Handbook as part of the September 2020 PRPM update.

**Effective Date**

Immediately.

**Communications Plan**

- AEs will be notified of this change in the June AE Alert, which will include the link above to access the form on SharePoint.
- Technical reviewers will be alerted to this change during the next Technical Reviewer Quarterly Call.

## Technical Reviewer Evaluation Form

### Evaluation of Technical Reviewer

Purpose: This evaluation may be used by CPAs on Staff to evaluate the qualifications and competencies of technical reviewers on an annual basis and is designed to provide technical reviewers with positive and constructive feedback.

Technical Reviewer: \_\_\_\_\_

### Part I: To Be Completed by the Technical Reviewer

1. Date and description of last peer review training course:

Date: \_\_\_\_\_

Description: \_\_\_\_\_

2. Have you met the CPE requirements to serve as a technical reviewer, as detailed in Chapter 2 of the RAB Handbook?

Yes \_\_\_ No \_\_\_

Explain if "No": \_\_\_\_\_

Attach a summary of continuing professional education (CPE) obtained during the last three years, including the course date, description, subject matter and number of CPE hours obtained.

3. Provide the following information for the peer review with the highest level of service that you participated in during the calendar year under review:

Date of Review: \_\_\_\_\_

Reviewed Firm Name: \_\_\_\_\_

Review Number: \_\_\_\_\_

Type of Review: \_\_\_\_\_

Type of Report: \_\_\_\_\_

Level of Participation: \_\_\_\_\_

Other Comments: \_\_\_\_\_

**Part II: To Be Completed by the CPA on Staff (including consultation with the Committee Chair as needed), with comments regarding instances of non-compliance with applicable benchmark(s), as necessary.**

Qualifications:	Yes	No	N/A	Comments
1. Did the technical reviewer meet the minimum requirements as specified in Interpretation No. 132-1 of the standards?				
<ul style="list-style-type: none"> <li>• (A) Be trained in the standards, interpretations, and guidance of the program by completing within the 12 month period preceding the commencement of the technical review one or more training courses that are applicable to the type of peer review being evaluated, (B) meet the team captain or review captain training requirements established by the board and (C) meet the technical reviewer training requirements established by the board.</li> </ul>				
<ul style="list-style-type: none"> <li>• Participate in at least one peer review each year, which may include participation in an oversight of a System Review. (See minimum participation requirements described in RAB handbook at chapter 2)</li> </ul>				
<ul style="list-style-type: none"> <li>• Be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members. (See minimum participation requirements described in RAB handbook at chapter 2)</li> </ul>				
<ul style="list-style-type: none"> <li>• Have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. Such knowledge may be obtained from on-the-job training, training courses, or a combination of both. Technical reviewers are to obtain a minimum amount of CPE in order to maintain the appropriate level of accounting and auditing knowledge.</li> </ul>				
<p><u>Applicable benchmark(s):</u>            ❖ TR-1: Meet all qualifications established in the RAB Handbook, including training requirements. (RAB Handbook – Ch. 2, Sec. I)</p>				
2. Does the technical reviewer appear knowledgeable about their role? (RAB handbook, chapter 2)?				

Applicable benchmark(s):

- ❖ TR-1: Meet all qualifications established in the RAB Handbook, including training requirements. (RAB Handbook – Ch. 2, Sec. I)
- ❖ TR-3: Maintain objectivity and skepticism to mitigate familiarity threat and implement appropriate safeguards while performing the technical review. (RAB Handbook –Ch 1, Sec. VII)

3. Is the technical reviewer knowledgeable about the treatment of: <ul style="list-style-type: none"><li>• MFCs, DMFCs, FFCs?</li><li>• Deficiencies and significant deficiencies?</li><li>• Nonconforming Engagements?</li><li>• Monitoring issues?</li><li>• Must-select engagements, if applicable?</li><li>• Peer review scope?</li><li>• Report format and content?</li><li>• Corrective actions and implementation plans?</li></ul>				

Applicable benchmark(s):

- ❖ TR-2: Perform the technical review in accordance with guidance. (RAB Handbook –Ch. 2, Sec. III-V)

4. Does the technical reviewer complete the applicable technical reviewer checklists and provide the RAB with any comments necessary to properly evaluate the peer review? <ul style="list-style-type: none"><li>• Comments on the overall effect of matters, findings, deficiencies, and significant deficiencies?</li><li>• Comments on errors or oversights in the peer review documents regarding the review team’s performance?</li><li>• Comments on scope?</li><li>• Comments on the need for reviewer performance feedback?</li><li>• Comments on the need for requiring the firm to agree to corrective actions or implementation plans?</li><li>• Other comments, as necessary?</li></ul>				

Applicable benchmark(s):

- ❖ TR-2: Perform the technical review in accordance with guidance. (RAB Handbook –Ch. 2, Sec. III-V)
- ❖ TR-8: Evaluate reviewer performance history and present to RAB. (RAB Handbook – Ch. 8, Sec. IV D.)

❖ <i>TR-9: Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues. (RAB Handbook – Ch. 2, Sec. II A)</i>				
5. Are technical reviews being performed within a reasonable time period after the review documents are submitted?				
<u>Applicable benchmark(s):</u> ❖ <i>TR-4: Complete technical reviews to meet the 120-day rule for initial presentation of reviews. Over this reporting period, an AE should have fewer than 10% of reviews not presented within this timeframe. (RAB Handbook – Ch. 2, Sec. IV E)</i> ❖ <i>TR-5: Complete technical reviews to meet the 60-day rule for engagement reviews with certain criteria. Over this reporting period, an AE should have fewer than 10% of reviews not accepted within this timeframe.</i>				
6. Does the technical reviewer resolve most issues before submitting reviews to the RAB, and is this adequately documented and communicated?				
<u>Applicable benchmark(s):</u> ❖ <i>TR-6: Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. (RAB Handbook – Ch. 2, Sec. II A &amp; Sec. III-V)</i> ❖ <i>TR-7: Limit reviews with open items and missing relevant information from the RAB package unless RAB consultation is necessary. (RAB Handbook – Ch. 2, Sec. II A.)</i>				
<b>Interaction With the RAB</b>				
7. Is the technical reviewer available during the RAB meeting to answer questions that may arise?				
<u>Applicable benchmark(s):</u> ❖ <i>TR-10: Be available during RAB meetings in which his/her reviews are presented to answer questions to avoid deferrals or delays.</i>				
8. Does the technical reviewer understand his or her role during the RAB meeting which is to “assist” and not present reviews or make decisions on reviews?				
<u>Applicable benchmark(s):</u> ❖ <i>TR-1: Meet all qualifications established in the RAB Handbook, including training requirements. (RAB Handbook – Ch. 2, Sec. I)</i>				
<b>Technical Reviewer Feedback</b>				
9. Determine if any technical reviewer feedback has been issued during the year from the following sources and, if so, were specific solutions discussed, and has the technical reviewer agreed to take any actions on problems?				

- Feedback from the RAB?
- AICPA AE Oversight Visit Reports?
- AICPA RAB Observation Reports?
- Feedback from peer reviewers?
- Administrative oversight procedures, if applicable?


10. Were any repeat findings related to the technical review process noted in any of the reports or comments previously mentioned?

DRAFT

**Other Comments:**

Areas for improvement or training:

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Technical Reviewer Comments:

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CPA on Staff Comments:

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**Acknowledgement of Review:**

Signature of Technical Reviewer: \_\_\_\_\_ Date: \_\_\_\_\_  
Signature of CPA on Staff: \_\_\_\_\_ Date: \_\_\_\_\_

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## PRB Observers

Dan Weaver  
Paul Pierson  
Susanna Sharpe  
Stephen Langowski  
Wade Jewell  
Vinit Shrawagi  
Richard Hill  
Dipesh Patel  
Kary Arnold  
Thomas Kirwin  
Sharon Romere-Nix  
Chuck Jordan  
Heather Trower  
Richard Daisley  
Stephen Hicks  
Heather Lindquist  
Daniel Wamhoff  
Lisa Brown  
Anna Durst  
Chris Rouse  
Bimpe McMillon  
Gloria Roberts  
Maria Laboy  
Mary Kline-Cueter  
David Holland  
Wende Wadsworth  
Katie Cheek  
Glenn Roe  
Marc Feinstein  
Julie Phipps  
Todd Shapiro  
Deidre Budahl  
Julie Salvaggio  
C. Jack Emmons  
Monica Farrell  
Allison Henry  
Laura Harrison  
Gregg Taketa  
Beth Lyons  
Andrea Byrd  
Alma Velez  
Art Sparks  
Dawn Carlson  
Colleen Conrad  
Boyd Busby  
Wendy Garvin  
Mittie Benham

Rafael Wiesenberg  
William Bailey  
Kevin Humphries  
Marybeth Halpern  
Jennifer Winters  
Viki Windfeldt  
Rita Barnard  
Michelle Thompson  
Faye Hayhurst  
William J Black, Jr  
Phyllis Barker  
Patty Hurley  
Jerry Cross  
Kent Absec  
Heather Myers  
Dan Sweetwood  
Darlene Zibart  
Adelina Burke  
Tara Loghing  
John Roller  
Bob Brooks  
Ashley Sellers  
David Nance  
Rebecca Tres  
Abby Dawson  
Melinda Hart  
Pamela Lemire  
Nancy Glynn  
Patty Faenger  
Stacey Lockwood  
John Baumer  
Phil Windschitl  
Mary Kelly  
Gloria Snyder  
Colin Autin  
Mark Mersmann  
Santiago Sabocor  
Dan Hevia  
Diana Mccalpin  
David Hicks  
Monday Rufus  
Mary Mackrell  
Steven Kessler  
Silvia Yehezkel  
William Oyster  
John Skukalek  
Frank Sanchez-Ruiz

Tobbie Wells  
Richard Carter  
Lonnie Heim  
Jessica Mytrohovich  
Iryna Corporation  
Michael Fredrickson  
Reza Mahbod  
Kris Samiley  
Samuel Johnson  
Scott Clelland  
Nancy Bechanan  
Stella Marie Santos  
Nancy Jones  
Brian Skluzacek  
Robert Vachon  
Shelby Goldgrab  
Wendy Andong  
Kelli Bernstein  
Ben Lozano  
Brittney Williams  
Charles Gregg  
Darla Saux  
Gregory Caudill  
Joelle Pulver  
Richard Cristini  
Steve Grohne  
John Uberti  
Fausto Hinojosa  
Janice Gray  
Kevin Howell  
Diane Smith  
Shawn Emerson  
Paul Goetz  
Levonía Reese  
John Saracena  
Tracey Etchberger  
Edward Rose  
Nina Sorelle  
Keith Thompson  
Sue Thompson  
Andrew Merryman  
John Oeltjen  
Thomas Cordell  
Yanick Michel  
Craig Myers  
Gerard Demetrius  
Ellen Adkins



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## **PRB Observers**

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Rodney Harano  
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Cora Edwards  
Karen Welch  
Laura Minnick  
Victoria Mwangi  
Mark Malachin  
Cheryl Hartfield



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Program