



Peer Review  
Program

# Peer Review Board Open Session Materials

**May 19, 2021**

Virtual Meeting

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**AICPA Peer Review Board  
Open Session Agenda  
Wednesday May 19, 2021  
Teleconference**

**Date:** Wednesday May 19, 2021

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

- 1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Mr. Pope
- 1.2 Approval of Removal of SEC Registered Broker-Dealers from Peer Review\* - Ms. Lewis
- 1.3 Approval of Updates Related to Interpretation No. 8-1 *Performing System Review Procedures Remotely*\* - Ms. Lewis
- 1.4 Approval of Updates to Technical Reviewer Training Requirements\* - Mr. Beck
- 1.5 Update on the Project to Clarify Peer Review Standards\*\*\* - Ms. Lewis
- 1.6 Task Force Updates\*
  - Standards Task Force Report – Ms. Lewis
  - Oversight Task Force Report – Mr. Bluhm
  - Education and Communication Task Force Report – Mr. Beck
- 1.7 Other Reports\*
  - Operations Director's Report – Ms. Thoresen
  - Report from State CPA Society CEOs – Mr. Colgan
  - Update on National Peer Review Committee – Mr. Fawley
- 1.8 Other Business\*\* - Mr. Pope
- 1.9 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
- 1.10 Future Open Session Meetings\*\*
  - A. September 2, 2021 – Teleconference
  - B. October 6, 2021 – Teleconference

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\* Included on SharePoint

\*\* Verbal Discussion

\*\*\* Will be provided at a later date

## Removal of SEC Registered Broker-Dealers from Peer Review

### Why is this on the Agenda?

The STF is proposing the following changes for the Peer Review Program (PRP):

- Removal of SEC registered broker-dealers (BDs) from the scope of peer review
- Removal of the must-select designation of any BDs remaining in the Program (CFTC-only registered BDs).

If approved, for reviews commencing July 1, 2021 or later, CFTC-only registered BDs will be selected based on peer reviewer's risk assessment and all SEC registered BD engagements should be excluded from the peer review.

The AICPA established the Enhancing Audit Quality (EAQ) initiative in 2014 to support auditors in upholding audit quality in an evolving business environment. In the increasingly complex environment, audit quality has become an area of focus needing continual assessment and improvement and expenditure of resources in areas of need. Audits of SEC registered BDs has been one of those areas of focus for the last ten years, with the Peer Review Board (PRB) revising Peer Review Standards (Standards) to temporarily continue the inclusion of BDs in the scope of peer review, even though the engagements were subject to PCAOB inspection.

Since the dual inspection of BD audits has continued for ten years, the STF has determined that such engagements can be removed from the scope of peer review without creating a gap in inspection coverage and a corresponding risk to the public interest. However, to ensure there will be no gap in coverage in the event that, at some point in the future, the PCAOB determines certain BD audits will cease being subject to its inspection process, the PRB does not propose revising standards. Rather, strictly for purposes of the PRP, the proposal is to deem these engagements to be part of a permanent inspection program of the PCAOB.

### Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted in July 2010. It authorized the PCAOB to establish an inspection program for auditors of SEC registered BDs. The law allowed the PCAOB to establish the scope of the program (including whether to differentiate among categories of BDs and/or whether to exclude any from a permanent program), subject to SEC approval. In June 2011, the PCAOB established a temporary interim inspection program. At the time, the PRB expected the interim program would be short-term and therefore did not remove any SEC registered BDs from the scope of the PRP. It did, however, revise paragraphs .06 and .07 of the Standards in a way that would allow for a seamless removal of BDs from the scope of peer review when it determined that a permanent inspection was established. Paragraphs .06 and .07 of the Standards currently state that engagements covered in the scope of the PRP are those not subject to PCAOB permanent inspection.

### SEC Registered Broker-Dealers

The STF considered various factors to conclude, for purposes of the PRP, that audits of SEC registered BDs were part of a PCAOB permanent program. The most significant factors are the required use of PCAOB Standards and the extent to which these engagements remain subject to PCAOB inspection.

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### *Required Use of PCAOB Standards*

The Peer Review Standards are designed for the peer review of engagements performed under AICPA professional standards. Many engagements may be performed under other Standards such as *Government Auditing Standards* or PCAOB Standards. However, in these cases, the AICPA Code of Professional Conduct (ET section 1.310.001.01) requires the audit to also be performed and reported on using AICPA Standards unless it is within the jurisdiction of the PCAOB (such as an SEC issuer or BD).

Effective for fiscal years ended on or after June 1, 2014, all audits and related attestation engagements (further referenced herein as “audits”) for SEC registered BDs were required to be performed in accordance with PCAOB Standards. As these engagements both require the use of PCAOB Standards and are within the jurisdiction of the PCAOB, they are not and should not also be performed using AICPA Standards. These are the only engagements currently subject to peer review that do not use AICPA Standards.

### *Continuing Inspection*

The PCAOB’s mission is to “oversee the audits of public companies and SEC registered brokers and dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.” The AICPA’s primary focus is protecting the evolving public interest. The PRB has established the PRP to enhance quality in the accounting and auditing services provided by CPA firms subject to the Peer Review Standards. This goal serves the public interest.

As our ultimate goals are similar, the Dodd-Frank Act provided the PCAOB the authority to inspect these audits and the PCAOB has demonstrated its intent to continue to inspect them for the foreseeable future, the STF is proposing to exclude these audits from the scope of the PRP in accordance with Paragraphs .06 and .07 of the Standards. If the PCAOB ultimately adopts a permanent inspection scope that does not include some population of BDs, audits of such entities will automatically be added back to the scope of the PRP.

### CFTC Registered Broker-Dealers

Some BDs registered with the Commodity Futures Trading Commission (CFTC) will remain in the scope of the PRP. The STF is proposing to remove the must-select designation of these BDs.

BDs that are dually registered with the CFTC and the SEC are included in the PCAOB BD inspection program and therefore will no longer be subject to peer review. BDs that are only subject to CFTC regulation will remain in the scope of the PRP. There are essentially two types:

- Futures Commission Merchants (FCM) – these engagements require the use of PCAOB and AICPA Standards for audit engagements.
- Introducing BDs (IBD) – also known as “non-carrying” BDs, these engagements are performed only under AICPA Standards.

Of these engagements, FCMs are of higher public interest. However, there are only approximately 24 of these audits performed by less than 10 audit firms (mainly large firms). Therefore, designating these engagements as must-selects is not necessary.

### **Proposed Guidance Changes**

As noted above, no changes are required to the Standards regarding the permanent inspection program. However, Interpretation 6-9 will be revised to clarify that a permanent inspection is one that is so determined by the PRB for purposes of the AICPA Peer Review Program.

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To remove BDs as a must-select engagement, several changes are necessary to the Standards (peer review reports and firm representation letters) and Interpretations. See Agenda Item 1.2A. Conforming changes will be made to other sections of the manual upon approval by the PRB.

There are various AICPA webpages, Help articles, and toolkit documents that will also require revisions.

Supplemental checklist 21,300 SEC Registered Broker-Dealer Audit and Attest Engagements Checklist will be removed from the PRPM. There is not now, nor will there be, a separate CFTC only BD supplement. As with other industries for which there is not a separate supplemental checklist, the peer reviewer will use the General Audit checklist, PCAOB checklist (if applicable) and supplement them with their own knowledge and experience, firm financial reporting and disclosure checklists, etc., as needed.

Checklist 21,200 PCAOB Audit Engagement Checklist will be revised to remove reference to use of the supplemental checklist for BDs. However, this change will not be made until the fall release of changes to Peer Review Checklists as staff anticipates other unrelated changes to the PCAOB checklist at that time.

### **Feedback Received**

The NPRC discussed the proposed changes and supports the decision to remove SEC registered BDs from the scope of peer review.

### **PRIMA Impact**

Similar to the guidance changes, PRIMA changes will primarily be to remove the must-select status of BDs.

- The enrollment (ENR), peer review information (PRI), update (UPD), and resume (RES) cases will be revised to remove carrying and non-carrying codes and scheduling checks and will have a CFTC-Only BD code added. By listing the CFTC-only BDs separately, it will remind firms that these engagements are still subject to peer review and will allow the system to designate the engagement as a must-cover should the concentration requirements be met (as described in Interpretation 63-3).
- The review (RVW) summary will be revised to remove the carrying and non-carrying BD information as the remaining BDs are appropriately captured as Other Engagements Subject to SEC Independence (FCM) or as an Other SAS engagement (IBD)
- The MFC form will be updated for the code changes noted above and to remove the BD checklist.

Changes are anticipated to be implemented by mid-August. NPRC staff will monitor all impacted reviews and will work with team captains and firms to ensure BDs are treated appropriately and PRIMA errors resolved.

### **AE Impact**

Interpretation 11-1 requires firms that perform any engagements under PCAOB Standards (regardless of whether those engagements are in the scope of the PRP) to have their review administered by the NPRC. There are no changes proposed to this guidance and, therefore, such firms will continue to have reviews administered by the NPRC.

### **Communications Plan**

See Agenda Item 1.2B for a Peer Reviewer Alert and an alert to firms that perform BD audits.

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**Manual Production Cycle (estimated)**

Revised guidance will be available on both [aicpa.org](http://aicpa.org) and in OPL by the end of June 2021.

**Effective Date**

The proposed revisions will be effective for reviews commencing on or after July 1, 2021.

AICPA staff will identify any reviews currently scheduled that may be impacted and will work with the team captain and firm to ensure the review has the appropriate scope based on commencement date.

There are no changes proposed to open corrective actions or implementation plans. Firms are still expected to comply with any previously required actions.

**PRB Consideration**

- Discuss and approve the changes proposed in Agenda Item 1.2A and the alerts in Agenda Item 1.2B.

Proposed Changes to Standards and Interpretations

**Standards**

**Introduction and Scope**

**.06** An *accounting and auditing practice* for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARs); <sup>fn 4</sup> Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under PCAOB standards (see interpretations). Engagements covered in the scope of the program are those included in the firm’s accounting and auditing practice that are not subject to PCAOB permanent inspection (see interpretations).

**.07** The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. Firms that perform engagements under the SASs or *Government Auditing Standards*, examinations under the SSAEs, or engagements under PCAOB standards, as their highest level of service have peer reviews called *System Reviews*. 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 SQCS No. 8, in all material respects. Firms that only perform services under SSARs or services under the SSAEs not included in System Reviews are eligible to have peer reviews called *Engagement Reviews*, however firms that only perform preparation engagements (with or without disclaimer reports) under SSARs are not required to enroll in the program (see interpretations). These standards are not intended for and exclude the review of the firm’s accounting and auditing practice applicable to engagements subject to PCAOB permanent inspection (see interpretations). Firms that do not provide any of the services listed in [paragraph .06](#) are not peer reviewed (see interpretations).

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<sup>fn 4</sup> Statements on Standards for Accounting and Review Services that provide an exemption from those standards in certain situations are likewise excluded from this definition of an accounting and auditing practice for peer review purposes (see interpretations).

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## Appendix A (excerpt)

### Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)

.207 (Effective for Peer Reviews Commencing on or After January 1, 2009)

#### System Reviews

8. Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the CPA firm's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the firm's practice with emphasis on higher risk engagements. The engagements selected must include those performed under *Government Auditing Standards*, audits of employee benefit plans, audits of depository institutions (with assets of \$500 million or greater), ~~audits of broker-dealers~~, and examinations of service organizations (SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements) when applicable (these are known as *must select engagements*). The scope of a peer review only covers accounting and auditing engagements performed under SASs, SSARSSs, SSAEs, *Government Auditing Standards*, and PCAOB standards and does not include the firm's engagements subject to PCAOB permanent inspection, nor does it include tax or consulting services. The reviewer will also look at administrative elements of the firm's practice to test the elements listed previously from the SQCSs.

## Appendix B (excerpt)

### Considerations and Illustrations of Firm Representations

.208

8. As of the date of the representation letter and for the peer review year, the firm should do the following:

b. Completeness of the Engagement Listing

i. State the list of engagements provided to the reviewer:

- (1) Included all engagements with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued
- (2) Included, but was not limited to, all engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, ~~audits of broker-dealers~~, examinations of service organizations (SOC 1 and SOC 2 engagements), as applicable

- ii. For System Reviews, where applicable, state that the firm performed the following must-select engagements for the period covered by the peer review and, to the best of their knowledge and belief, at least one of each type of must-select engagement that was performed was selected and reviewed by the peer reviewer: engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, ~~audits of broker-dealers~~, examinations of service organizations (SOC 1 and SOC 2 engagements). If the reviewer selected an engagement under *Government Auditing Standards* (excluding engagements subject to the Single Audit Act) and also selected an engagement solely to evaluate the compliance audit under the Single Audit Act, the list of engagements should read as follows: “Engagements performed under *Government Auditing Standards*; compliance audit(s) under the Single Audit Act,…”
- iii. For Engagement Reviews, state that the firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to PCAOB permanent inspection
- iv. Acknowledge that failure to properly include these engagements on the list could be deemed as failure to cooperate and may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body

### **Illustration of a Representation Letter That Has No Significant Matters to Report to the Team Captain for a System Review**

***(NOTE – similar changes would be applied to all representation letter templates)***

(The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain.)

October 31, 20XX

To [Name of Team Captain]:

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

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We have provided a list of all engagements to the team captain with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued as of the date of this letter. This list appropriately identified and included, but was not limited to, all engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, ~~audits of broker-dealers~~, and examinations of service organizations (SOC 1 and SOC 2 engagements), as applicable. We understand that failure to properly include engagements subject to the scope of the peer review could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body.

[For system reviews; customized where applicable] We have completed and issued the following must-select engagements and, to the best of our knowledge and belief, the peer review team has selected and reviewed at least one of each category:

1. Engagements performed under *Government Auditing Standards*
2. Compliance audits under the Single Audit Act
3. Audits of employee benefit plans
4. Audits performed under FDICIA
- ~~5. Audits of broker-dealers~~
6. Examinations of service organizations (SOC 1 and SOC 2 engagements)

We have discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies with the team captain, if applicable. We have also provided the team captain with any other information requested, including communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. We confirm, to the best of our knowledge and belief, that there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

Sincerely,

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[Reviewed Firm Representative(s)]<sup>fn 1</sup>

## Appendix C

### Illustration of a Report With a Peer Review Rating of *Pass* in a System Review

*(NOTE – similar changes would be applied to all report templates)*

.209

[Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team.]

#### Report on the Firm's System of Quality Control

October 31, 20XX

To the Partners of [or other appropriate terminology] XYZ & Co. and the Peer Review Committee of the [insert the name of the applicable administering entity]<sup>fn 1</sup>

We<sup>fn 2</sup> have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)<sup>fn 3</sup> in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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<sup>fn 1</sup> Members of management as noted in section 5 of [appendix B](#), "Considerations and Illustrations of Firm Representations."

<sup>fn 1</sup> The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

<sup>fn 2</sup> The report should use the plural *we*, *us*, and *our* even if the review team consists of only one person. The singular *I*, *me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

<sup>fn 3</sup> The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

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A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### **Firm’s Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### **Peer Reviewer’s Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review.

### **Required Selections and Considerations**

Engagements selected for review included (engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, ~~audits of broker-dealers~~, and examinations of service organizations [SOC 1 and SOC 2 engagements].) <sup>fn 4</sup>

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

### **Opinion**

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<sup>fn 4</sup> If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards* including compliance audits under the Single Audit Act, audits of depository institutions with total assets of \$500 million or greater at the beginning of its fiscal year, ~~audits of broker-dealers~~, examinations of service organizations [SOC 1 and SOC 2 engagements], or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. If the reviewer selected an engagement under *Government Auditing Standards* (excluding engagements subject to the Single Audit Act) and also selected an engagement solely to evaluate a compliance audit under the Single Audit Act, this portion of the sentence should read as follows “Government Auditing Standards, compliance audits under the Single Audit Act,” etc. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

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In our opinion, the system of quality control for the accounting and auditing practice of XYZ & Co.<sup>fn 5</sup> in effect for the year ended June 30, 20XX, 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. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. XYZ & Co. has received a peer review rating of *pass*.

Smith, Jones and Associates

[*Name of team captain's firm*]

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<sup>fn 5</sup> The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

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## **Interpretations**

### **Engagements Subject to PCAOB Inspection**

6-9

*Question* — Paragraph .06 of the standards cover engagements that are not subject to PCAOB permanent inspection. What does this mean?

*Interpretation* — For purposes of the program, the PRB determines what engagements are subject to PCAOB permanent inspection. Currently, this includes PCAOB inspections generally cover audits of SEC issuers and the audits and related attestation engagements for broker-dealers registered with the SEC or dually registered with both the SEC and Commodity Futures Trading Commission (CFTC). Audits of broker-dealers only registered with the CFTC will remain in scope of the program.

Regulatory changes may provide the PCAOB with the authority to inspect additional engagements. In such scenarios, the PCAOB may undertake an interim inspection program to determine the scope of engagements that will be included in a permanent inspection. During an interim inspection period, such engagements are generally not deemed to be inspected by the PCAOB for purposes of peer review. Therefore, the engagements would still be included in the scope of peer review until such time that a the Peer Review Board concludes they are included in a permanent inspection program of the PCAOB is adopted by the PCAOB.

Additionally, the SEC may set forth rules that require engagements to be performed under other professional standards, but do not require PCAOB permanent inspection. If the SEC rules indicate that the engagements are subject to professional standards, such as those included in paragraph .06 of the standards, but are not subject to PCAOB permanent inspection as determined by the PRB, those engagements are included in the scope of peer review.

### **Engagements Under Peer Review**

7-2

*Question* — Paragraph .07 of the standards indicates that firms that perform engagements that are not subject to PCAOB permanent inspection under the SASs or *Government Auditing Standards*, examinations under the SSAEs, or engagements under PCAOB standards have peer reviews called *System Reviews*. Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews have peer reviews called *Engagement Reviews*. Is the System Review or Engagement Review determination based on the types of engagements a firm performs as its highest level of service?

*Interpretation* — Yes. The type of peer review determination is based on the engagements performed as its highest level of service.

<b>If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:</b>	<b>System Review</b>	<b>Engagement Review</b>
<b><i>Statements on Auditing Standards (SASs)</i></b>		
Engagements	X	
<b><i>Government Auditing Standards (GAS)</i></b>		
Financial Audits	X	
Attestation Engagements (Examination, Review, or Agreed-Upon Procedures Under GAS)	X	
Performance Audits	X	
<b><i>Statements on Standards for Attestation Engagements (SSAEs)</i></b>		
Examination Engagements	X	
Reviews		X
Agreed-Upon Procedure Engagements		X
<b><i>PCAOB Standards</i></b>		
Audits <del>of non-SEC issuers</del>	X	
<del>Attestation of non-SEC issuers</del>	<del>X</del>	
<b><i>Statements on Standards for Accounting and Review Services (SSARs)</i></b>		
Reviews of Financial Statements		X
Compilation		X
Preparation of Financial Statements Engagements		X

If a firm is required to have a System Review, all the engagements listed in the preceding table would be subject to selection for review, ordinarily based on periods ending during the year under review, except for financial forecasts, projections and agreed upon procedures. Financial forecasts, projections and agreed upon procedures with report dates during the year under review would be subject to selection.

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If a firm performs or reports on engagements under International Standards, refer to [Interpretation Nos. 6-7](#) and [6-8](#).

## Office and Engagement Selection in System Reviews

### 59-1

*Question* — Paragraph .59 of the standards requires that 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, and the guidance provides examples of factors to consider when assessing peer review risk at the engagement level. What are some other considerations?

*Interpretation* — A reasonable cross section of a firm’s accounting and auditing practice, not only includes consideration of the specific industries that are required to be selected, but other industries that have a significant public interest. Industries that have a significant public interest are those that benefit the general welfare of the public, such as those that have recent regulatory and legislative developments (~~for example broker-dealers~~). Public interest industries will vary across firms and reviewers should consider the composition of a firm’s accounting and auditing practice when determining if their risk assessment should address a public interest industry. The reviewer also needs to carefully consider the industries that the firm has identified in the category of “other audits” when determining whether to select such an engagement(s). A selection consisting solely of public interest industries would not necessarily represent a reasonable cross section. Other factors to consider in selecting a reasonable cross section may include the number of partners, the number of practice offices, and materiality thresholds of accounting and auditing hours.

The reviewer should explain and document in the *Summary Review Memorandum* key decisions that he or she made when he or she chose not to select any one or more of the following: a level of service, industries in which a significant public interest exists, and industries in which the firm performs a significant number of engagements. This does not give authority to the reviewer to avoid selecting an engagement(s) by simply documenting the reason(s) why he or she did not select certain engagement(s). Therefore the reviewer should document important considerations regarding the engagement selection process.

A reasonable cross section does not always require that at least one engagement from every level of service provided by the firm be selected for review; however, it often may be appropriate in the circumstances. There is no percentage of coverage that necessarily ensures a reasonable cross section. Therefore, there is a relationship between a risk-based approach and a reasonable cross section when selecting engagements, and in that regard each peer review needs to be considered on a case-by-case basis.

The following are examples of risk considerations when addressing obtaining a reasonable cross section of the engagements, including engagements that must be

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selected. It is expected that the various types of engagements within an industry are specifically addressed in the risk assessment. Similar considerations should be made for industries that have a significant public interest, such as engagements subject to SEC independence rules.

- a. *Governmental — Government Auditing Standards* — Inclusion of a must select engagement should not supersede the reviewer’s consideration of engagements and industries that have a significant public interest such as state and local governments, school districts and HUD engagements. For example, if for-profit HUD multifamily housing project audit engagements constitute a significant percentage of a firm’s practice, one would expect the reviewer to select at least one such engagement for review. However, if the firm also performed an audit of an engagement subject to the Single Audit Act, such as a local government or not-for-profit organization, one such engagement must also be selected to perform an evaluation of the firm’s single audit compliance. Peer reviewers should also consider audit firm experience such as how many governmental audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on GAS engagements. Further consideration should be given to communications from regulatory agencies.
- b. *Employee benefit plans* — For employee benefit plans under ERISA, the peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in limited versus full scope audits and in different types of benefit plans such as defined benefit, defined contribution, and voluntary health and welfare plans. If a firm has more than one of the preceding types of plans, the reviewer must consider the unique risks associated with that type of plan and document how these risks were addressed in the risk assessment. Peer reviewers should also consider audit firm experience such as how many ERISA audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on ERISA engagements. Further consideration should be given to communications from regulatory agencies.
- c. *Depository Institutions* — For FDICIA engagements, peer reviewers should take into consideration the amount of total assets held by the federally insured depository institution (less than \$500 million, more than \$500 million, more than \$1 billion). Peer reviewers should also consider audit firm experience such as how many FDICIA audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on FDICIA engagements. Further consideration should be given to the risks of the audited company such as the level of reporting the institution complies with (the holding company level or the bank subsidiary level and the regulatory issues associated with each), the balance of the lending portfolio (the

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industries and concentration percentage of the portfolio), any regulatory correspondence and examination results, capital ratios, financial institution management experience, economic environment and geographic location of the institution, number of branches, and experience and longevity of the board of directors and audit committee.

~~*d. Broker-dealers* — The peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in carrying and non-carrying broker-dealers. Consideration of carrying broker-dealers should include carrying, clearing, and custodial broker-dealers. Consideration of non-carrying broker-dealers should include introducing broker-dealers. The peer reviewer should also consider other types of broker-dealers that fit the description of carrying and non-carrying broker-dealers in Interpretation No. 63-2. If a firm has more than one of the preceding types of broker-dealer audits, the reviewer must consider the unique risks associated with that type of audit and document how these risks were addressed in the risk assessment. For all broker-dealer engagements, the peer reviewer should consider audit firm experience such as how many broker-dealer audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on broker-dealer engagements. Further consideration should be given to communications from regulatory agencies.~~

*ed. Service Organizations* — The peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in different types of examinations of service organizations (SOC 1 and SOC 2 engagements). If a firm performs more than one of the preceding types of engagements, the reviewer must consider the unique risks associated with that type of engagement and document how these risks were addressed in the risk assessment. Peer reviewers should also consider audit firm experience such as how many SOC 1 and 2 engagements the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, whether the firm utilizes a group that specializes in internal controls for completing its SOC 1 and 2 engagements, and reasonableness of hours spent on SOC 1 and 2 engagements. Additional considerations should be given to whether the firm performs SOC 1 and 2 engagements with significant sub-service organizations identified in the auditor's opinion (inclusive method is higher risk than carve out). Further consideration should be given to communications from regulatory agencies. Although SOC 1 and SOC 2 engagements are different, noncompliance for one type may be indicative of noncompliance in the other. SOC 3<sup>®</sup> engagements are not must select engagements but when considering the pervasiveness of a systemic cause and the portion of the firm's practice that may be impacted by matters identified with SOC 1 and 2 engagements, the reviewer should also consider SOC 3 engagements.

*Question* — Paragraph .59 of the standards provides factors to consider when assessing peer review risk at the engagement level. What are some other examples of factors to consider?

*Interpretation* — Other examples of factors to consider when assessing peer review risk at the engagement level follow. This list is for illustrative purposes only, and does not include all possible inherent and control risk factors, nor is the peer reviewer required to consider every item on the list when assessing inherent and control risk:

- Engagement size, in terms of the hours required to plan and perform it
- Engagements involving experienced personnel hired from other firms, and partners who also have office, regional or firm-wide management, administrative, or functional responsibilities
- Engagements where work on segments has been referred to other firms, foreign offices, domestic or foreign affiliates, or correspondents
- Engagements where one or more affiliated entities (for example, parent companies and subsidiaries or brother and sister companies) constitute a large portion of the firm's overall clientele
- Engagements identified in the firm's quality control System or guidance material as having a high degree of risk
- Engagements where departures from professional standards and failure to comply with the firm's quality control policies and procedures were noted in the preceding year's monitoring procedures
- Engagements in industries where the firm has experienced high instances of litigation, proceedings, or investigations
- Engagements affected by recently implemented revisions of the firm's quality control policies and procedures
- Engagements affected by newly effective professional standards
- Clients in industries in poor financial condition
- Clients in industries with complex or sophisticated transactions
- Engagements from merged-in practices
- Engagements subject to *Government Auditing Standards*

- Engagements subject to ERISA
- Engagements subject to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA)
- Audits of ~~securities and~~ commodities broker-dealers
- Examinations of controls relevant to both a service organization and its user entities
- Engagements subject to SEC independence rules

### 63-1

*Question* — Paragraph .63 of the standards requires that specific types or number of engagements must be selected in a System Review as well as specific audit areas. In a System Review, what specific types and number of engagements, if any, should be included in the sample of engagements selected for review or assessed at a higher level of peer review risk?

*Interpretation* — At least one of each of the following types of engagements is required to be selected for review in a System Review:

*a. Governmental* — *Government Auditing Standards*, issued by the U.S. Government Accountability Office, requires auditors conducting engagements in accordance with those standards to have a peer review that includes the review of at least one engagement conducted in accordance with those standards. If a firm performs an engagement of an entity subject to GAS and the peer review is intended to meet the requirements of those standards, at least one engagement conducted pursuant to those standards should be selected for review. Additionally, 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 must evaluate the compliance audit requirements and may exclude those audit procedures strictly related to the audit of the financial statements.

*b. Employee Benefit Plans* — Regulatory and legislative developments have made it clear that there is a significant public interest in, and a higher risk associated with, audits conducted pursuant to ERISA. Therefore, if a firm performs the audit of one or more entities subject to ERISA, at least one such audit engagement conducted pursuant to ERISA should be selected for review. Refer to [Interpretation No. 59-1](#).

*c. Depository Institutions* — The 1993 FDIC guidelines implementing the FDICIA require auditors of federally insured depository institutions having total assets of \$500 million or greater at the beginning of its fiscal year to have a peer review that includes the review of at least one audit of an insured depository institution subject to the FDICIA. If a firm performs an audit of a federally insured depository institution subject to the FDICIA and the peer review is intended to meet the requirements of the FDICIA, at least one engagement

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conducted pursuant to the FDICIA should be selected for review. The review of that engagement should also include a review of the reports on internal control if applicable because those reports are required to be issued under the FDICIA when total assets exceed \$1 billion.

~~*d. — Broker-Dealers —* Regulatory and legislative developments have made it clear that there is a significant public interest in, and a higher risk associated with, audits of broker-dealers. The type of broker-dealer with the highest risk is a carrying broker-dealer. Therefore, if a firm performs the audit of one or more carrying broker-dealers, at least one such audit engagement (and the 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 should select at least one such engagement (including the related attestation engagement) for review.~~

*ed. Service Organizations —* Due to the reliance on examinations of service organization (SOC 1 and SOC 2) reports, there is a significant public interest in these engagements relevant to user entities. Therefore, if a firm performs an examination of one or more service organizations and issues a SOC 1 or SOC 2 report, at least one such engagement should be selected for review. If a firm performs both SOC 1 and SOC 2 engagements and a proper risk assessment determined that only one SOC engagement should be selected, ordinarily a SOC 1 engagement should be selected over a SOC 2 engagement due to the reliance upon the report by other auditors. Peer reviewers may deem it necessary to select both SOC 1 and SOC 2 engagements. However, there may also be situations in which it would be appropriate to pick a SOC 2 engagement and not select a SOC 1 engagement. An example may be that the SOC 2 engagements have not been previously selected and the SOC 1 engagements have been selected; the SOC 2 practice is growing and the SOC 1 practice is stable; and so on.

In complying with the requirements in the previous list, peer reviewers should also ensure that the engagements selected include a reasonable cross section of the firm's accounting and auditing engagements, appropriately weighted considering risk. Thus, the peer reviewer may need to select greater than the minimum of one engagement from these industries in order to attain this risk weighted cross section. Refer to [Interpretation No. 59-1](#).

The team captain's consideration of this coverage should be discussed in his or her risk assessment documentation. This discussion should include any factors considered when the reviewed firm has a significant number of engagements in one of these high risk areas and it is not otherwise evident why only one engagement from the industry has been included in the scope of the review.

## 63-2

~~*Question —* For purposes of the AICPA Peer Review Program, what is the difference between a carrying and non-carrying broker-dealer?~~

~~*Interpretation —* Carrying broker-dealers include all broker-dealers that clear customer transactions, carry customer accounts or hold custody of customer cash or securities. Examples of carrying broker-dealers include (a) clearing broker-dealers who receive and~~

~~execute customer instructions, prepare trade confirmations, settle the money related to customer trades and arrange for the book entry (or physical movement) of the securities and (b) carrying broker-dealers that hold customer accounts or clear customer trades for introducing broker-dealers. Non-carrying broker-dealers are those broker-dealers that do not clear customer transactions, carry customer accounts, or hold custody of customer cash or securities. Examples of non-carrying broker-dealers are (a) introducing broker-dealers that introduce transactions and accounts of customers or other broker-dealers to another registered broker-dealer that carries such accounts on a fully disclosed basis and does not receive or hold customer or other broker-dealers securities and (b) a broker-dealer whose business does not involve customer accounts, such as proprietary trading firms, investment banking firms, and firms that sell interest in mutual funds or insurance products.~~

## **Qualifying for Service as a Peer Review Committee Member, Report Acceptance Body Member, or Technical Reviewer**

### **132-1**

*Question* — Paragraphs .132 and .136 of the standards note that minimum requirements must be met to be a peer review committee member, an RAB member, or a technical reviewer. What are those requirements?

*Interpretation* —

#### *Peer Review Committee Member*

A majority of the peer review committee members and the chairperson charged with the overall responsibility for administering the program at the administering entity should possess the qualifications required of a team captain in a System Review. All committee members must be AICPA members in good standing, whether conducting committee member duties for firms with or without AICPA members. A committee member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a committee member would be at the discretion of the administering entity or committee.

#### *Report Acceptance Body Member*

Each member of an administering entity's RAB charged with the responsibility for acceptance of peer reviews must

- a.* be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, an RAB member should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements.

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*b.* be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months (see [Interpretation No. 31b-1](#)).

*c.* demonstrate proficiency in the standards, interpretations, and guidance of the program (see [Interpretation No. 33-1](#)).

*d.* be an AICPA member in good standing, whether conducting RAB member duties for firms with or without AICPA members.

A majority of the RAB members and the chairperson charged with the responsibility for acceptance of System Reviews should possess the qualifications required of a System Review team captain.

A national list of consultants will be maintained by the AICPA, so that the administering entity has an available pool of consultants with GAS, ERISA, FDICIA, ~~broker-dealer~~, and service organization experience to call upon in the instance when it does not have an experienced RAB member to consider the review of a firm when circumstances warrant. The national RAB consultant would not necessarily have to participate physically in the RAB meeting (teleconference option). The national RAB consultant will not be eligible to vote on the acceptance of a review. Determination that a review requires a national RAB consultant should be made prior to assigning the review to a RAB. The national RAB consultant would have to meet the following qualifications for RAB participation:

*a.* Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active, a consultant should be presently involved in the supervision of one or more of his or her firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements. To be considered a consultant on GAS, ERISA, FDICIA, ~~broker-dealer~~ or service organization engagements, the current activity must include the respective industry asked to consult upon.

*b.* Associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System Review that was accepted timely, ordinarily within the last three years and six months.

*c.* Not associated with an engagement that was deemed not performed in accordance with professional standards on the consultant's firm's most recently accepted System Review.

*d.* Be an AICPA member in good standing, whether conducting consultant duties for firms with or without AICPA members.

An RAB member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed.

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Reinstatement as an RAB member would be at the discretion of the administering entity or committee.

### *Technical Reviewers*

Each technical reviewer charged with the responsibility for performing technical reviews should

- a. demonstrate proficiency in the standards, interpretations, and guidance of the program applicable to the type of peer reviews being evaluated and that meet the requirements of the team captain or review captain training requirements established by the board (see [Interpretation No. 33-1](#)).
- b. participate in at least one peer review each year, which may include participation in an on-site oversight of a System Review.
- c. be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members.
- d. 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 to maintain the appropriate level of accounting and auditing knowledge.

If a technical reviewer does not have such knowledge and experience, the technical reviewer may be called upon to justify why he or she should be permitted to perform technical reviews or oversights. The administering entity has the authority to decide whether a technical reviewer's knowledge and experience is sufficient and whether he or she has the capability to perform a particular technical review or oversight whether there are high-risk engagements involved or other factors.

The fundamental purpose of CPE is to maintain or increase, or both, professional competence. AICPA members are required to participate in 120 hours of CPE every 3 years. In order to maintain current knowledge of accounting, auditing, and quality control standards, technical reviewers should obtain at least 40% of the AICPA-required CPE in subjects relating to accounting, auditing, and quality control. Technical reviewers should obtain at least 8 hours in any 1 year and 48 hours every 3 years in subjects relating to accounting, auditing, and quality control. The terms *accounting*, *auditing*, and *quality control* should be interpreted as CPE that would maintain current knowledge of accounting, auditing, and quality control standards for engagements that fall within the scope of peer review as described in paragraphs .06–.07 of the standards.

Technical reviewers have the responsibility of documenting their compliance with the CPE requirement. They should maintain detailed records of CPE completed in the event they are requested to verify their compliance. The reporting period will be the same as that maintained for the AICPA.

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A technical reviewer who is also a peer reviewer and is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a technical reviewer would be at the discretion of the administering entity or committee.

**Peer Reviewer Alert**

**SEC Registered Broker-Dealers Removed from the Scope of Peer Review**

The Peer Review Board (PRB) has determined that SEC registered broker-dealers (BDs), including those dually registered with the SEC and the CFTC, should no longer be included in the scope of peer review.

The AICPA established the Enhancing Audit Quality (EAQ) initiative in 2014 to support auditors in upholding audit quality in an evolving business environment. In the increasingly complex environment, audit quality has become an area of focus needing continual assessment and improvement and expenditure of resources in areas of need. Audits of SEC registered BDs has been one of those areas of focus for the last ten years, with the Peer Review Board (PRB) revising Peer Review Standards (Standards) to temporarily continue the inclusion of BDs in the scope of peer review, even though the engagements were subject to PCAOB inspection.

Since the dual inspection of BD audits has continued for ten years, the AICPA has determined that such engagements can be removed from the scope of peer review without creating a gap in inspection coverage and a corresponding risk to the public interest. However, to ensure there will be no gap in coverage in the event that, at some point in the future, the PCAOB determines certain BD audits will cease being subject to its inspection process, the PRB does not propose revising standards. Rather, strictly for purposes of the PRP, the proposal is to deem these engagements to be part of a permanent inspection program of the PCAOB.

As the PRB previously modified the Standards in such a manner that BDs would automatically be removed from the scope of peer review once a permanent inspection program was established, no changes to the Standards requiring exposure were required (paragraphs .06 and .07 state that engagements included in the scope of the PRP are those not subject to PCAOB permanent inspection). In addition, few changes are required to the Peer Review Program Manual (PRPM). The most significant change will be the removal of the supplemental checklist designed specifically for the review of these engagements (checklist 21,300). Refer to X alert below for a complete listing of PRPM changes.

**Broker-Dealers No Longer Considered a Must-Select Engagement**

The only BDs subject to peer review are CFTC-only registered BDs. Due to the limited population of these BDs, the PRB determined must-select designation for these engagements is not necessary.

Several changes to the PRPM will be necessary to remove BDs as a must-select engagement, including the peer review report, firm representation letter, and several interpretations. Conforming changes have been made throughout the PRPM. Refer to X alert below for a complete listing of PRPM changes.

**Effective Date**

These changes are effective for reviews commencing on or after July 1, 2021. NPRC staff will be contacting firms that may be impacted by this change.

For more information, refer to the May 19, 2021 PRB open session materials.

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## Broker-Dealer Firm Alert

### Peer Review Board Approves Changes to Peer Review of Broker-Dealers

The Peer Review Board (PRB) determined that SEC registered broker-dealers (BDs) are no longer in the scope of peer review, including BDs dually registered with the SEC and the CFTC. Due to the limited population of the BDs remaining in scope of peer review (i.e. CFTC-only registered BDs), must-select designation is not necessary. Therefore, your peer reviewer is not required to select a BD for review.

*How does this impact your firm's peer review?*

#### Administration of Peer Review

- Interpretation 11-1 requires firms that perform engagements under PCAOB Standards, **regardless of whether they are included in the scope of peer review**, to have their peer reviews administered by the National Peer Review Committee (NPRC).
- Accordingly, if your firm performs any engagement under PCAOB Standards, including audits of entities registered with the SEC only or both the SEC and CFTC, your firm's peer review will continue to be administered by the NPRC. However, as described below, the BD may not be selected during your peer review.

#### Engagement Selections During Peer Review

- SEC registered BDs – these will not be in the scope of peer review. You do not need to include such engagements in the engagement listing you provide to your peer reviewer. However, your peer reviewer may ask if you perform these types of engagements and, if so, the results of any PCAOB inspections.
- CFTC-only registered BDs – these engagements will be in the scope of your peer review. You should include them on the engagement listing provided to your peer reviewer. Your peer reviewer will perform a risk assessment as part of planning procedures to assist them with selecting engagements to support their conclusion on your firm's system of quality control. A CFTC-only registered BD may be selected as part of that process.

#### Effective Date

- These changes are effective for reviews commencing on or after July 1, 2021.
- A review has commenced when fieldwork has started, or your peer reviewer has learned information that may impact the results of the review.
- If your review has commenced, all BDs will be in scope and considered must-select engagements.
- If your review has not yet commenced, NPRC staff will closely monitor reviews to assist with any PRIMA issues that may occur. Until changes are made in the system to remove the must-select designation, scheduling or other errors may arise.

#### BD Related Corrective Actions and Implementation Plans

- If your firm is currently required to comply with any corrective actions or implementation plans related to BDs, such as CPE or a post-issuance review, those actions are still required to be completed to the satisfaction of the NPRC.

If you have any questions regarding these changes or the impact to your firm's peer review, please call the Peer Review Hotline at (919) 402-4502 or email [NPRC@aicpa.org](mailto:NPRC@aicpa.org).

**Updates Related to Interpretation No. 8-1 *Performing System Review Procedures Remotely***

**Why is this on the Agenda?**

The Standards Task Force (STF) is requesting the Board extend the temporary suspension of Standards paragraph .08 which was originally approved by the PRB in September of 2020.

Specifically, standards paragraph .08 requires the majority of procedures in a system review to be performed onsite. Given the ongoing pandemic, the PRB approved Interpretation No. 8-1 to read as follows:

“The board has suspended the requirement in par. .08 for reviews commencing on or before June 30, 2021. The reviewer should consider the impact of performing system review procedures remotely on the peer review risk assessment and document those considerations in the SRM.”

Many peer reviewers are now scheduling reviews that would commence after June 30, 2021 and Staff are beginning to receive questions about whether the onsite requirement is going back into effect.

Given the effects of the pandemic are still not over and many states and businesses continue to have policies to have business offices closed, the task force believed extending the deadline in Interpretation No. 8-1 to May 31, 2022.

While the task force still believes in the value of performing peer review procedures onsite, particularly as it relates to improved client interaction, it is not prudent to allow Standards paragraph .08 to go back into effect, given the ongoing pandemic. Staff also intends to analyze what impacts, if any, this suspension of standards paragraph .08 have had on peer review quality.

**Feedback Received**

Nothing of significance

**PRIMA Impact**

None

**Communications Plan**

Any changes will be communicated through a reviewer alert at a minimum. Additional communications may be made as needed, particularly to other stakeholder groups such as firms, and those involved at the administering entity.

**Manual Production Cycle (estimated)**

Revised guidance will be available on both [aicpa.org](http://aicpa.org) and in OPL by the end of June 2021.

**Effective Date**

Upon approval.

**Board Consideration**

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The task force requests the Board modifying Interpretation No 8-1 as follows:  
“The board has suspended the requirement in par. .08 for reviews commencing on or before May 31, 2022. The reviewer should consider the impact of performing system review procedures remotely on the peer review risk assessment and document those considerations in the SRM.”

## Proposed Guidance Revisions Related to the Single Audit Course for Technical Reviewers

### Why is this on the Agenda?

During recent meetings, the Education and Communications Task Force has discussed whether the training requirement for technical reviewers is sufficient, particularly as it relates to performing a technical review of a peer review that contains single audit engagements. As a result, the task force is proposing that training requirements for technical reviewers should be modified to require the single audit-specific on-demand course for technical reviewers, currently in development by Staff and expected to be available in the summer of 2021.

As such, the Task Force would like the PRB to review the proposed update to the technical reviewer training requirements as included in the RAB Handbook (PRP Section 3300) shown in the board consideration section below.

Currently the requirement reads as follows:

“When the report acceptance body (RAB) has delegated the review of a single audit engagement(s) to the technical reviewer, he or she must complete eight hours of CPE related to single audits every two years.”

### Feedback Received

At its meeting on January 15, 2021, the TRATF stated it was in favor of requiring the newly developed course for technical reviewers in some capacity.

### PRIMA Impact

Currently none. Technical reviewers currently do not document their compliance with the single audit training requirement in PRIMA.

### Communications Plan

Any changes to technical reviewer training requirements will be included in the upcoming reviewer alert and included in other communications (e.g. emails) as necessary.

### Manual Production Cycle (estimated)

Dependent on the effective date, but as early as the end of June 2021 in both [aicpa.org](http://aicpa.org) and in OPL.

### Effective Date

For the proposed requirement to include the course within the 8 hours of CPE every two years, the task force proposes that the first time period where the course would be required would be the two year period ending December 31, 2022.

For the proposed requirement to complete the course prior to completing a first technical review with a single audit engagement, the task force proposes it be effective immediately after the course becomes available.

### Board Consideration

The task force requests the PRB review the proposed updated language for the technical reviewer training requirement for single audits:

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“When the report acceptance body (RAB) has delegated the review of a single audit engagement(s) to the technical reviewer, he or she must

- complete eight hours of CPE related to single audits every two years.
  - These eight hours should include the completion of the Technical Reviewer Training for Single Audits on-demand course developed by the AICPA, or an alternative course approved by the Peer Review Board.
- complete the Technical Reviewer Training for Single Audits on-demand course (or an alternative course approved by the Peer Review Board) prior to performing his or her first technical review with a single audit engagement.”

If ultimately approved, conforming changes will be made to other areas of the peer review program manual, as necessary.

**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 the peer review standards.

The STF has completed their detailed review of guidance related to:

- Concepts common to all peer reviews
- General peer reviewer and reviewed firm responsibilities
- 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 principles and administration responsibilities for administrators, technical reviewers, and committee or report acceptance bodies, including
  - the report acceptance process,
  - corrective actions and implementation plans, and
  - reviewer monitoring and performance

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

- March 4 and April 13, 2021 – The entire STF met to discuss ad hoc items related to various comments resulting from task force members and internal review by AICPA staff.
- April 28, 2021 – The entire STF met to review the explanatory memorandum and discuss contents of the exposure draft

Upcoming Target Dates:

<b>Review Step</b>	<b>Timing</b>
STF final review of explanatory memo and exposure draft	June 2021
A final exposure draft including the explanatory memorandum and all sections of the clarified standards will be sent to PRB members for comment.	July 2021
Responses to comments and exposure draft to be 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. A preliminary draft of the exposure draft will be provided to attendees for informational purposes leading up to, or shortly after open session on May 19, 2021. The contents of the exposure draft are still subject to further review and as a result may change, therefore comments are not being explicitly requested until the exposure draft has been approved and issued by the board.

## 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 1.5)
- Proposed revisions to the peer review program manual to remove SEC registered broker-dealers from the peer review program (see Agenda Item 1.2).
- Proposed an update to interpretation 8-1 related to performing peer review procedures remotely (see Agenda Item 1.3).
- Discussed planned peer review checklist revisions related to SAS Nos. 134-140
- Discussed proposing an extension to the effective date of the risk assessment guidance currently included in PRP Section 3100, Supplemental Guidance. The task force elected not to propose an extension at this time, in part due to likely upcoming changes to auditing standards related to risk assessment.

#### Upcoming tasks:

- Continued focus on the clarity project (for additional information, see Agenda Item 1.3)
- Discussion of guidance for reviewers when evaluating instances of noncompliance with SAS Nos. 134-140 and SSARS No. 25
- Continued consideration of QCM review guidance revisions
- Continued assessment of potential guidance implications related to continued PRIMA enhancements

### Oversight Task Force

#### Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- Approved AE oversight responses
- Reviewed AE benchmark summary forms and feedback received
- Monitored reviewer performance
- Approved AICPA Annual Report on Oversight

#### Upcoming tasks:

- Approve RAB observation reports
- Approve AE oversight responses
- OTF members will perform AE oversights
- Review and approve AE plans of administration for 2021
- Review AE benchmark summary forms and feedback received
- Discuss revisions to AE benchmarks based on feedback received

- 
- Discuss the type of feedback issued by AEs as a result of enhanced oversights
  - Monitor reviewer performance
  - Joint meeting with NASBA's Peer Review Compliance Committee (PRCC)

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

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

- Published the February Reviewer Alert on February 22, 2021
- Turned Peer Review Conference sessions into on-demand self-study courses for the following areas:
  - Peer Review Training for Engagement Reviews
  - Peer Review Training for New Reviewers
- Held the first of three scheduled AICPA-sponsored 2021 virtual offerings of PRTC
- Developed materials for peer review sessions at other conferences, including the 2021 EBP Conference (satisfies the EBP Must-Select training requirement)
- Developed materials for the Peer Review Update course that is developed by Staff and provided to the State Societies for presentation
- Developed materials for the May 12, 2021 webcast of Are You Ready for Your Firm's Peer Review?
- Drafted a special edition of *PR Prompts* related to the exposure draft for the proposed Quality Management standards as issued by the ASB

#### **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
- Continue to 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 the 2021 ENGAGE Conference (satisfies the Team/Review Captain ongoing training requirement)
- Develop and publish the May 2021 Reviewer Alert and the Spring 2021 publication 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

2021 Peer Review Conference: We sent a survey to all peer reviewers, technical reviewers and CPAs on staff on May 3, 2021. Thanks to all of you who have responded, we really appreciate it! I will provide a verbal update on the survey results. Please continue to save the dates for the conference to be held from August 2-4, 2021.

PRIMA: On May 10, 2021, we went live with the first PRIMA release of 2021. The release included user interface changes to the enrollment (ENR), peer review information (PRI) and update (UPD) cases in PRIMA. Your feedback drove these changes. Staff collaborated with user design experts to develop the new user interface.

### Report from State CPA Society CEOs

Mr. Colgan will provide the state society CEO report verbally during the meeting on May 19.

### Report on the National Peer Review Committee

The NPRC has met once since the last PRB meeting in February on February 18th. Three large firm reviews were presented, and all were accepted.

Since the February PRB meeting, the NPRC has held seven RAB meetings. During those meetings:

- 114 reviews have been presented, including:
  - 102 Pass
  - 9 Pass with Deficiencies and
  - 3 Fail

The NPRC's next meeting will be held on May 13, 2021.



**AICPA<sup>®</sup>**

Peer Review  
Program

# **ANNUAL REPORT ON OVERSIGHT**

**Issued  
May 3, 2021**

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## **Introduction**

### **Purpose of This Report**

The Annual Report on Oversight (report) provides a general overview and information on the results of the AICPA Peer Review Program (Program) oversight procedures. This report concludes as to whether the objectives of the AICPA Peer Review Board's (PRB) oversight processes performed in 2020 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. Information presented in this report pertains to peer reviews accepted during calendar years 2018–2020, 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 2020. Information presented in this report pertains to peer reviews accepted<sup>1</sup> during the calendar years 2018–2020, which covers a full three-year peer review cycle. Due to the COVID-19 pandemic and the automatic six-month extensions approved by the PRB in May 2020 for all firms with reviews, corrective actions and implementation plans originally due from January 1 to September 30, 2020, fewer reviews were accepted during 2020.

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); (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. The COVID-19 pandemic impacted oversight procedures in 2020. Certain procedures were not performed in 2020 and others were performed with a reduced scope. These impacts are described throughout this report.

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 2020, 146 were selected for oversight at the AE level. See pages 12–13, “Oversight of Peer Reviews and Reviewers.”
- *Annual verification of reviewers' resumes.* Verification of accuracy of information included on peer reviewer resumes. For 2020, AEs were not required to perform resume verification due to the COVID-19 pandemic. For a description of the resume verification process, see pages 13–14, “Annual Verification of Reviewers' Resumes.”
- *Benchmarks.* In 2018, AEs started monitoring and periodically reporting on compliance with AE benchmarks, which are qualitative, objective and measurable criteria to enhance overall quality and effectiveness of Program administration. See pages 14–15, “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*.

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<sup>1</sup> All peer reviews accepted by a Report Acceptance Body (RAB) during the period, regardless of when the peer review was performed or the peer review year-end.

### **AE Oversight Focus Group**

The AE oversight focus group oversees the AE oversight process. Oversight of the AEs occur on a rotating basis, ordinarily every other year, by a member of the OTF. The oversight includes testing the administrative and report acceptance procedures established by the PRB. OTF members oversaw 12 AEs in 2019 and 15 AEs in 2020. See pages 7–8 “Oversights 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. RAB observations focus on whether the report acceptance process is being conducted in accordance with *Standards* and guidance. In 2020, RAB observations were performed on 70 RAB meetings and 263 peer reviews were selected during these observations. See page 8 “RAB Observations” for a detailed description of the process.

### **Enhanced Oversight Focus Group**

Enhanced oversight is performed by subject matter experts on must-select engagements and includes the review of financial statements and working papers for such engagements. The enhanced oversight focus group reviews and evaluates the results of enhanced oversight and the oversight reports with comments, then provides input and feedback to Program staff. The focus group also evaluates the reviewer performance feedback issued as a result of these oversight and recommends that the reviewer performance focus group consider issuing feedback when necessary. See pages 9–11 “Enhanced Oversight” for a detailed description of the process.

### **Evolution Focus Group**

The evolution focus group developed the AE benchmark criteria approved by the PRB. AEs submit three benchmark summary forms during the year, each covering a four-month period. The focus group reviews the results of the benchmark summary forms submitted by the AEs and evaluates AE performance and whether modifications to the benchmarks 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 when performance continues to be unsatisfactory or not in compliance with *Standards*.

**Conclusion**

Based on the results of the oversight procedures performed in 2020, the OTF has concluded 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 22,800 firms currently enrolled in the Program within the United States and its territories, that have a peer review performed once every three years. 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 the accounting and auditing engagements that would subject them to a peer review. There are also approximately 1,200 firms enrolled in the Program that indicated they do not currently perform any engagements subject to peer review. Approximately 8,000 peer reviews are performed each year by a pool of approximately 1,900 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 2018–2020, approximately 24,000 peer reviews were accepted in the Program. During the three-year period, more peer reviews were accepted than the number of firms currently enrolled because a firm could have multiple peer reviews accepted during the period, or a firm could have had a peer review accepted and subsequently resigned from the Program. Exhibit 2 shows a summary of these reviews by type of peer review and report issued. The overall results of the reviews accepted during the three-year period by report type were:

	<b>System Reviews</b>	<b>Engagement Reviews</b>
Pass	79%	79%
Pass with Deficiency(ies)	14%	11%
Fail	7%	10%

A list of the most recent examples of matters noted in peer review is available on the [AICPA's website](#). Although this list is not all-inclusive and is not representative of all peer review results, it contains common examples of non-compliance with professional standards (both material and immaterial) 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 2018–2020 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 for both system and engagement reviews, along with those identified as non-conforming.

The percentage of non-conforming engagements identified each year from 2018–2020, as well as the percentage of non-conforming audit engagements each year were:

Year	% of Non-Conforming Engagements	% of Non-Conforming Audits
2018	11%	11%
2019	10%	15%
2020	16%	26%

The increase in non-conforming audit engagements in 2019 and 2020 was caused by an increased focus on compliance with risk assessment standards. The PRB issued guidance enhancing the 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 and 2020.

Beginning April 1, 2019, Program staff began tracking the number of non-conforming audits due to non-compliance with the risk assessment standards. In 2019 and 2020 respectively, approximately 11% and 16% of audits reviewed were identified as non-conforming due to non-compliance with the risk assessment standards. Furthermore, those audits may have been non-conforming for additional reasons beyond non-compliance with the risk assessment standards.

In addition to the focus on compliance with the risk assessment standards, significant new accounting standards were issued, including financial reporting on not-for-profit engagements and revenue recognition, that may have contributed to the increased percentage of non-conforming audits in 2020.

#### *Corrective Actions and Implementation Plans*

During the report acceptance process, an AE's peer review committee determines the need for, and type of any corrective actions based on the nature, significance, pattern and pervasiveness of engagement deficiencies noted in the report. It also considers whether the reviewed firm's responses are comprehensive, genuine and feasible. Corrective actions are remedial and educational in nature and are imposed to strengthen the performance of the firm. The firm agrees in writing that it will perform and complete the corrective action plan as a condition of its peer review acceptance. The firm's peer review is not complete until the AE's peer review committee has accepted the completed corrective actions.

In addition to corrective actions, there may be instances in which an implementation plan is required to be completed by the firm as a result of Findings for Further Consideration (FFCs). There can be multiple corrective actions and implementation plans required on an individual review. For implementation plans, the firm is required to agree in writing to perform and complete the implementation plan 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.

Overall, there was a decrease in the total number of corrective actions and implementation plans issued in 2020, but this is due to the decreased number of reviews accepted in 2020. Based on

historic trends, 2020 would have had the fewest number of reviews accepted during the three-year period of 2018–2020; this number was further reduced as a result of the COVID-19 pandemic. In May 2020, as a response to the burden on firms due to the pandemic, the PRB approved automatic six-month extensions for all firms with reviews, corrective actions and implementation plans originally due from January 1 to September 30, 2020, which resulted in fewer reviews being accepted during 2020 than would have otherwise occurred.

The number of corrective actions and implementation plans as a percentage of overall reviews accepted, decreased slightly in 2020 compared to 2019 but was still higher than 2018. When non-conforming engagements are identified due to non-compliance with the risk assessment standards, RABs are instructed by the PRB risk assessment guidance to issue an implementation plan or corrective action to the firm. The most common implementation plan or corrective action for risk assessment issues was having the firm take prescribed CPE. This impacted the number of corrective actions and implementation plans issued within the category of “firms submitting proof of continuing professional education (CPE).” Corrective actions and/or implementation plans required from 2018–2020 are summarized in exhibit 5.

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 state(s) it administers. See exhibit 1 for a list. This responsibility includes having written oversight policies and procedures.

All state boards of accountancy (SBOAs) that require peer review accept the Program as 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 comply with the administrative procedures established by the PRB,
- Reviews are conducted and results of reviews are evaluated and reported on in accordance with the *Standards* and on a consistent basis in all jurisdictions and
- Online information provided to firms and reviewers 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
- Develop guidance on a national basis, when appropriate.

## OTF Oversight Procedures

The following Program oversight procedures were performed:

### ***Oversights of the Administering Entities***

#### **Description**

Each AE is oversighted by a member of the OTF (ordinarily, at least once every other year). No member of the OTF is permitted to perform the oversight of 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.

#### **Oversight Procedures**

During these oversights, 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,
- Interview the administrator, CPA on Staff (or individual managing the program when a waiver has been approved), committee chair and technical reviewer(s) and
- Evaluate the various policies and procedures for administering the Program.

As part of the oversight, the AE completes 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 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 is completed with the OTF member's comments. At the end of the oversight, the OTF member discusses any comments and issues identified as a result of the oversight with the AE's peer review committee. The OTF member then issues an AICPA Oversight Report (report) to the AE that discusses the purpose of the oversight 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 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 oversight 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 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, the letter of procedures and observations, and the AE's response are available on the [AICPA's website](#).

## Results

For the years 2019 and 2020, a member of the OTF performed an oversight of each AE. See exhibit 6 for a list of the 27 AE oversights performed for 2019 and 2020. See exhibit 7 for a summary of observations from the oversights 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 the 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 RABs, which helps improve overall quality and consistency of the RAB process. The process for RAB observations is similar to the process used during the AE oversights. Prior to the meeting, the RAB observer receives the materials that will be presented to the RAB, 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 his or her 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 CPA on staff (or individual managing the program when a waiver has been approved) and peer review committee chair. Peer review committees may respond after the final report is issued by the OTF.

## Results

All AEs had at least one RAB observation during 2020. RAB observations were performed by OTF members and Program staff. Recurring comments generated by RAB observations are summarized in exhibit 8. Individual peer reviews selected during an observation incorporate an element of risk and are not reflective of the entire population. RAB observation results for the year ended 2020 are as follows:

	<b>2020</b>
RAB meetings observed	70
Peer reviews selected during observations	263
Peer reviewers	196
Based on observers' comments:	
Acceptance delayed or deferred	21
Feedback forms issued	2

## ***Enhanced Oversight***

### **Description**

In May 2014, the PRB approved the addition of enhanced oversights performed by subject matter experts (SMEs). SMEs consist of members of the applicable Audit Quality Center executive committee 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 committees and expert panel members and other individuals approved by the OTF. Enhanced oversights are one element of the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative.

The enhanced oversights 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 these oversights, the PRB has approved multiple initiatives to improve reviewer performance on must-select engagements, such as additional training requirements for reviewers. The results of the enhanced oversight findings are shared with other teams at the AICPA to further the goal of improving audit quality.

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 oversights focus only on the Single Audit Act/Uniform Guidance portion of the audit. 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.

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 non-conforming 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.

### **Enhanced Oversight Samples**

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 non-conforming. 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 oversight samples are selected from peer reviews with must-select engagements performed during the calendar year. In 2020, due to the COVID-19 pandemic, the OTF decided to pause the enhanced oversight process. As a result, the only enhanced oversights performed were those from the 2019 sample completed early in 2020.

- *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 year, a risk-based (targeted) sample 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 is selected for enhanced oversight each year.

### **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) issued to the peer reviewer, if any.

### **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.

### **Feedback Issued from the Enhanced Oversight Process**

The OTF monitors the types of feedback issued for oversights where a non-conforming engagement was not originally identified by the peer reviewer or for oversights where the peer reviewer identified the engagement as non-conforming but failed to identify additional material items. 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.

- *Reviewer performance finding* – Issued when a peer reviewer fails to identify a non-conforming engagement but demonstrates sufficient knowledge and experience required to review the engagement.
- *Reviewer performance deficiency* – 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.
- *Deficiency letter* – Issued when a peer reviewer has a pattern of reviewer performance findings or deficiencies.

## Results

As previously discussed, in 2018, an increased focus was placed on evaluating non-compliance with the risk assessment standards with the PRB issuing 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.

The following table summarizes the annual results, including an adjusted non-conforming rate for 2018 and 2019, which removes those engagements that are non-conforming only due to risk assessment issues. Because the guidance was only effective for the last quarter of 2018, the risk assessment guidance had a limited impact on the results of the 2018 oversight sample; however, there was a significant impact on the results in 2019. Of the 46 engagements identified as non-conforming in 2019, 17 were non-conforming only because of risk assessment issues. When excluding those engagements with only risk assessment issues, the adjusted non-conforming rate is 37%, 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%	17	37%	37	80%
2020	*	*	*	*	*	*	*

\*As previously noted, the OTF decided to pause the enhanced oversight process in 2020 due to the COVID-19 pandemic, no oversights were performed for the 2020 oversight sample.

The oversights indicate considerable improvement in peer reviewer performance since the enhanced oversight program began in 2014. Each year, peer reviewers improved in their detection of non-conforming engagements. In the first year of oversights, peer reviewers only identified non-conforming engagements 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; this improvement in reviewer performance will, ultimately, result in improved firm performance and higher audit quality.

### ***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.

In conjunction with AE staff, 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.

AEs are required to submit their oversight policies and procedures to the PRB on an annual basis. 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 for oversight are made by the committee chair, committee or designated task force based on input from AE staff, technical reviewers and committee members and 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. It is recommended that the oversight be performed prior to presenting the peer review documents to the peer review committee, as 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.

As part of its oversight process, the peer review committee oversees firms being reviewed and reviewers performing reviews. The PRB also requires minimum oversight selection:

- *Firms* – The selection of firms to review 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 but not limited to random selection, an 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 for an AE 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 and cross-section of engagements. When an AE performs oversight on a reviewer from another state, the results are conveyed to the AE of that state.

- *Minimum Requirements* – At a minimum, each AE is required to conduct oversight on two percent of all reviews performed in a 12-month period (ordinarily the previous calendar year), 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. Due to the COVID-19 pandemic, the minimum requirements were temporarily reduced. For 2020, each AE was required to conduct oversight on one percent of all reviews performed in a 12-month period (ordinarily the previous calendar year), and within the one percent, there must be at least one system and one engagement review. Additionally, for 2020, there was no requirement to perform any on-site oversights.
- *Exception* – AEs that administer fewer than 25 system reviews annually are required to perform a minimum of one system review oversight on-site. As noted above, there was no requirement for an oversight to be performed on-site in 2020. 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 2020, AEs conducted oversight on 146 reviews. There were 84 system and 62 engagement reviews oversighted. See exhibit 10 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**

Due to the COVID-19 pandemic, AEs were not required to perform resume verification in 2020 but could use the process at their discretion. The portion of resumes that would have been verified in 2020 was deferred to 2021, with no expectation that AEs will perform a catch-up. That is, AEs still only need to verify approximately one-third of reviewers' resumes in 2021. See exhibit 11 for a summary of resumes verified by AEs.

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

#### **Description**

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 AEs have been integral to the success of the Program, 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 in 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 opted to discontinue administering peer review by allowing other 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. Benchmarks are divided into four categories based on the individual with primary responsibility: administrators, technical reviewers, committee/RAB and the CPA on staff. The benchmarks include qualitative, objective 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. 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.

For the reporting period beginning January 1, 2020, AEs are subject to fair procedures when there is a pattern of consistent non-compliance with the benchmarks. The overall peer review process should not have significant changes, as many of the benchmarks have always been expected and implied. The OTF continues to evaluate the benchmark measurements to ensure they are appropriate and achievable and will make modifications, as needed.

**Results**

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. The OTF did not identify any patterns of consistent non-compliance that required further actions. See exhibit 12 for a summary of results for 2020.

**Exhibit 1**  
**Administering Entities Approved to Administer the Program in 2020**

<b>Administering Entity</b>	<b>Licensing Jurisdiction(s)</b>
Alabama Society of CPAs	Alabama, Arkansas, Mississippi
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
Society of Louisiana CPAs	Louisiana
Maryland Association of CPAs <sup>2</sup>	Maryland
Massachusetts Society of CPAs	Massachusetts, New Hampshire
Michigan Association of CPAs	Michigan
Minnesota Society of CPAs	Minnesota, North Dakota
Missouri Society of CPAs	Missouri
National Peer Review Committee	All jurisdictions
Nevada Society of CPAs	Nevada, Idaho, Montana, Nebraska, Utah, Wyoming
New England Peer Review, Inc.	Maine, Rhode Island, Vermont
New Jersey Society of CPAs	New Jersey
North Carolina Association of CPAs <sup>2</sup>	North Carolina
The Ohio Society of CPAs	Ohio
Oklahoma Society of CPAs	Oklahoma, Kansas <sup>3</sup> , South Dakota
Oregon Society of CPAs	Oregon, Guam, Hawaii, Northern Mariana Islands
Peer Review Alliance	Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, Wisconsin
Pennsylvania Institute of CPAs	Pennsylvania, Delaware, New York, 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>2</sup> Effective January 2021, Maryland and North Carolina created Coastal Peer Review, Inc., to administer the program for both states.

<sup>3</sup> Effective November 2020

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

The following shows the results of the Program from 2018–2020 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review.

**System Reviews**

	<b>2018</b>		<b>2019</b>		<b>2020</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<i>Pass</i>	3,098	78	3,246	79	2,316	79	8,660	79
<i>Pass with deficiency(ies)</i>	587	15	579	14	394	14	1,560	14
<i>Fail</i>	276	7	263	7	219	7	758	7
<b>Subtotal</b>	<b>3,961</b>	<b>100</b>	<b>4,088</b>	<b>100</b>	<b>2,929</b>	<b>100</b>	<b>10,978</b>	<b>100</b>

**Engagement Reviews**

	<b>2018</b>		<b>2019</b>		<b>2020</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<i>Pass</i>	3,591	76	3,867	79	2,814	84	10,272	79
<i>Pass with deficiency(ies)</i>	488	10	532	11	365	11	1,385	11
<i>Fail</i>	641	14	483	10	190	5	1,314	10
<b>Subtotal</b>	<b>4,720</b>	<b>100</b>	<b>4,882</b>	<b>100</b>	<b>3,369</b>	<b>100</b>	<b>12,971</b>	<b>100</b>

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

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

The following table lists the reasons for report modifications (that is, pass with deficiency[ies] or fail reports) from system reviews in the Program accepted from 2018–2020 summarized by each element of quality control as defined by QC section 10. Since pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in exhibit 2, "Results by Type of Peer Review and Report Issued."

REASON	2018	2019	2020
Leadership responsibilities for quality within the firm ("the tone at the top")	140	144	99
Relevant ethical requirements	72	76	67
Acceptance and continuance of client relationships and specific engagements	84	78	77
Human resources	192	266	207
Engagement performance	768	728	530
Monitoring	368	438	309
<b>TOTALS</b>	<b>1,624</b>	<b>1,730</b>	<b>1,289</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, for both system and engagement reviews, and the number identified as not performed in accordance with professional standards in all material respects from peer reviews accepted from 2018–2020 in the Program.

On April 1, 2019, Program staff began tracking the number of non-conforming audits due to non-compliance with the risk assessment standards. In 2019 and 2020 respectively, approximately 11% and 16% of audits reviewed were identified as non-conforming due to non-compliance with the risk assessment standards. Furthermore, those audits may have been non-conforming for additional reasons beyond non-compliance with the risk assessment standards.

Engagement Type	2018			2019			2020		
	Total Engagements Reviewed (#)	Total Not Performed in Accordance with Professional Standards (#)	%	Total Engagements Reviewed (#)	Total Not Performed in Accordance with Professional Standards (#)	%	Total Engagements Reviewed (#)	Total Not Performed in Accordance with Professional Standards (#)	%
<b>Audits:</b>									
Single Audit (Uniform Guidance)	1,426	260	18%	1,353	304	22%	1,314	532	40%
Governmental - All Other	1,855	239	13%	1,955	292	15%	1,617	494	31%
ERISA	2,595	406	16%	2,527	400	16%	2,249	724	32%
FDICIA	46	5	11%	47	12	26%	71	24	34%
Broker-Dealers	160	32	20%	121	21	17%	144	61	42%
Other	5,433	318	6%	5,349	635	12%	6,434	1,261	20%
<b>Reviews</b>	<b>5,943</b>	<b>480</b>	<b>8%</b>	<b>6,140</b>	<b>423</b>	<b>7%</b>	<b>4,435</b>	<b>450</b>	<b>10%</b>
<b>Compilations &amp; Preparations:</b>									
With Disclosures	3,766	283	8%	3,894	244	6%	2,725	149	5%
Omit Disclosures	10,707	1,457	14%	10,696	1,057	10%	7,330	639	9%
Forecasts & Projections	91	7	8%	21	3	14%	22	1	5%
SOC® Reports	209	21	10%	167	19	11%	199	22	11%
Agreed Upon Procedures	1,348	38	3%	1,223	91	7%	987	143	14%
Other SSAEs	141	3	2%	161	2	1%	165	11	7%
<b>Totals</b>	<b>33,720</b>	<b>3,549</b>	<b>11%</b>	<b>33,654</b>	<b>3,503</b>	<b>10%</b>	<b>27,692</b>	<b>4,511</b>	<b>16%</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. Follow up actions include both corrective actions and implementation plans. Follow up actions 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 2018–2020 reviews, the following represents the type of corrective actions and/or implementation plans required.

<b>Type of Follow-Up Action</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Agree to take/submit proof of certain (CPE)	2,099	2,974	2,276
Submit to review of correction of engagements that were not performed in accordance with professional standards	173	272	235
Agree to pre-issuance reviews	702	641	364
Agree to post-issuance reviews	835	820	468
Agree to review of remedial actions	113	143	105
Submit monitoring or inspection report to Team Captain or Peer Review Committee	309	297	200
Submit to revisit (Team Captain or Peer Review Committee Member)	172	187	84
Elect to have accelerated review	6	11	1
Submit evidence of proper firm licensure	61	87	62
Firm has represented in writing they no longer perform any auditing engagements	68	63	62
Agree to hire outside party or consultant for inspection	61	70	46
Team captain to review Quality Control Document	54	37	26
Submit proof of purchase of manuals	50	23	13
Agree to join a Quality Center	55	56	20
Other	153	204	62
<b>TOTALS</b>	<b>4,911</b>	<b>5,885</b>	<b>4,024</b>

**Exhibit 6**  
**Oversights of Administering Entities**  
**Performed by the AICPA Oversight Task Force**

For the years 2019 and 2020, an OTF member performed an oversight of each of the following AEs. The oversight results are available on the [AICPA's website](#).

<b>2019</b>	<b>2020</b>
Colorado	Alabama
Connecticut	California
Louisiana	Florida
Maryland	Georgia
Massachusetts	Michigan
Minnesota	Missouri
North Carolina	Nevada
Oklahoma	New England Peer Review
Peer Review Alliance	New Jersey
Texas	National Peer Review Committee
Virginia	Ohio
Washington	Oregon
	Pennsylvania
	Puerto Rico
	Tennessee

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

The following represents a summary of observations made by the OTF during the 2019 and 2020 oversights. 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**

- All required materials not provided to the RAB
- 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
- Confidentiality agreements for contract technical reviewers utilized an incorrect template
- Confidentiality agreements for RAB members were not updated for revisions to the template available at the time the agreements were requested

**Technical Reviewers**

- Technical reviewers did not address issues before reviews were presented to the RAB
- Technical reviewers did not evaluate reviewer performance history and present it to the RAB
- Engagement reviews meeting 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
- The RAB did not initially identify issues noted by the OTF member

**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 2020. These 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.

- Technical reviewers did not evaluate reviewer performance history and present it to the RAB
- RAB agreed to a recommended implementation plan that is not in accordance with RAB Handbook guidance
- Single Audit profile identified a high-risk Type A program that was not audited as a major program
- Single Audit profile was unclear regarding the firm's safeguards in place to address non-attest services performed
- MFC forms included identifiable information in the firm's response
- Firm's response to an FFC form was not clear enough to suggest that the firm understood the requirements of SQCS 8
- Systemic cause missing or did not appropriately address the underlying cause of deficiencies in the report or findings on FFC forms
- Systemic cause of a finding was the same on the current and prior peer reviews, but the finding was not identified as a repeat finding
- Finding for risk assessment non-compliance was not appropriately elevated to a deficiency when other deficiencies or significant deficiencies exist that resulted in omitted audit procedures
- Reviewer did not appropriately identify a non-conforming engagement
- Peer review documentation was not clear enough to determine if an engagement was non-conforming
- Report language was not consistent with current *Standards*
- Engagement review report was not appropriately modified to reflect only one engagement being reviewed
- Firm representation letters not consistent with the illustration in appendix B of the *Standards*

## 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 example departures from professional standards identified by the SMEs in the 2018 and 2019 samples<sup>4</sup>. 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 non-conforming.

#### *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 sample 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

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<sup>4</sup> This information is being re-presented from last year’s report since the 2020 oversight sample was not performed due to COVID-19.

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

The following shows the number of oversights performed by each AE for 2020.

Administering Entity	2020		
	Type of Review/Oversights		
	System	Engagement	Total
Alabama	4	2	6
California	8	6	14
Colorado	1	2	3
Connecticut	1	2	3
Florida	3	2	5
Georgia	2	1	3
Louisiana	1	2	3
Maryland	1	3	4
Massachusetts	1	1	2
Michigan	2	2	4
Minnesota	1	1	2
Missouri	1	1	2
National Peer Review Committee	19	1	20
Nevada	1	2	3
New England	1	1	2
New Jersey	4	1	5
North Carolina	1	3	4
Ohio	6	2	8
Oklahoma	1	1	2
Oregon	1	1	2
Peer Review Alliance	4	9	13
Pennsylvania	11	2	13
Puerto Rico	1	1	2
Tennessee	1	1	2
Texas	4	6	10
Virginia	1	3	4
Washington	2	3	5
<b>Total</b>	<b>84</b>	<b>62</b>	<b>146</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 2018–2019. Due to the COVID-19 pandemic, AEs were not required to perform resume verification in 2020.

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

**Exhibit 12**  
**Summary of Benchmark Results for 2020**

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. The following shows the number of AEs not in compliance during at least one of the benchmark reporting periods in 2020. The OTF did not identify any patterns of consistent non-compliance that required further actions.

Benchmark Reference	Benchmark	AEs not in compliance (#)
<b>Administrators</b>		
Admin 1	Perform tasks associated with cases and letters (e.g. Peer Review Information, Scheduling) in PRIMA within 14 calendar days of receipt. Over this reporting period, an AE should have 10% or fewer not performed within this timeframe.	4
Admin 2	Provide RAB materials electronically to RAB members at least seven calendar days before RAB meetings.	4
Admin 3	Send revised acceptance letters within 14 calendar days of the committee granting firm requests for waiver or replacement of corrective actions or implementation plans.	13
<b>Technical Reviewers</b>		
TR 1	Meet all qualifications established in the RAB Handbook, including training requirements.	0
TR 2	Perform the technical review in accordance with guidance.	4
TR 3	Maintain objectivity and skepticism to mitigate familiarity threat and implement appropriate safeguards while performing the technical review.	0
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.	22
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.	8
TR 6	Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. Over this reporting period, an AE should have fewer than 10% of reviews deferred.	12
TR 7	Limit reviews with open items and missing relevant information from the RAB package unless RAB consultation is necessary.	1
TR 8	Evaluate reviewer performance history and present to RAB.	0
TR 9	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.	1

**Exhibit 12, continued**  
**Summary of Benchmark Results for 2020**

Benchmark Reference	Benchmark	AEs not in compliance (#)
TR 10	Be available during RAB meetings in which his/her reviews are presented to answer questions to avoid deferrals or delays.	0
<b>Committee/RAB</b>		
Comm/RAB 1	Meet all qualifications established in the RAB Handbook, including training requirements.	0
Comm/RAB 2	Follow peer review standards, interpretations and related guidance in the evaluation and acceptance of peer reviews.	5
Comm/RAB 3	Maintain objectivity and skepticism to mitigate familiarity threat and implement appropriate safeguards while considering the results of peer reviews.	0
Comm/RAB 4	Issue reviewer performance feedback forms and performance deficiency letters when appropriate.	1
Comm/RAB 5	Waive or replace corrective actions and implementation plans in accordance with guidance except in hardship situations.	1
Comm/RAB 6	Assess firm referrals for noncooperation related to consecutive non-pass reports.	0
Comm/RAB 7	Perform oversights on firms and reviewers (or review oversights performed by technical reviewer(s)) in accordance with the Oversight Handbook and risk criteria included in policies and procedures.	0
<b>CPA on staff</b>		
CPA 1	Submit current benchmark forms signed by CEO to OTF by due date.	4
CPA 2	Monitor committee and RAB members' qualifications established in the RAB Handbook.	0
CPA 3	RAB member composition includes members with current experience in must-select engagements.	0
CPA 4	A minimum of three RAB members evaluate every peer review for acceptance in accordance with the RAB Handbook.	0
CPA 5	Maintain documentation of committee/RAB's decision for firm referrals for noncooperation related to consecutive non-pass reports.	0
CPA 6	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	0
CPA 7	Scheduling error overrides are appropriate and approved in accordance with AE's policies and procedures.	2
CPA 8	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.	0

**Exhibit 12, continued**  
**Summary of Benchmark Results for 2020**

<b>Benchmark Reference</b>	<b>Benchmark</b>	<b>AEs not in compliance (#)</b>
CPA 9	Respond to requests from OTF or AICPA staff by due date.	0
CPA 10	Submit complete Plan of Administration including all AE oversight requirements by April 1.	2
CPA 11	Annual reviewer resume verification process is performed in accordance with the Oversight Handbook and verification information is included in Plan of Administration.	0
CPA 12	Policies and procedures designed to mitigate familiarity threat for committee/RAB members and technical reviewers are submitted with the Plan of Administration by the due date.	0
CPA 13	Submit complete Plan of Administration by November 1.	2
CPA 14	Meet all qualifications of the CPA on staff, including training requirements.	1
CPA 15	Oversight procedures are approved by the Committee and in place by the Plan of Administration due date.	0
CPA 16	Obtain confidentiality and administration agreements from all AE staff associated with peer review on an annual basis.	1

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

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

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

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

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

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

As a result, effective January 1, 2004, the SECPS was restructured and renamed the AICPA Center for Public Company Audit Firms (CPCAF). The CPCAF Peer Review Program (CPCAF PRP) became the successor to the SECPS Peer Review Program (SECPS PRP), with the objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with and inspected by the

## Appendix 1, continued

### History of Peer Review at the AICPA

PCAOB. Because many SBOAs and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAIF 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 CPCAIF 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 CPCAIF PRP was discontinued, and the Program became the single program for all AICPA firms subject to peer review. Upon the discontinuance of the CPCAIF 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 comply 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>5</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>5</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 (SSARSs); 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 Accounting 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>6</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 or 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 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 or 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

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<sup>6</sup> QC section 10 can be found in AICPA *Professional Standards*.

## **Appendix 2, continued**

### **AICPA Peer Review Program Overview**

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 2020. 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 (PRB)	Functions as the “senior technical committee” governing the AICPA Peer Review Program (PRP) and is responsible for overseeing the entire peer review process.
AICPA Peer Review Program Manual	A publication that is developed by the PRB. It includes the revised AICPA <i>Standards for Performing and Reporting on Peer Reviews</i> , interpretations to the revised AICPA <i>Standards for Performing and Reporting on Peer Reviews</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 administering entity (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 (RAB) and technical reviewers. The handbook also provides guidance in carrying out those responsibilities.
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 (AUP) engagement	An engagement in which a practitioner is engaged to issue, or does issue, a practitioner’s report of findings based on specific agreed-upon procedures applied to subject matter for use by specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner’s findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. Because the needs of specified parties may vary widely, the nature, timing and extent of the agreed-upon procedures may vary, as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures because they best understand their own needs. In such an engagement, the practitioner does not perform an examination or a review and does not provide an opinion or conclusion. Instead, the report on agreed-upon procedures is in the form of procedures and findings.
Attest engagement	An engagement that requires independence, as set forth in the AICPA Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARs) and Statements on Standards for Attestation Engagements (SSAEs).
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.

**Glossary, continued**

<u>Term</u>	<u>Definition</u>
Compilation	An engagement in which an accountant applies accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with SSARS without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order 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.
CPA on Staff	Individual at the AE responsible for managing the Program.
Employee Retirement Income Security Act (ERISA) of 1974	The Employee Retirement Income Security Act (ERISA) of 1974 is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans.
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, compilations or preparation engagements).
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.
FDICIA	Federal law enacted in 1991 to address the thrift industry crisis. The Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991 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.
Financial statements	Presentation of financial data including balance sheets, income

## Glossary, continued

<u>Term</u>	<u>Definition</u>
	statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended.
Finding for further consideration (FFC)	One or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with it such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. A finding not rising to the level of a deficiency or significant deficiency 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.
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 an FFC form.
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	Matters are typically one or more "no" answers to questions in peer review questionnaires. A matter is documented on a Matter for Further Consideration (MFC) form.
Oversight Task Force (OTF)	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 form completed annually by entities requesting to administer the program whereby the entity agrees to administer the program in compliance with the <i>Standards</i> , interpretations and other guidance established by the PRB.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.

## Glossary, continued

<u>Term</u>	<u>Definition</u>
Preparation engagement	An engagement performed in accordance with SSARS in which a practitioner is engaged to prepare financial statements in accordance with a specified financial reporting framework but is not engaged to perform a compilation, review, or audit of those financial statements.
PRIMA System	An online system that is accessed to carry out the Program administrative functions.
Report Acceptance Body (RAB)	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.
Review	An engagement in which the accountant obtains limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.
Reviewer feedback form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer resume	A document within PRIMA required to be updated annually by all active peer reviewers, that is used by AEs to determine whether 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, or contractual basis, commonly referred to as <i>other comprehensive bases of accounting</i> .
State board of accountancy	An independent state governmental agency that licenses and regulates CPAs, each jurisdiction may use a different name for this agency.
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	<p>Policies and procedures designed and implemented to provide a firm with reasonable assurance that:</p> <ol style="list-style-type: none"> <li>a. the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and</li> <li>b. reports issued by the firm are appropriate in the circumstances.</li> </ol>

**Glossary, continued**

<u>Term</u>	<u>Definition</u>
System review	A type of review that 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 Statement on Quality Control Standards (SQCS) No. 8, <i>A Firm's System of Quality Control</i> (QC sec. 10), in all material respects.
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 1.9B**

**Firms Dropped from the AICPA Peer Review Program for Noncooperation  
between January 1, 2021 and March 31, 2021**

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. Accordingly, the number of firms dropped is temporarily higher than past reporting.

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of April 19, 2021 are denoted by an ‘\*’ following the firm name.

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900010149097	Aasand & Glore, LLC	AK
900010096589	Daniel, Hewko & Tharp	AK
900010097792	Elizabeth L. Cronin	AK
900006509133	Alan Cantrell CPA LLC	AL
900010141976	C. Robert Coats CPA PC	AL
900255273441	Daryl C. DuPree, P.C.	AL
900005244369	Richardson Financial Group	AL
900001078726	Roxie B Brewer	AL
900255350107	Deborah K Wright CPA LLC	AR
900255227281	GDK CPA LLC	AZ
900004379403	Henry W Varga PLC	AZ
900005563033	Mack & Rohwedder, PC	AZ
900255227099	Phyllis A. Conrad, CPA, LLC	AZ
900001082405	Victor R. Pereboom CPA PC	AZ
900005349265	Andrew J. Shaginaw, CPA	CA
900010123307	APAT, Inc. dba APAC CPAs	CA
900006626290	Ara Haddadian, CPA, A Prof. Certified Public Accountancy Corp.	CA
900011366769	Arthur De Grange	CA
900011591229	Attema Public Accounting	CA
900006655743	Baroldi Gundersen LLP	CA
900010152294	BBRS, LLP	CA
900011578712	Buckley and Endow, LLP	CA
900001163057	Calvin Takuma & Company	CA
900255348270	Carl W. Livsey & Associates, Inc.	CA
900001078189	Catherine M. March	CA
900255187294	Celeski and Tritasavit, An Accountancy Corp	CA
900011944595	Claudia Stanley, CPA *	CA
900001184701	Coates Accountancy Corporation	CA

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900006367240	Cook & Company	CA
900004184192	Craig I. Mizuno CPA dba Mizuno CPA *	CA
900010070088	Craig V. Sands Accountancy Corporation	CA
900010113355	Crippen & Associates	CA
900007516532	Dave K & Associates	CA
900010028599	Davis Hammon & Co.	CA
900005415872	Edward G. Ochs CPA	CA
900255347858	Elias Aziz-Lavi	CA
900006879724	Farris & Company An Accountancy Corporation	CA
900011952397	Favor Accountancy Corporation *	CA
900255190150	Fred A. Marcussen, CPA	CA
900010094716	Galloway & Associates *	CA
900011938815	Gendron & Company	CA
900255350029	Global First Accounting Group Inc. *	CA
900011419969	Gonzales & Company, Inc.	CA
900010126314	Gregor and Co., AAC *	CA
900011556249	Grey B. Roberts	CA
900255215602	Guerrero, Jimenez, Diaz Co. LLP *	CA
900010154954	Healey & Associates	CA
900011569049	Hermelinda P. Cortes, CPA	CA
900011472469	Hopkins & Company	CA
900010143238	Inouye, Suzuki & Yoshimura	CA
900001097964	Integral CPAs & Associates, Inc.	CA
900005677149	Irene P. Tse	CA
900011941375	Jackie D. Pace, CPA	CA
900004861233	Jerry Strull CPA A Professional Corporation	CA
900011935235	Jerry W. Byrd, CPA	CA
900005646326	John B. Pillatsch, CPA	CA
900000025955	John R. Betts	CA
900011942475	John S. Cho CPA, Inc.	CA
900010043669	Johnston, Martin & Montgomery, LLP	CA
900006721299	Joseph J. Davis	CA
900007777961	Kaplan Inc	CA
900255190616	Katherine Toyama	CA
900010098648	Keith A. Vance, CPA	CA
900255181714	Kirt E. Sechooler	CA
900011800475	Kumpf & Leippe, CPAs *	CA
900006263636	Larry M. Jorge, CPA	CA
900255349802	Laurie J Steen	CA
900005869481	Leslie A. Doherty, CPA *	CA

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900010132213	Leung Accountancy Corporation	CA
900010083212	Levitt & Rosenblum, CPAs	CA
900255350458	Lohman Goni and Associates, LLP	CA
900011505895	Mak & Co., Inc.	CA
900010128737	Manuel P. Pinto, CPA	CA
900010151836	Marc D. Filler, AC	CA
900004573620	McDonald Accountancy, Inc.	CA
900255347965	McGuigan & McGuigan, CPA's	CA
900011581929	Michael H. Lam, CPA	CA
900010152561	Michael J Barry, CPA, A Professional Corp	CA
900011580009	Michael J. Daigle, CPA	CA
900008239118	Michele R Agnello CPA	CA
900004626101	Michelle Pimentel-Montez	CA
900010016070	Nancy L Hasbach	CA
900004364489	Neeka Accountancy Corporation	CA
900006301317	NELSON & ASSOCIATES, CPA	CA
900001082051	O. James White CPA Accountancy Corporation	CA
900255347777	Okamoto & Myers *	CA
900255350127	Pat Malloy CPA	CA
900011575234	Paul Carney, CPA	CA
900255273616	Phillips & Fenity	CA
900005840944	Phillips & Thomas, Inc. *	CA
900011557509	Powers Accountancy Corp.	CA
900255182566	Prime Accountancy Associates, Inc.	CA
900000035962	Quiroz and Company, LLP *	CA
900010040768	Richard J. Lauter and Company, LLP	CA
900011441169	Robert C. Statham, AAC *	CA
900255055529	Ross R Bonnie & Associates, Inc.	CA
900010084261	Roy E. Molina CPA, Inc.	CA
900010062863	Schultz, Inouye & Chais	CA
900005853496	SCOTT W. SMITH, CPA'S, INC.	CA
900005376166	Seto Kirakosian Accountancy Corp. *	CA
900255349381	Shin & Lee LLP	CA
900008187346	SINAMBAL & REYES, CERTIFIED PUBLIC ACCOUNTANTS Inc.	CA
900010066486	Smith, Linden & Basso LLP	CA
900010154866	Steven Krohn & Company, AC	CA
900011366629	Steven Tate, CPA	CA
900010083654	Stoner & Associates	CA
900006127195	Strom Lamorena Accountancy Corp	CA
900255346996	Suzanne Espeseth, CPA	CA

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900001025446	Terry B. Meader	CA
900008764326	Teshima and Company	CA
900001054070	Thayer Klump & Co., LLP	CA
900255348861	The Bean Counter, CPA	CA
900011571349	Thomas E. Kurth, CPA	CA
900001107777	Thomas H. Sever	CA
900255193614	Thomas Nitta, CPA	CA
900010126364	Thomas, Porch & Gullickson, CPA's, P. C.	CA
900011325349	Transtar Accountancy, Inc.	CA
900000880770	Van Tassell & Paegel	CA
900010120569	Vermeulen & Company, An Accountancy Corporation	CA
900006382818	Virgil C. Smith, CPA	CA
900010141802	W. William Cary CPA Company APC	CA
900255203987	Wallace L. Chow	CA
900011375039	Wendy Liu Accountancy Corp. *	CA
900010143718	Wildman Accountancy Corporation	CA
900010111392	Williams Accountancy Corp.	CA
900255349055	Yeil Accounting America LLP	CA
900011482375	Yoon Han Kim, CPA	CA
900004053614	Younger & Company CPAs *	CA
900255350253	Zafar Husain Siddiqui	CA
900010095288	Zainer Rinehart Clarke CPAs APC	CA
900003737236	Zhai & Wang, LLP	CA
900006467373	Celinda K. Olszewski, CPA, LLC	CO
900010084093	H. Clayton Williams	CO
900255347972	Peak Tax Group LLC	CO
900007549940	Scripps, Taylor & Associates, P.C.	CO
900010114737	Steven C. Mercadante	CT
900004349666	Roberts & Associates CPA's	DC
900004361216	Abella Garcia Guell & Co LLP	FL
900005152847	CPA Gustavo Torres Decos PA	FL
900255347587	CS West & Associates, PA	FL
900010133595	Gabriel & Associates, CPA's PA	FL
900010113977	Harry C. Harrell, PLLC	FL
900011664852	M. Dennis Modrak	FL
900008988214	Maria F. Diaz CPA LLC	FL
900255349402	Northrop Financial Group	FL
900010149299	Robin C. Weeks	FL
900010111885	Rodriguez and Company, P.L.	FL
900255348711	WILEY CPA	FL

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900004364619	Buddy H. Coffey, CPA *	GA
900010148226	E. Shawn Danley CPA PC	GA
900255259639	Kyle Johnson, P.C	GA
900010141699	Robert A. Reynolds	GA
900000458160	Robert E. Kittrell CPA, P. C.	GA
900007515953	Samuel S. Miller, CPA, PC	GA
900005248415	Sound Accounting, PLLC	GA
900005413506	Thomas Bailey CPA, PC.	GA
900255214845	Willard M. Wade, CPA	GA
900004588841	William A Amos, CPA	GA
900000718393	Frank L. Robar CPA	HI
900255311868	George Lam	HI
900011470690	Howard M.S. Hu	HI
900011444281	Namhoon Kim, CPA	HI
900005069749	Richard S. Moreno CPA/ABV	HI
900009893565	Tiffany Trang CPA, LLC	HI
900255187381	Dennis P Donovan PC	IA
900255185416	Glenda Stockwell CPA PC	IA
900010144077	Jon H Schuman	IA
900010121789	Nelson & Co. CPA's, P.C.	IA
900009553495	Anchor Point Accounting PLLC	ID
900255348164	Aric R Bluhm, CPA, Chartered	ID
900010134802	Ware & Associates	ID
900255349623	Callender & Associates LLC	IL
900009235751	Cilella and Associates Inc.	IL
900006938987	George Jay Kite LTD	IL
900000642869	James J. O'Neill, CPA	IL
900010063874	John Seybold & Company, Ltd.	IL
900255349905	Kapple Jensen Inc. dba Kapple Jensen & Associates	IL
900004491840	Lawrence Lenard & Company LLC *	IL
900010099913	Sceggel Accounting Services, Inc. dba Caldwell, Coren & Sceggel, Inc. *	IL
900010128378	Voellinger, Simpson, Dolan & Associates, P. C.	IL
900255189308	Wendy Verschoore, CPA	IL
900010092645	Aldrich & Company	KS
900004779770	Charlene A. Harrison, CPA	KS
900010099904	S.R Young & Company, LLC	KS
900010111810	Vickers & Company, CPAs, PA	KS
900255141498	Bob Wientjes CPA LLC *	KY
900000721193	Charles William Robinson P. S. C.	KY
900010031583	Hisle & Company *	KY

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900005456452	Maddox & Associates CPAs Inc *	KY
900010140407	John E. Dahlquist CPA, P. C.	MA
900010116419	John M. Monticone	MA
900011739692	Kenneth Der, CPA	MA
900010147118	Mark Bossi	MA
900004840143	Robert A. Cooper, CPA PC	MA
900008216447	Schofer Dillberg & Company	MA
900010152907	Summit Financial Corporation	MA
900010147091	Timothy M. Craven	MA
900010106883	Carol Ann Schmidt CPA, PC	MD
900255273659	Charles H Geser	MD
900010150395	Fleishman Potter LLC	MD
900255350195	KaySuite	MD
900010131224	Michelle M. Biess CPA, P. C.	MD
900255350084	North Brook Financial	MD
900255273669	Peters Accounting Group LLC	MD
900010149855	Comstock & Comstock PC	MI
900004317482	Controllership Services, Inc.	MI
900255191585	Jeffrey L. Burdick, CPA	MI
900255249015	John J Gurin, CPA	MI
900001140323	Troszak CPA Group	MI
900004315566	Zerbo Consulting Group, P.C.	MI
900255271588	Lamers & Lamers, Ltd.	MN
900255347162	McDonald Carlson CPAS	MN
900010083402	Wayne Newhouse & Co., Ltd. *	MN
900011766292	Adrienne L Tompkins CPA, PLLC	MS
900255270794	Valerie J. Hillman CPA & Assoc	MT
900010137021	Tanya S. Branch, CPA, P.A *	NC
900005110641	Terri A. Simmons CPA, PLLC	NC
900081198624	Timothy Edward Cobb	NC
900001169907	Yvonne M. Kubis	ND
900005733450	Meier & Kaspar LLC	NE
900010105444	Penchansky & Co. II, PLLC *	NH
900010145748	Accounting Alternatives of NJ, Inc.	NJ
900255192072	Anthony C. Ludwig, CPA	NJ
900010146587	Anthony F. Bruce L.L.C. CPA	NJ
900255192316	Atlantic Accounting	NJ
900010143400	Burke, Grbelja, Symeonides LLC *	NJ
900010010712	Capaldi Reynolds & Pelosi, PA *	NJ
900006135675	D. F. O'Brien & Co.	NJ

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900011556812	Duane Sloan, CPA	NJ
900005116864	Financial Tax Services Inc	NJ
900005175547	Gaines, Goldenfarb & Associates, PC	NJ
900001122368	George M. Lindorff	NJ
900011969137	Howard, Listander & Berkower, PA	NJ
900005710063	Loren Ferraro LLC	NJ
900007791277	Memoli & Company, PC	NJ
900255347795	Monmouth CPAs and Consultants, LLC	NJ
900004029064	Nicholas G. Mamary, CPA	NJ
900010092214	Paritz & Company, P. A.	NJ
900011964835	Richard J. Hatch	NJ
900255192413	TCPA CERTIFIED PUBLIC ACCOUNTANTS LLC	NJ
900255350186	Katie Lollar CPA LLC	NM
900010149446	LeCompte, P.C.	NM
900010136472	Randy W. Salas	NM
900005767443	Ronny Fouts, CPA	NM
900010097636	Sloan & Company	NM
900009254682	Wharff Lackey Accounting and Technology LLC	NM
900012004075	William Barrett, CPA	NM
900006406600	JP Banka & Co. *	NV
900010106670	Berger, Torquato & Davis LLP	NY
900010103992	Berotti Robins & Guskin LLP	NY
900010121884	Buccieri CPA PLLC	NY
900255350477	Byron V. Brewer CPA PC	NY
900008565728	Carl D. Preiser CPA, PC	NY
900255349349	GEORGE T. RHEIN CPA	NY
900001136039	Girdhar K. Khurana	NY
900004559629	Goldglit & Company LLP	NY
900010084582	Guibert & Co	NY
900010102440	Hoffman Mulligan CPAS LLP	NY
900005665509	Jacob Oberlander C.P.A. P.C.	NY
900001158753	James F. Narell	NY
900010107751	James W. Vanstrom & Company	NY
900010097478	JH Gendler CPA PC *	NY
900010145506	John M. Maggio	NY
900010052477	Kamil El-Deiry & Associates, CPA, PLLC	NY
900010094218	Karpman & Co.	NY
900006571538	Kim L. O'Toole, CPA	NY
900010103400	Liberta & Milo, LLP	NY
900010082622	Michael D. Mintz CPA, P.C. *	NY

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900255181633	Norman Dick, CPA	NY
900001143266	Orest P. Baransky, CPA P.C.	NY
900008652674	Pares & Company CPAs, P.C. *	NY
900010140582	Roush CPA PC	NY
900010094277	Roy, Cole & Speranza	NY
900010054036	Sanossian, Sardis & Co.,LLP	NY
900008104215	Spitz & Greenstein, LLP	NY
900010133412	Vernon J. Key	NY
900255328670	Darrell Burton	OH
900011265409	David S. Baldoza, CPA & Associates, LLC	OH
900255247864	Dix & Associates Inc	OH
900004538145	Douglas B. Kahl CPA	OH
900010133244	Douglas L. Donohoo	OH
900255273073	Elias CPA Group *	OH
900255273664	Fred M. Stevenson CPA	OH
900010144212	Hubbard & Hubbard *	OH
900255227376	Rahe & Company CPAs	OH
900255237572	Richard B. Case CPA	OH
900010132501	Steve Umbach	OH
900010107282	Steven E. Boden	OH
900255182562	Vahedy & Company	OH
900010140209	Willoughby & Company, Inc.	OH
900010139429	Diana L. Flanigan, CPA	OR
900001027639	James A. Youel CPA	OR
900010106975	Marinus De Boer CPA	OR
900010126682	Smyth & Clark, P. C.	OR
900255349917	Boylston Hoffman LLC	PA
900010081941	Daniel Soliday	PA
900011463169	Edward V. Dzik CPA	PA
900010152506	Herzberg & Peltzman, LLC	PA
900001195965	Antonio Rodriguez Borrero *	PR
900010131808	Cortes-Hernandez, CPA, CSP *	PR
900004433721	Gomez-Ramirez CPA PSC	PR
900010155286	Hector Molina Marrero	PR
900010090765	Jose E. Rosario Co., CPA, PSC *	PR
900010121319	Juan A. Rivera, CPA	PR
900010118817	Lourdes M. Diaz & Asociados *	PR
900255185839	Optima CPA Solutions LLC	PR
900010097438	Padilla, Medina & Assoc, PSC	PR
900001055343	Beauvais & Co	RI

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900255349852	Arrow Advisory, LLC *	SC
900010137800	Francis Marion Branyon III, CPA, LLC	SC
900011737352	James A. Legg, CPA , PA	SC
900010106142	James A. Parrish CPA PA	SC
900010136654	James H. Stuckey, Jr. P. C.	SC
900005464388	Knoble, Ingle, CPAs LLP	SC
900004153216	Anderson Group CPA Inc	SD
900255350522	Burroughs & Associates, LLC	TN
900011687512	Connie J. Black, CPA	TN
900011670692	Hauser & Hauser, CPAs	TN
900006080961	HC Sparks, Co.	TN
900255349604	Richard T. Brown, CPA	TN
900255187832	C. Paul Shubert, P.C.	TX
900255349440	Coe Perry, CPA	TX
900010016028	Davis, Trant, Ramirez & Flores	TX
900255350283	Erskine Payne CPA PLLC	TX
900010020867	Fields, Nemec & Co., P. C. *	TX
900001146831	John William Stovall CPA, PC	TX
900010098498	Jones, Klenzendorf & Hardin, CPA's	TX
900006482661	Mary M. Hudgens, PLLC	TX
900010046956	McKinnon Patten & Associates, LLC	TX
900001060430	Michael P. Bruce, CPA, PC	TX
900010118505	Moore Lyles McCarty & McGilvray, LLP *	TX
900005578799	Paul F. Sanders, CPA	TX
900255247794	R.N. Kellenberger, P.C. Certified Public Accountant	TX
900255347379	Randy J. Graham, CPA	TX
900255347582	TN CPA	TX
900010081525	Toombs, Hall & Foster, L.L.P.	TX
900005644792	Trlicek & Co PC *	TX
900255350815	Tuttle & Bond, PLLC	TX
900010150735	Welch, Sanders & Associates, LLP *	TX
900255350410	William Chase, CPA	TX
900005772982	Erickson & Company	UT
900255179938	Warby & Johnson, CPAs, PLLC	UT
900010140809	Whatcott & Associates	UT
900255168487	Crawley CPA Company, LLC	VA
900255350119	Elizabeth Nam CPA	VA
900255348155	John J. Kelly, CPA	VA
900010070747	Martin, Dolan & Holton, Ltd. *	VA
900010091842	Rasnake & Company, P. C. *	VA

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<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900255350281	Robbins Accounting, LLC	VA
900006698088	Yohannes S. Mengistu, CPA-Professional Services LLC	VA
900003888773	Misasi and Company LLC	VT
900005069674	Moorer & Co PLLC	WA
900010103322	Owen and Company P.S.	WA
900001038727	Stephen H. Oswin CPA, P. S.	WA
900004354026	Grobe & Associates CPAs, LLC	WI
900011774335	Harold B. Davis, CPA	WV
900255349650	Mark P Joseph, CPA, PLLC	WV
900010149954	Tammy R. Dalton	WV

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## **Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Last Reported**

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 2020. 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.

Clay Tablet Accounting LLC – Anchorage, AK  
Russell Yamane & Associates CPAs Inc – Wailuku, HI  
Guinn, Vinopal & Zahradka, LLP – New Richmond, WI

### 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.

Richard D. Kieffer – Olney, IL

### Failing to submit revised documents:

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

Brown & Co., LLP – Woodstock, IL

### 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.

Bryant A. Gaudette, CPA – Katy, TX

### 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.

Ray D. Freeman P.C. – Houston, TX

Firm terminations are also published on our website at:

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

<https://www.aicpa.org/forthepublic/prfirmterm/2021peerreviewfirmterminations.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

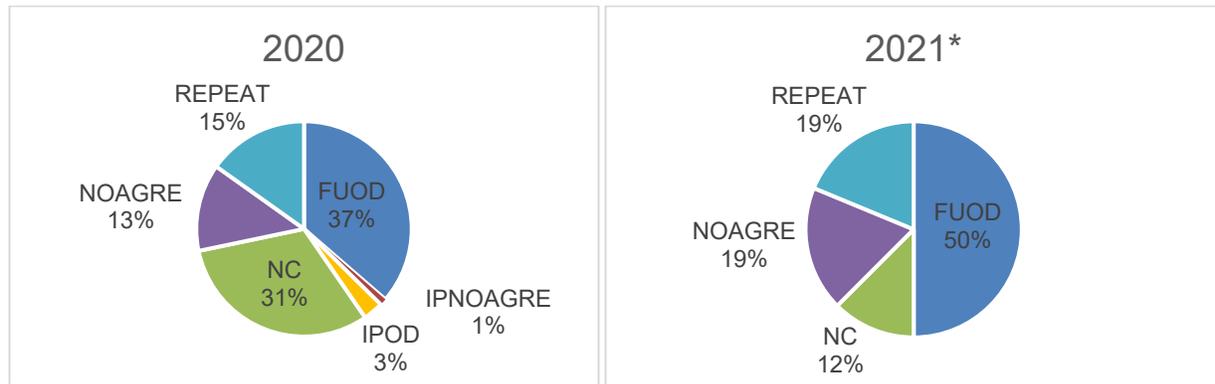
Referrals are firm noncooperation cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing. Firms referred to the PRB for a termination hearing increased significantly after PRIMA implementation in 2017, due in part, to process automation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

Due to the extensions granted to firms to complete peer reviews, implementation plans, and corrective actions, the table below shows a significant decrease in referrals for 2020-2021. As extended due dates become due, then past due, hearings volume is expected to increase. Staff is closely monitoring resources, including the number of panels, devoted to this area and will make appropriate adjustments as needed. This may include adding panels later in the year.



\*through 3/31/2021

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



\*through 3/31/2021

<b>Legend:</b>	
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, including those subsequently revised upon firm request.
REPEAT	Failure to improve after consecutive non-pass peer reviews

During 2020, there was an increase in the number of firms referred for failure to complete their peer review (reflected in the NC number above), failure to agree to corrective actions, and similar charges. This appears to relate to the AEs' increased ability to monitor old open reviews due to improved PRIMA reporting. Through the first quarter of 2021, there has been an increase in the number of cases related to failure to complete corrective actions as extensions expire, as discussed previously.

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 less panel and other resource usage. In 2020, approximately 71% of recourse hearing cases referred were mediated. Through the first quarter of 2021, 29% of recourse hearing referrals were mediated. 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 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 the 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 maintained on a listing 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:

<b>Number of Firms</b>		
<b>Year</b>	<b>Terminated</b>	<b>Not Terminated</b>
2016	41	6
2017	18	6
2018	41	25
2019	59	57
2020	32	9
2021*	9	4
<b>Total</b>	<b><u>200</u></b>	<b><u>107</u></b>

\*through 3/31/2021

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.

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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

During 2020, 15 reenrollment cases were considered resulting in approval for nine firms. Through the first quarter of 2021, one reenrollment case was considered resulting in approval. 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.

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## PRB Observers

Dan Weaver  
Vinit Shrawagi  
Paul Burns  
Stephen Young  
Lisa Brown  
Richard Hill  
Thomas Parry  
Stephen Langowski  
Heather Trower  
Dipesh Patel  
Paul Pierson  
Heather Lindquist  
Rafael Wiesenberg  
Todd Shapiro  
Melinda Hart  
Niranjan Kumar  
Kristy Illuzzi  
Duncan Will  
Thomas Kirwin  
Aimee D'Amato  
Kim Meyer  
Karen Welch  
Kristine Sheedy  
Sharon Romere-Nix  
Dawn Brenner  
Paul Brown  
Kathy Creel  
Kristen Wilcox  
Richard Daisley  
Jennifer Winters  
Monica Farrell  
Jessica Mytrohovich  
Gloria Roberts  
Gloria Snyder  
Laura Harrison  
Cheryl Hartfield  
Mittie Benham  
Colleen Conrad  
Boyd Busby  
Michael Barton  
Horace Emery  
Jaime Sanabria  
Suzanne Heidenreich  
Bimpe McMillon  
Jerry Cross  
Viki Windfeldt  
Dan Dustin  
Patty Hurley

Kathleen Hoover  
Marissa Mahoney  
Kristi Justice  
Marc Feinstein  
Thomas Cordell  
Michelle Thompson  
Mary Beth Halpern  
Julie Phipps  
Alan Lee  
Ashley Sellers  
Julie McNeal  
Heather Myers  
Dan Sweetwood  
Chris Rouse  
Mark Mersmann  
Marysue Bulcavage  
Darlene Boles  
April Boudreaux  
Mary Kline-Cueter  
Jim O'Hallaron  
Kathleen Meyer  
Chuck Jordan  
Allison Henry  
Debra Seefeld  
Randy Watson  
David Eatmon  
Faye Hayhurst  
Kellyann Kelly  
Pamela Lemire  
Raegen Nuffer  
Adelina Burke  
Gavin Burnham  
Colin Autin  
Stacey Lockwood  
Jay Kaufman  
Karen Guerra  
Dave Trujillo  
Robert Vachon  
Roger Scarborough  
Clay Huffman  
Ross Roye  
Mark Hobbs  
Abby Dawson  
Hunter Cook  
Wendy Garvin  
Peggy Jury  
Maria Laboy  
Marilee Lau

Donna Oklok  
Mark Harris  
Mary Kelly  
Kent Absec  
Tara Loghing  
Andrea Byrd  
Sherry Chesser  
Bruce Kingshill  
Jim Therrell  
C Jack Emmons



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