



Peer Review
Program

Peer Review Board Open Session Materials

February 11, 2021

Virtual Meeting

**AICPA Peer Review Board
Open Session Agenda
Thursday February 11, 2021
Teleconference**

Date: Thursday February 11, 2021

Time: 1:00PM – 3:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board** – Mr. Kindem/Mr. Pope
- 1.2 Approval of Changes to the Review Captain Summary Form* - Ms. Lewis
- 1.3 Update on the Project to Clarify Peer Review Standards* - Ms. Lewis
- 1.4 Task Force Updates*
 - Standards Task Force Report – Ms. Lewis
 - Oversight Task Force Report – Mr. Bluhm
 - Education and Communication Task Force Report – Mr. Beck
- 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. Report on Firms Whose Enrollment was Dropped or Terminated
 - B. Compliance Update - Firm Noncooperation
 - C. Updates to the AICPA Peer Review Program Question & Answers
- 1.8 Future Open Session Meetings**
 - A. May 19, 2021 – Teleconference
 - B. September 2, 2021 – Teleconference
 - C. October 6, 2021 – Durham, NC

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

Review Captain Summary Revisions

Why is this on the Agenda?

For Engagement Reviews, the firm or review captain enters engagement population statistics in PRIMA. The review captain then enters the number of engagements reviewed by type and PRIMA determines if the scope of the peer review is in accordance with guidance. As such, completeness and accuracy of firm statistics in PRIMA are very important. Staff reviewed steps contained within the Summary Review Memorandum related to confirming the completeness and accuracy of statistics and noted no similar questions/steps are in the Review Captain Summary (PRP sec. 6300).

To ensure review captains perform procedures over the completeness and accuracy of Engagement Review engagement population statistics, revisions to the Review Captain Summary are proposed in Agenda Item 1.2A for board approval.

Feedback Received

During its January meeting, the Standards Task Force reviewed and approved the proposed changes (as presented in Agenda Item 1.2A) for presentation to the full PRB. Technical Reviewer Advisory Task Force also reviewed the proposed revisions in November and provided general feedback in support of these changes.

PRIMA Impact

No changes to PRIMA itself, however these changes are expected to inherently improve the reliability of statistics in the system.

AE Impact

None.

Communications Plan

This update will be included in the Reviewer Alert along with other updates to the PRPM and other items discussed by the board.

Manual Production Cycle (estimated)

April 2021

Effective Date

Upon publishing in the April 2021 PRPM update.

Board Consideration

1. Are the proposed changes in Agenda Item 1.2A appropriate and consistent with requirements for Engagement Reviews?
2. Should any of the proposed revisions be modified or removed?

Proposed Changes to the Review Captain Summary

(For ease of use, portions of the checklist with no changes were not included)

II. Planning the Review:

4. Communicate with the firm about the peer review timing, responsibilities, and administrative matters:
 - Discuss with firm management the noncooperation provisions regarding the omission or misrepresentation of the firm's accounting and auditing engagements. Ensure that the firm understands its responsibility for confirming in the representation letter the completeness of the engagement listing provided. Emphasize that failure to properly include engagements on the list could be deemed as failure to cooperate. This may result in termination from the peer review program and referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct (see Interpretation No. 5h-1).
 - Discussions should be with members of management whom the review captain believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control.

- Confirm that the firm did not perform any engagements under Statements on Auditing Standards (SAs), *Government Auditing Standards*, examinations under Statements on Standards for Attestation Engagements (SSAEs), or engagements performed under PCAOB standards. If the firm performed engagements under any of these standards, a *system review* will be required.
- Confirm the Review Summary statistics in PRIMA includes all engagements performed by the firm with periods ending during the year under review whether issued or not. For financial forecasts or projections and agreed upon procedures, the list should include engagements that have report dates during the year under review. Each monthly or quarterly engagement counts as one engagement. The Review Summary statistics in PRIMA and engagement listing, if provided by the firm, should include engagements with periods ending during the year under review whether issued or not.
- Ensure there are no differences between the Peer Review Information (PRI) completed by the firm in PRIMA, the Review Summary statistics in PRIMA and the engagement listing, ~~if provided by the firm.~~ Confirm the Review Summary statistics, including the number and types of engagements performed, is up to date as of the review commencement date.

- If the firm has had an acquisition of another practice or portion thereof, or divestiture of a significant portion of its practice, including the sale of any portion of the firm's nonattest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the administering entity prior to the commencement of the review to determine the appropriate scope of the review and other actions that should be taken.
- Discuss with the firm any allegations or investigations of deficiencies (including litigation) in the conduct of an accounting, audit, or attestation engagement performed and/or reported on by the firm, whether the issues relate to the firm or its personnel within the three years preceding the firm's current peer review year-end.
- Inquire whether the firm and its personnel are appropriately licensed as required by the state board(s) of accountancy in the state(s) in which the firm and its personnel practice.
 - Obtain documentation of the firm license in the state in which the practice unit is domiciled (main office is located). The license should have been active during the peer review year and through the earlier of reviewed engagements' issuance dates or the date of peer review fieldwork.

- If any exception was noted, the review captain should add an addendum to the Review Captain Summary explaining the effect on the firm’s accounting practice and on the performance of the review.
- If the firm does not have the applicable license(s) for the period when the engagements selected for review were issued, the representation letter should be tailored to provide information on the areas of noncompliance. An MFC should also be created and elevated to an FFC.

- | | | | |
|----|---|---|---|
| 5. | Read recent Peer Review Alerts and those applicable to the types of engagements that will be reviewed (such as those that assist with the review of and conclusion on engagements performed under SSARS). | □ | □ |
| 6. | Obtain the results of the prior peer review from the firm or administering entity, <u>PRIMA, or the firm</u> (see paragraph .106 of section 1000, <i>Standards for Performing and Reporting on Peer Reviews</i>), and consider whether the issues discussed in those documents require additional emphasis in the current review. Documents to be obtained include the prior peer review: <ul style="list-style-type: none"> • Report • Letter of response, if applicable • Letter of acceptance • FFC forms, if applicable • Firm representation letter | □ | □ |

7. Select the engagements for review (see paragraphs .104–.105 of section 1000):
- The Review Summary statistics in PRIMA engagement listing should include engagements that have periods ended during the peer review year whether issued or not. For financial forecasts or projections and agreed upon procedures, the list should include engagements that have report dates during the year under review.
 - One engagement should be selected from each of the following areas of service performed by the firm:
 - Review of financial statements (performed under SSARSs)
 - Compilation of financial statements, with disclosures (performed under SSARS)
 - Compilation of financial statements that omits substantially all disclosures (performed under SSARS)
 - Engagements performed under the SSAEs other than examinations
 - One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports previously listed.

- Selection of preparation engagements should only be made in the following instances:
 - One preparation engagement with disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included above or when the firm's only engagements with disclosures are preparation engagements
 - One preparation engagement that omits substantially all disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included above or when the firm's only omit disclosures engagements are preparation engagements
 - One preparation engagement should be selected if needed to have at least two engagements selected for review
- Ordinarily, at least two engagements should be selected for review.
- The preceding criteria are not mutually exclusive. The objective is to ensure that one engagement is selected for each partner and one engagement is selected from each of the areas of service

performed by the firm listed in the previous list. Therefore, one of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed in the previous list performs does not have to be reviewed as long as, for the firm taken as a whole, all types of engagements noted in the previous list performed by the firm are covered.

- There is a presumption that all engagements otherwise subject to the peer review will be included in the scope of the review:
 - In the rare situations when exclusions or other limitations on the scope of the review are being contemplated, a review captain should carefully consider the implications of such exclusion.
 - This includes communicating with the firm and the administering entity the effect on the review and on the ability of the review captain to issue a peer review report.

Update on Clarified Peer Review Standards

Why is this on the Agenda?

Similar to the standing agenda item during the Task Force Update portion of previous PRB open session meetings, the STF is providing an update on the project to clarify peer review standards as.

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

- Concepts common to all peer review stakeholders
- General peer reviewer reviewed firm responsibilities, and
- Engagement Reviews from both the perspective of the peer reviewer and the reviewed firm
- System Reviews from both the perspective of the peer reviewer and reviewed firm
- General administration responsibilities
- Administration (including administrator, technical reviewer and Committee/RAB responsibilities)

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

- November 17, 2020 – The entire STF met to discuss its plan to review of the Clarified Peer Review Standards in aggregate (PR-C secs. 100-430).
- November 30, and December 15, 2020 – The Administration Sub Task Force* continued discussions on PR-C sec. 400 and related appendixes, which will contain guidance for peer review administration.
 - *Administration Sub Task Force members: Brian Bluhm, Paul Brown, Jerry Cross and Bonnie Stewart
- December 16, 2020, January 21 and January 28, 2021 – The entire STF met to continue and complete its detailed review of PR-C sec. 400, which will contain guidance for peer review administration.
- January 28, 2021 – The entire STF met to begin discussing comments from its aggregated review of the Clarified Peer Review Standards.

Upcoming Target Dates:

Review Step	Timing
Editorial changes incorporated into aggregated document	February 2021
STF subsequent review of aggregated Clarified Peer Review Standards	Early March 2021
STF review of explanatory memo	Mid March 2021
STF final review of aggregated Clarified Peer Review Standards	April 2021
Aggregated standards and explanatory memo sent to PRB members to provide comments at least 3 weeks prior to the August 2021 PRB meeting	May 2021
Responses to comments and Exposure Draft presented to PRB for issuance	September 2021

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.

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.

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 1.3)
- Discussed planned peer review checklist revisions related to recently issued SSAE No. 21 and No. 22.
- Approved revisions to the Review Captain Summary relating to completeness and accuracy of engagement statistics in PRIMA (see agenda item 1.2).
- Discussed guidance for administering entities regarding firms that request additional extensions beyond the automatic extension in 2020, including:
 - Continued reasonable leniency for extensions of peer reviews and follow-up actions (corrective actions or implementation plans),
 - Dialogue with firms is encouraged regarding their plans for completing outstanding reviews or follow-up actions.

Upcoming tasks:

- Continued focus on the clarity project (for additional information, see Agenda Item 1.3)
- Continued consideration of QCM review guidance revisions
- Consideration of an administering entity help article related to late reviews
- 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
- OTF members conducted AE oversights
- Approved AE oversight reports and responses
- Reviewed AE benchmark summary forms and feedback received
- Conditionally approved all AEs to administer the peer review program until April 1 when AEs report on compliance with 2020 oversight requirements, provide updated familiarity threat policies and procedures, and updated back-up plans
- Monitored reviewer performance
- Held a joint meeting with NASBA's Peer Review Compliance Committee (PRCC)
- Provided consent for two AEs creating a joint venture for administration of peer review
- Reviewed and approved revisions to guidance for establishing an AE back-up plan
- Reviewed and approved revisions to the technical reviewer's checklists and related resources

Upcoming tasks:

- Approve responses from AEs to AE oversight reports
- Approve RAB observation reports
- Approve, conditionally approve, or defer AE plans of administration for 2021
- Review AE benchmark summary forms and feedback received
- Discuss the type of feedback issued by AEs as a result of enhanced oversights
- Monitor reviewer performance
- Review and approve AICPA Annual Report on Oversight

Education and Communication Task Force**Accomplished since last PRB meeting:**

- Published the November Reviewer Alert on November 19, 2020
- Distributed the Fall 2020 version of the PR Prompts newsletter on November 19, 2020
- Turned Peer Review Conference sessions into on-demand self-study courses for the following areas:
 - Must-Select Industry Update: Employee Benefit Plans
 - Must-Select Industry Update: Government Auditing Standards
 - Peer Review Update Course
 - Technical Reviewer Update Course
 - RAB Member Update Training Course (this was previously a webcast typically offered annually in December)
- Scheduled the AICPA's 2021 virtual offerings of PTRC for the following dates; sign up link with session times to be published soon:
 - May 3, May 5, and May 7
 - July 26, July 28, and July 30
 - November 15, November 17, and November 19
- Updated the Peer Review Program Questions and Answers document, to be published soon on the Peer Review webpage

Upcoming tasks:

- Continue planning for the 2021 Peer Review Conference to be held August 2-4 in San Diego, CA, including:
 - Finalizing the General Session agenda, including identifying potential speakers and concurrent session topics
 - Developing all session materials, including session presentations, conference cases, and other materials
- Develop a training course for technical reviewers related to performing technical reviews of peer review with Single Audit engagements
- Continue analysis of the reviewer pool and implement plans to improve the pool where necessary
- Continue monitoring our available courses to determine if improvements should be made to our overall training framework
- Develop materials for peer review sessions at other conferences, including:
 - ENGAGE (satisfies the Team/Review Captain ongoing training requirement)
 - EBP Conference (satisfies the EBP Must-Select training requirement)
- Develop and publish the February 2021 Reviewer Alert and the Spring 2021 version of the PR Prompts newsletter

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

Pandemic Response: Since the November PRB meeting, we followed up on previous COVID communications through multiple vehicles, including Reviewer Alerts, Administering Entity (AE) alerts, State Regulatory Updates, PRIMA notifications, PRIMA announcements and aicpa.org, to all peer review stakeholders, including:

- Peer reviewers
- Enrolled firms
- State CPA societies
- State boards of accountancy
- National Association of State Boards of Accountancy

Despite the automatic extensions that were granted for firms with reviews due January through September 2020, many firms continue to be directly impacted by COVID and additional extensions have been requested and granted. Administering Entities expect to see review volume increase again after busy season.

2021 Peer Review Conference: Please continue to save the date for the 2021 Peer Review Conference to be held in San Diego, CA from August 2-4, 2021.

PRIMA: On January 18, 2021, staff launched a new Customer Support module, enabling PRIMA users to request support directly within PRIMA. This enhancement transitioned all PR Hotline emails and voicemails from ServiceNow to PRIMA, further improving the PRIMA user experience.

Peer Reviewer Pool: We continue to closely monitor the available pool of qualified peer reviewers. As of January 2021, the number of qualified team captains was reduced by 25 over the past year. However, our total number of qualified reviewers increased by 434, and we now have 1,911 qualified reviewers who have updated their resumes since January 2020. We will be further analyzing the data to understand the distribution and number of qualified subject matter experts and will resume exploring ways to assist firms with identifying qualified reviewers as needed.

Report from State CPA Society CEOs

Mr. Colgan will provide the state society CEO report verbally during the meeting on February 11.

Report on the National Peer Review Committee

The NPRC has met once since the last PRB meeting in November on December 10. Seven large firm reviews were presented, and six were accepted. One was delayed to gather further information and is expected to be presented at the February NPRC Meeting.

Since the November PRB meeting, the NPRC has held four RAB meetings. During those meetings:

- 30 reviews have been presented, including:

-
- 28 Pass and
 - 2 Pass with Deficiencies

The NPRC's next meeting will be held on February 18, 2021.

Agenda Item 1.7A

Firms Dropped from the AICPA Peer Review Program for Noncooperation between October 14, 2020 and December 31, 2020

As previously reported, the AICPA Peer Review Program (Program) made several temporary changes in March 2020 to respond to the coronavirus impact on firms due to the probability of firms not receiving fair procedure notifications. These changes provided firms with additional time to complete required actions. Since that time, proceedings have resumed with compassion.

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of January 13, 2021 are denoted by an '*' following the firm name.

Firm Number	Firm Name	State
900010154790	Armando C. Ibarra CPA, APC	CA
900007653740	Barry B Lockwood	CA
900004342420	Clay, Millias & Co., LLP	CA
900005846219	Dhalla CPA, A Professional Corporation	CA
900011371809	Elder Accountancy	CA
900010130502	Elwin P. Floyd, CPA	CA
900010082527	Lehman & Associates	CA
900003922964	Raymond Young, CPA *	CA
900010127903	Susan E. Glenn & Associates, Certified Public Accountants, Inc.	CA
900010007310	Timpson Garcia, LLP	CA
900255184772	Zigmond Snow & Lang, AAC	CA
900255350701	A M Rojas PA	FL
900006570352	JR Tax Services Inc.	FL
900006075264	Lemus & Company, PA	FL
900255271452	Ronald J. Saffin, PA	FL
900007875611	JLZ Service, Inc.	GA
900004486664	McElderry & Associates LLC	GA
900010143707	Andrew King CPA	ID
900007017875	Alexander Mannie & Company PC *	IL
900001002446	Carmen A. Milano	IL
900009385902	Gregory J. Butler, CPA	IL
900010110673	McMahon & Company, Ltd.	IL
900004999564	RJ Simon, LLC	IL
900255180659	Roger Martin, CPA, PLLC	KY
900081130707	Glenn Ricciardelli	MA
900010119802	Roy O. Brown	MA
900006248737	Oliver Phillips and Associates, LLC	MD
900004588368	Sylvia A. Ehrenreich CPA, PC	MO
900010138371	David Frederick Gillespie	NC

Firm Number	Firm Name	State
900010093263	Page & Smith, P. A., Certified Public Accountants *	NC
900004030525	Ivas & Associates LLP *	NH
900255273979	Bruce R. Hocking, CPA, PC	NJ
900001021450	Budzyn & Associates CPA's *	NJ
900001083477	John Daniel Deck, CPA & Co., LLC	NJ
900011323693	Warren Weintraub CPA PC	NJ
900004985587	William R. Martin	NM
900011633589	Richard J Murphy	NV
900011309771	TJ Warren Company	NV
900010152646	Von Schimmelmann & Associates, CPA	NV
900005578243	Grace Vandecruze CPA PLLC	NY
900010147406	Peter D. Stevanoff, CPA *	NY
900010126041	Saranto P. Calamas *	NY
900010149601	William Bregman CPA	NY
900255273046	Jack H. Hoskins, CPA, Inc.	OH
900010155635	Spooney CPA and Associates, Inc.	OH
900011644889	David W. Scott, CPA PC	OR
900011470809	Martin D Hunter CPA PC	OR
900011642170	Warren & Associates, LLC dba Griggs & Associates, LLC *	OR
900010142206	Drotar Financial Consultants LLC	PA
900004295594	GPCD Partners, LLC	PA
900004934119	Fernandez Valdivia & Company CPA, PSC *	PR
900004395007	Guzman & Co., CPA's, PSC	PR
900010139110	Llavona Casas CPA, PSC *	PR
900255349978	Barry D. Miller, CPA, CFP *	TN
900010117681	Don H. Stephens, CPA, P.C.	TX
900010118489	Eyring, Leavitt and Draney, PLLC *	TX
900010053895	Jerry T. Paul CPA *	TX
900009802525	John D Jordan, CPA, PLLC	TX
900006889348	John H Parma CPA	TX
900255347810	Judith S. Wingo, CPA *	TX
900255349896	M Vafa Riazi CPA, LLC / Mohsen Vafa Riazi	TX
900010028320	Myatt, Blume, and Associates, LTD., L.L.P.	TX
900010149434	Singer & Associates, P.C. *	TX

Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Reporting at the November 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. Since that time, proceedings have resumed with compassion. Enrollment terminations since the last report are 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 their most recent peer review.

Brent T. Carroll, CPA P.A. – Centreville, MD
Arnold C. Charles, CPA – Jamaica, NY
Robert Neil Johnson – Addison, TX
Burch, Fincher & Company, P.C. – Dallas, TX
N. Wesley Pughsley Jr., CPA, PC – Roanoke, VA

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.

Guida & Jimenez, P.A. – Tampa, FL
A.L. TAYLOR & ASSOCIATES – Chicago, IL
William A. Bronec Ltd – Franklin Park, IL
Teti and Carswell CPAs – Rockville, MD
John C. Smith, Jr. CPA – Pink Hill, NC

Failing to complete its peer review after it has commenced

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 documents required to complete the acceptance process of its peer review to its administering entity.

Schwartz & Nesbitt, P.C. – Marlborough, CT

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.

As previously reported, the AICPA Peer Review Program (PRP) made several temporary changes in March 2020 to respond to the coronavirus impact on firms due to the probability of firms not receiving fair procedure notifications. These changes provided firms with additional time to complete required actions. Since that time, proceedings have resumed with compassion. The impact of the temporary changes on the drop, termination and appeal processes and related volume are reflected throughout this agenda item.

Hearings, Drops, and Terminations

Firm Hearing Referrals and Mediation

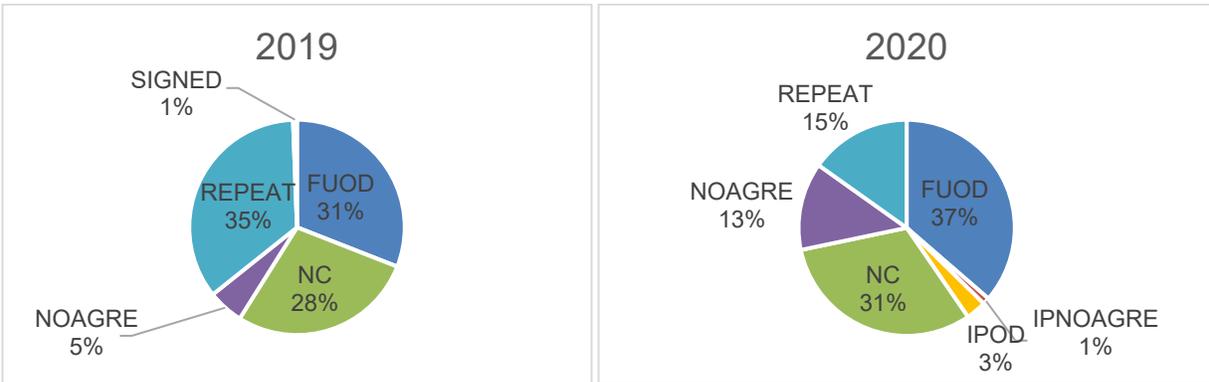
Referrals are firm noncooperation cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing. Firms referred to the PRB for a termination hearing increased significantly after PRIMA implementation in 2017, due in part, to process automation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

Due to the temporary additional time granted to firms to complete peer reviews, implementation plans, and corrective actions, the table below shows a significant decrease in referrals for 2020:



We anticipate an increase in referrals in 2021 as normal timing and function resumes. Excess resource capacity has been utilized for the consideration of reenrollment requests (discussed below). Staff will monitor the volume to determine if additional panel resources are required.

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



Legend:

FUOD/IPOD	Failure to complete corrective action(s) or implementation plan
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/IPNOAGRE	Failure to agree to corrective action or implementation plan
REPEAT	Failure to improve after consecutive non-pass peer reviews
SIGNED	Failure to sign MFCs, FFCs, etc.

The decrease in the rate of repeat (failure to improve after consecutive non-pass peer reviews) charges is due to guidance implemented in May 2019 requiring more robust firm assessment and allowing peer review committees more discretion in referrals of this type. During 2020, there was an increase in the number of firms referred for failure to complete peer review (reflected in the NC number above), failure to agree to corrective actions, and similar charges. This appears to relate to increased ability for AEs to monitor old open reviews due to improved PRIMA reporting.

Firms referred for certain charges, such as failing to complete corrective actions, can sometimes be encouraged and assisted to resolve these matters prior to hearing. AICPA staff attempts to mediate hearing referrals where appropriate, which ultimately leads to fewer panel and other resource usage. In 2020, staff successfully mediated approximately 71% of recourse hearing cases. Recourse hearings do not include 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 by acknowledging the charges and agreeing to termination without a hearing).

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. 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>32</u>	<u>9</u>
Total	<u>191</u>	<u>103</u>

Terminated firms reported above represent 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 circumstance 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)

Firm Reenrollments

Ordinarily, firms that have had enrollment dropped or terminated firm may reenroll by implementing appropriate changes to correct the cause of the drop or termination. For example, a firm terminated for failure to complete a corrective action may be reenrolled by completing the corrective action to the peer review committee's satisfaction. However, reinstatement or reenrollment requests for some firms must be considered by a hearing panel (Interpretation 5h-2). These include firms:

- Dropped for not accurately representing its accounting and auditing practice;
- Terminated for:
 - Omission or misrepresentation of information relating to its accounting and auditing practice;
 - Failure to improve after consecutive non-pass peer reviews; and
 - Failure to improve after consecutive corrective actions

The hearing case increase in the past two years has been largely comprised of these types of cases. Accordingly, an increase in the number of reenrollment cases before hearing panels has resulted. During 2020, 15 reenrollment cases have been considered resulting in approval for nine firms. Reinstatement and reenrollment approvals by a hearing panel may be contingent upon some required action(s), such as a successful pre- or post-issuance review of a particular engagement type. Such required actions are a condition of reinstatement/reenrollment and, as such, evidence of completion must be completed (attached to the reinstatement case in PRIMA) at the time of reinstatement/reenrollment.

Updates to the AICPA Peer Review Program Question & Answers

Why is this on the Agenda?

Staff updates the Peer Review Frequently Asked Questions document at least annually. This document provides answers to common questions asked by firms going through the peer review process. Proposed changes to the document are included on the following pages. For ease of use, only those pages with proposed changes have been included for consideration. These changes have also been discussed by members of the Education and Communication Task Force.

If interested, the entire Peer Review Frequently Asked Questions document can be accessed at the following webpage:

<https://www.aicpa.org/interestareas/peerreview/resources/faqs.html>

Effective Date

Revisions will be published subsequent to the February Board meeting.

Board Consideration

None. Board members and other interested parties may request changes to the Peer Review Frequently Asked Questions at any time by contacting prptechnical@aicpa.org or through our various other communication channels:

<https://www.aicpa.org/interestareas/peerreview/community/links/sources1.html>

Updates to the AICPA Peer Review Program Question & Answers

What is a System Review?

A System Review is designed to provide a peer reviewer with a reasonable basis for expressing an opinion on whether, during the year under review:

- a. The reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and
- b. The reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

This type of review is for firms that perform engagements ~~that are under the in accordance with the~~ Statement on Auditing Standards (SASs,) the *Government Auditing Standards* (Yellow Book), examinations under the Statement on Standards for Attestation Engagements (SSAEs), or engagements under the PCAOB standards ~~as their highest level of service.~~

Example procedures in a System Review include, but are not limited to:

- interviewing firm personnel,
- examining CPE records,
- examining outside consultations regarding A&A matters,
- examining independence representations,
- testing a reasonable cross-section of the firm's engagements with a focus on high-risk engagements and significant risk areas.

The majority of the procedures in a System Review ~~should be~~ normally performed at the reviewed firm's office. ~~However, A reviewer can request the AE's approval to perform the review at a location other than the reviewed firm's office if an on-site peer review is cost prohibitive or extremely difficult to arrange, or both.~~ this requirement is currently suspended (for reviews commencing on or before June 30, 2021) given the ongoing pandemic.

The scope of the peer review does not encompass other segments of a CPA practice, such as tax services or management advisory services, except to the extent they are associated with financial statements, such as reviews of tax provisions and accruals contained in financial statements.

What is an Engagement Review?

The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects.

Enrolled firms that only perform services under SSARs or services under the SSAEs that do not require System Reviews are eligible to have Engagement Reviews.

An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with ~~certain background information and representations and~~ the applicable documentation required by professional standards.

An Engagement Review does not provide the review captain with a basis for expressing any form of assurance on the firm's system of quality control for its accounting practice. However, firms eligible for an Engagement Review may elect to have a System Review.

Can my review be performed somewhere besides my firm's office?

Paragraph .08 of the *Standards* states that the majority of procedures in a System Review should be performed at the reviewed firm's office. However, given the ongoing pandemic, the board has suspended this requirement for peer reviews commencing on or before June 30, 2021. Therefore, your peer reviewer may perform your System Review remotely. The board will revisit this suspension at its meeting in May 2021

Engagement Reviews are normally performed at a location other than the reviewed firm's office. ~~If the System Review can reasonably be performed at the reviewed firm's office, it should be. Although certain planning procedures are performed at the peer reviewer's office, it is expected that a majority of the peer review procedures, including the review of engagements, testing of functional areas, interviews and concluding procedures should be performed at the reviewed firm's office.~~

~~However, it is recognized that there are some situations that make an on-site peer review cost prohibitive or extremely difficult to arrange, or both. In these situations, if the firm and reviewer mutually agree on the appropriateness and efficiency of an approach to the peer review such that it can be performed at a location other than the reviewed firm's office, then the reviewer can request the AE's approval to perform the review at a location other than the reviewed firm's office. This request should be made prior to the commencement of fieldwork, and the firm and reviewer should be prepared to respond to the AE's inquiries about various factors that could affect their determination.~~

~~Some sole practitioners believe their reviews can be carried out in this manner at less cost. Others have found this not to be the case. Regardless, cost savings should not be the primary factor for requesting a System Review to be performed at a location other than a reviewed firm's office, unless the costs are prohibitive.~~

What is a written representation letter?

The team captain or review captain obtains written representations from management of the reviewed firm to describe matters significant to the peer review in order to assist in the planning and performance of and the reporting on the peer review.

The firm is required to make specific representations (included in paragraph .208 of the PRP Section 1000) but is not prohibited from making additional representations. It also may tailor the representation letter as it deems appropriate, as long as the minimum applicable representations are made to the team captain or review captain.

~~For System Reviews, t~~The written representations should be addressed to the team captain or review captain performing the review and be dated the same date as the peer review report which is usually the date of the exit conference... ~~For Engagement Reviews, the representation should be addressed to the reviewer and is also dated the same date as the peer review report.~~

What questions should I ask when selecting a reviewer to perform my firm's review?

Examples of questions you should ask when selecting a reviewer include, but are not limited to:

1. How many reviews has the reviewerindividual performed?
2. How much experience does the reviewer have in the industries in which my firm performs?
3. Will the reviewer be able to complete the review on time, allowing me enough time to submit the report and letter of response, if any, any necessary documentation to the AE by my firm's review due date?
4. ~~Ask for references~~Does the reviewer have any references?;- Can we contact those references and ask whether ~~those firms~~they would recommend the reviewer and why?~~;-~~
5. Are there any other value-added services that the reviewer can provide me during the peer review?

What if my firm cannot finish its review by the due date?

If your firm cannot complete its review by the due date, please request an extension in PRIMA before the due date. Extensions requested after your review's due date will likely not be granted. If possible, extensions should be requested at least 60 days before the due date. However, it is plausible that extensions may be needed due to unforeseen circumstances within 60 days of the due date. Your explanation to the AE should explain why your firm cannot complete its review on time and offer an alternative due date for the review. The AE considers extension requests on a case-by-case basis. Extensions are

not granted simply because a firm believes it needs more time to prepare for the review. Extensions of a review date by more than three months are rare.

In certain circumstances extension requests for due dates may be granted by the AEs, however, the extensions may not be recognized by your state board of accountancy or other regulators. *Government Auditing Standards* require a firm to have an external quality control review every three years. This three-year period begins with the date your firm starts fieldwork on its first engagement under *GAO Standards*. Subsequent reviews under *GAO Standards* should be completed within three years after the issuance of the prior peer review report. If your firm performs governmental audits, don't forget to take these requirements and potential changes into account when you request an extension of your firm's due date. The GAO and SBOAs are not required to recognize extensions granted by the AICPA.

What period should my firm's peer review cover?

The peer review covers a one-year period mutually agreed upon by you and the reviewer and normally should not change from review to review. Engagements selected for review in a System Review would generally be those with periods ending during the year under review, except financial forecasts or projections and agreed upon procedures. Financial forecasts and/or projections and agreed upon procedures with report dates during the year under review would be subject to selection. If the current years' selected engagement is not completed and a comparable engagement within the peer review year is not available, the prior years' engagement ~~should~~ will likely be reviewed. If the subsequent years' engagement has been completed, the peer review team ~~should~~ will consider, based on its assessment of peer review risk, whether the more recently completed engagement should be reviewed instead.

The criteria for selecting the peer review year-end and the period to be covered by Engagement Reviews are the same as those for a System Review.

It is generally anticipated that a firm will keep the same peer review year-end from review to review. If the prior peer review year-end was not the most convenient for firm personnel or the most natural year-end for your firm's practice, send a request to your AE (via PRIMA) that you be allowed a permanent change to a year-end that is more natural for your firm. Your submission should describe the reasons for your request.

What is a scope limitation?

There is a presumption that all engagements and ~~all aspects of functional areas other supporting documentation (for example, CPE records)~~ subject to peer review will be included in the scope of the review. In rare situations a reviewed firm may have legitimate reasons for excluding certain engagements or ~~certain aspects of functional areas other supporting documentation~~, for example when an engagement or an employee's personnel records are subject to pending litigation.

In these situations, an AE may conclude that scope has been limited due to circumstances beyond the firm's control and the review team cannot accomplish the objectives of those procedures through alternate procedures, thus precluding the application of one or more peer review procedure(s) considered necessary in the circumstances. For example, ordinarily, the team would be unable to apply alternate procedures if:

- the firm's only engagement in an industry that must be selected is unavailable for review and there isn't an earlier issued engagement that may be able to replace it, ~~or when~~
- a significant portion of the firm's accounting and auditing practice during the year reviewed had been divested before the review began.

In these circumstances, the team captain or review captain should consider issuing a report with a peer review rating of pass (with a scope limitation), pass with deficiency (with a scope limitation), or fail (with a scope limitation), as applicable.

The existence of a scope limitation in and of itself does not result in a report with a peer review rating of pass with deficiencies or fail; it is in addition to the grade that was determined to be issued (which is why it is possible to have a report with a grade of pass (with a scope limitation) ~~to which there would be no letter of response~~).

The following explanations are examples of unacceptable reasons for excluding an engagement from selection in the peer review ~~(this is not intended as an all-inclusive list)~~:

1. The engagement working papers are in a warehouse.
2. The firm no longer performs the audit for that client (~~but~~ still has access to the documentation).
3. The firm decided to no longer perform audits.
4. The engagement was selected during the last peer review.
5. The partner on that engagement will not be available when the review is scheduled.
6. The firm no longer performs engagements in that industry.

If the AE concludes that there is not a legitimate reason for the requested exclusion and the firm continues to insist on the exclusion, it should be evaluated whether this is a matter of noncooperation.

When should I contact my System Review team captain and what will he or she want from me?

You should contact your team captain and begin planning the review together early enough, at least six to nine months prior to the due date, to make sure all documents will be submitted to the AE by your firm's due date. Amongst other items, the team captain will ask for the following items prior to the review:

- The firm's comprehensive quality control document as required by SQCS No. 8.
- A list of accounting and auditing engagements for all engagements with periods ending during the year under review (or report dates during the year under review for

financial forecasts and/or projections and agreed upon procedures) regardless of whether the engagement reports are issued ~~as well as~~

- ~~a~~A description of the approach taken to ensure a complete and accurate engagement listing.
- A list of the firm's professional personnel showing name, position and years of experience with the firm and in total.
- A copy of the firm's documentation maintained since its last peer review to demonstrate compliance with the monitoring element of quality control.

Based on this information, the team captain will make a preliminary selection of the offices and engagements he or she intends to review. The initial selection of engagements to be reviewed will be provided no earlier than three weeks before the commencement of the peer review. 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. This engagement should be the firm's highest level of service and ~~will~~should not increase the scope of the review.

All engagements with years ending during the peer review year (or report dates during the year under review for financial forecasts and/or projections and agreed upon procedures) that are performed and issued by the firm should be available to the team captain at the start of fieldwork.

How are engagements selected for an Engagement Review?

The review captain or the AE (in a CART review) ~~ordinarily should~~will select the types of engagements to be submitted for review in accordance with the following guidelines:

- a. One engagement ~~will~~should be selected from each of the following areas of service performed by the firm:
 1. Review of financial statements (performed under SSARS~~s~~)
 2. Compilation of financial statements, with disclosures (performed under SSARS~~s~~)
 3. Compilation of financial statements that omits substantially all disclosures (performed under SSARS~~s~~)
 4. Engagements performed under the SSAEs other than examinations
- b. One engagement ~~will~~should be selected from each partner, or individual of the firm, if not a partner, responsible for the issuance of reports listed in item (a).
- c. Selection of preparation engagements ~~will~~should only be made in the following instances:
 1. One preparation engagement with disclosures (performed under SSARS~~s~~) should be selected when performed by an individual in the firm who does not perform any engagements included in item (a) or when the firm's only

-
- engagements with disclosures are preparation engagements.
 2. One preparation engagement that omits substantially all disclosures (performed under SSARs) should be selected when performed by an individual within the firm who does not perform any engagements included in item (a) or when the firm only omits disclosure engagements are preparation engagements.
 3. One preparation engagement should be selected if needed to meet the requirement in item (d).

d. ~~Ordinarily,~~ at least two engagements ~~will~~should be selected for review.

The preceding criteria are not mutually exclusive. One of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed in item (a) in the previous list performs does not have to be reviewed as long as, for the firm taken as a whole, all types of engagements noted in item (a) in the previous list performed by the firm are covered.

What types of peer review reports are issued on Engagement Reviews?

A review captain on an Engagement Review can issue three types of peer review reports: Pass, Pass with Deficiencies or Fail.

Pass

A report with a peer review rating of *pass* is issued when the review captain 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. There are no deficiencies or significant deficiencies that affect the nature of the report. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

Pass with Deficiencies

A report with a peer review rating of *pass with deficiencies* is issued when at least one but not all of the engagements submitted for review contain a deficiency.

In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

Fail

A report with a peer review rating of *fail* is issued when the review captain concludes that the engagements submitted for review were not performed and/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 deficiencies are evident on all of the engagements submitted for review. ~~The review captain should not expand scope beyond the original~~

~~selection of engagements in an effort to change the conclusion from a peer review rating of fail in these circumstances.~~

In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

When are the results of my peer review communicated to me?

The reviewer may have additional questions and communicate matters to the respective engagement team or quality control partner throughout a System Review as situations arise. This is to prevent any surprises at the end of the review. Expectations of such communication should be established at the beginning of the peer review. For System Reviews, the review team should communicate its conclusions at the closing meeting and exit conference. A closing meeting is a meeting to discuss the preliminary results of the peer review. The purpose of this meeting is to discuss matters, findings, deficiencies, or significant deficiencies with senior members of the firm and remind your firm of its requirement to respond. This meeting will generally be held prior to the exit conference ~~and typically will be onsite~~, preferably at least 30 days prior to your firm's review due date. The exit conference will be held ~~, usually via teleconference~~, after your firm has responded to any matters, findings, deficiencies or significant deficiencies and the team captain has assessed those responses. This applies to Engagement Reviews as well, ~~with the exception that both the closing meeting and exit conference may be held via teleconference~~. The closing meeting and exit conference may be combined if, for example, there are no matters, findings or deficiencies to discuss or all matters have been resolved, responded to and evaluated.

What is a corrective action ~~plan~~?

~~During the peer review, if a reviewer finds a matter that rises to the level of a deficiency, the deficiency or significant deficiency will be described in the peer review report.~~ When a firm receives a report with a rating of *pass with deficiencies* or *fail*, the RAB ordinarily should require some type of remedial, corrective action as a condition of acceptance regardless of whether the firm appears to have an understanding of professional standards.

A corrective action ~~plan~~ is tied to the reporting process and the acceptance and completion of the peer review. It is considered part of the working papers and administrative files when a corrective action plan is required by the peer review committee. Firms are expected to agree to and complete any such corrective action ~~plans~~ as part of cooperating with the AE and the board in all matters related to the review. Failure to cooperate with the AE or the PRB may impact the firm's enrollment in the program.

Should my firm expect an implementation plan for every FFC?

No. The decision of whether to require an implementation plan and deciding on what actions or procedures are appropriate is a matter of professional judgment that each RAB

makes based on the applicable facts and circumstances. Generally, if the finding is not a repeat finding or associated with a must-select engagement that was not performed or reported on in conformity with professional standards in all material respects (System Reviews only), no implementation plan is suggested by the RAB.

However, when a finding is a repeat finding or associated with a must-select engagement that was not performed or reported on in conformity with professional standards in all material respects, the firm will often be required to complete an implementation plan.

Additionally, for peer reviews that commence prior to September 30, 2021, an implementation plan (or corrective action in limited circumstances) is required if a reviewer identifies noncompliance with the risk assessment standards (AU-C 315 for AU-C 330), which isn't isolated. For information related to what constitutes noncompliance with the risk assessment standards, or what implementation plans would be required in this situation, refer to [PRP Section 3100, Supplemental Guidance](#).

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