



Peer Review
Program

Peer Review Board Open Session Materials

May 3, 2023

Virtual Meeting

**AICPA Peer Review Board
Open Session Agenda
Wednesday May 3, 2023
Teleconference**

Date: Wednesday May 3, 2023

Time: 1:00PM – 3:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board** – Mr. Kindem/Mr. Bluhm
- 1.2 Proposal of Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections** - Mr. Fawley
- 1.3 Task Force Updates*
 - Standards Task Force Report – Mr. Fawley
 - Oversight Task Force Report – Ms. Meyer
 - Education and Communication Task Force Report – Ms. Brenner
- 1.4 Other Reports*
 - Operations Director's Report – Ms. Thoresen
 - Report from State CPA Society CEOs – Ms. Pitter
 - Update on National Peer Review Committee – Mr. Wagner
 - Update on the Proposed Criteria for QCM Content – Ms. Rowley
- 1.5 Other Business** - Mr. Bluhm
- 1.6 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
- 1.7 Future Open Session Meetings**
 - A. September 7, 2023 – Teleconference
 - B. November 16, 2023 – Teleconference
 - C. February 7, 2024 – Teleconference
 - D. May 15, 2024 – Teleconference
 - E. September 11, 2024 – Teleconference
 - F. November 6, 2024 – Teleconference

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*

Why is this on the Agenda?

In open session on February 2, 2022, the board approved final issuance of the clarified peer review standards (the standards), which have been effective for peer reviews commencing on or after May 1, 2022. Based on feedback provided from users, the Standards Task Force (STF) developed an exposure draft with proposed modifications to the standards that was approved for issuance by the board on November 16, 2022, with comments due by January 31, 2023. After considering formal and informal feedback from peer review stakeholders in response to the exposure draft, the STF is requesting approval from the board to issue of *Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections* (PRSU No. 1)(see Agenda Item 1.2A).

Upon approval and prior to publishing, the content of PRSU No. 1 will be subject to a final editorial review that may result in minor clerical changes for consistency with Association branding, style, and appropriate copyright dates.

Nature of Proposed Changes in PRSU No. 1

The detailed changes reflected in PRSU No. 1 are summarized in the explanatory memorandum of Agenda Item 1.2A, which are broadly characterized as the following:

- Clarifications to wording of extant requirements or application material to assist users with understanding the original intent
- The introduction of some new requirements or application material paragraphs for consistency with similar requirements in other sections of the standards
- Updates to the example familiarity threat policies and procedures that are utilized by AEs
- Other corrections to various paragraph references for technical accuracy

Feedback Received

The STF and AICPA staff have continually monitored feedback from users of the standards since final issuance, which was discussed in its meetings during August and October of 2022. As a result of those discussions, PRSU No. 1 was developed to propose changes considered appropriate to correct or enhance portions of the extant standards.

In response to the exposure draft of PRSU No. 1, formal and informal responses were provided to the STF for review and consideration. Responses from various administering entities, board members, and other stakeholders in the peer review community have noted general support of the revisions proposed in PRSU No. 1, with some additional feedback for further clarification (formal comment letters from respondents and related STF considerations are included in Agenda Item 1.2B and 1.2C, respectively).

PRIMA Impact

No direct effect on PRIMA is expected from the proposed changes.

AE Impact

If approved by the board, AEs will need to consider and apply the revisions to the standards in their processes for administering peer reviews.

Communications Plan

Because the changes proposed within Agenda Item 1.2A are not considered controversial nor present any significant changes to extant requirements and application material, the approval and issuance of PRSU No. 1 will be communicated to users of the standards via traditional communication methods including AE alerts, reviewer alerts and notifications within the PRIMA system.

Manual Production Cycle (estimated)

May 2023.

Effective Date

As proposed, no objections were noted regarding the effective date of the update to the standards. If approved, the standards will be updated and available to users as part of the May 2023 PRPM update (As of May 31, 2023; effective for reviews commencing on or after June 1, 2023).

Board Consideration

1. The STF asks the board to consider providing final approval for issuance of PRSU No. 1, effective for reviews commencing on or after June 1, 2023.



**Peer Review Standards Update No. 1,
*Omnibus Enhancements and Technical
Corrections***

***(Amends AICPA Standards for Performing and
Reporting on Peer Reviews, Effective for Peer
Reviews Commencing on or After May 1, 2022)***

**As Approved by the Peer Review Board
on May 3, 2023**

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Explanatory Memorandum

Introduction

This memorandum provides a summary of Peer Review Standards Update (PRSU) No. 1, *Omnibus Enhancements and Technical Corrections*, which amends the AICPA Standards for Performing and Reporting on Peer Reviews, effective for peer reviews commencing on or after May 1, 2022 (standards) issued by the AICPA Peer Review Board (board).

Background

The AICPA Peer Review Program (program) monitors the quality of reviewed firms' accounting and auditing engagements and evaluates the systems of quality control under which those engagements are performed. Participation in the program is mandatory for AICPA membership, as explained in paragraph .03 of PR-C section 100, *Concepts Common to All Peer Reviews*,¹ and peer reviews are now required for licensure in nearly all state licensing jurisdictions.

Summary of Proposed Changes

Corrections are made to various paragraph references for accurate cross-referencing, and the following summary represents additional revisions for clarification and technical accuracy.

PR-C Section 100, *Concepts Common to All Peer Reviews*

- Paragraph .09 and paragraph .A11 are revised to further clarify the scope of engagements under PCAOB standards that require a system review.
- Paragraph .11 is revised to further clarify RAB member voting responsibilities for consent agenda items.

PR-C Section 200, *General Principles and Responsibilities for Reviewers*

- Paragraph .05f is revised to further clarify the requirement related to reviewer qualifications.

PR-C Section 210, *General Principles and Responsibilities for Reviewers — System Reviews*

- Paragraphs .05 and .06 are revised with reference to additional application and other explanatory material that describes that, in rare circumstances, exceptions to reviewer qualifications may be approved by the AICPA prior to the commencement of a review. This change is for consistency with extant paragraph .A1 in section 200.
- Paragraph .06b is revised to further clarify the requirement for reviewers to have current involvement in must-select engagements, when applicable.
- Paragraph .17 is revised to further clarify the requirement for reviewers to assess the design of a firm's quality control policies and procedures as part of planning a peer review.

¹ All PR-C sections can be found in AICPA *Professional Standards*.

- Paragraph .36 is revised to introduce a new paragraph .A32 of application and other explanatory material indicating that reviewers may consider appendix A in section 220 when evaluating certain engagements in system reviews.
- Paragraph .71 is revised to further clarify the requirement for additional documents team captains are to submit when a review is administered by the National Peer Review Committee.
- Paragraph .A69.03 (in appendix C) is revised to further clarify the must-select requirement that reviewers are to select an audit of financial statements performed according to government auditing standards.
- Paragraph .A69.09 (in appendix C) is revised to remove the statement that indicates priority in a reviewer's engagement selection should be given to SOC 1[®] engagements when the population of engagements includes both SOC 1 and SOC 2[®] engagements. Instead, reviewers are expected to consider whether selecting one or both engagements is appropriate based on identified peer review risks.
- Paragraph .A70 (Illustration 5 in exhibit B) is revised in the peer reviewer's responsibility section for consistency with language used in other peer review report illustrations.

PR-C Section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*

- A new paragraph .06 is added to introduce a requirement that review captains are to meet training requirements established by the board, with reference to additional application and other explanatory material that describes in rare circumstances, exceptions to reviewer qualifications may be approved by the AICPA prior to the commencement of a review. This change is for consistency with extant paragraph .A1 in section 200.
- Paragraph .33 is revised to use phrasing consistent with a similar requirement for peer review reports in section 210, describing a firm's responsibility for designing and complying with a system of quality control.
- Paragraph .35 is added to introduce a requirement for review captains to submit additional documentation when an engagement review is administered by the National Peer Review Committee. This change is for consistency with the extant requirement for system reviews in paragraph .71 of section 210.
- Paragraphs .A7 and .A8 are revised to further clarify that matters are to be disposed of as either a finding or deficiency.
- Paragraph .A29 (appendix A) is revised to include an additional example of noncompliance that would result in a deficiency when materiality is not documented on review engagements and to further clarify section headings to state whether the example matters would generally result in a finding or a deficiency.

PR-C Section 300, *General Principles and Responsibilities for Reviewed Firms*

- Paragraph .20 is revised to further clarify the requirement for reviewed firms when resigning from the program.

- Paragraph .A15 is revised to further clarify the availability of information in the AICPA's public files for firms that are no longer enrolled.
- Paragraph .A23 is revised to further clarify circumstances applicable to reviewed firms when resigning from the program.

PR-C Section 310, *General Principles and Responsibilities for Reviewed Firms — System Reviews*

- Paragraph .16c is revised to further clarify the requirement for firm representations related to known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies
- Paragraph .A26 (exhibit A) is revised to include footnotes describing instances when firm representations may be tailored.

PR-C Section 320, *General Principles and Responsibilities for Reviewed Firms — Engagement Reviews*

- Paragraph .16c is revised to further clarify the requirement for firm representations related to known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies
- Paragraph .A19 (exhibit A) is revised to further clarify the content of the firm representation letter that describes the scope of engagements under PCAOB standards. This change is for consistency with the revision previously described in paragraph .09 of section 100.

PR-C Section 400, *General Principles and Administration Responsibilities*

- Paragraph .21b is revised to further clarify qualifications of report acceptance body (RAB) members.
- Paragraph .21d introduces additional application and other explanatory material to provide consideration for administering entities (AEs) when exceptions to the requirement may apply. This change is for consistency with extant paragraph .A1 in section 200.
- Paragraph .25b is revised to further clarify the qualifications of RAB members with must-select experience.
- Paragraph .45 is revised to modify the requirement for technical reviewers to obtain specific training in single audit engagements.
- Paragraph .45g introduces additional application and other explanatory material to assist AEs with evaluating whether a technical reviewer has substantially met the requirement to annually participate in a peer review.
- Paragraph .A27 is revised to further clarify the role of a consultant when such individuals are used in RAB meetings to meet the requirement for must-select experience.
- Paragraph .A44 is revised to include the most current examples of familiarity threat policies and procedures.

PR-C Section 410, *The Report Acceptance Process*

- Paragraphs .14 and .15 are revised to relocate the examples for delayed or deferred acceptance to application and other explanatory material paragraphs .A8 and .A12, respectively.

PR-C Section 420, *Corrective Actions and Implementation Plans*

- Paragraph .08 is revised to further clarify the requirement for RABs to require firms to complete AICPA courses when nonconforming engagements are related to focus areas in the AICPA Enhancing Audit Quality Initiative.
- Paragraph .A16 (exhibit C) is revised to further clarify the description of allowable implementation plans for repeat findings that are not related to nonconforming engagements.
- Paragraph .A18 (appendix A) is revised to further clarify that the report of an outside party is to include the period ends of engagements reviewed, if applicable.

PR-C Section 430, *Reviewer Monitoring and Performance*

- Paragraph .A3 is revised to further clarify application and other explanatory material describing circumstances that result in a reviewer performance deficiency.

Effective Date

These enhancements and technical corrections are effective and reflected in the Peer Review Program Manual (PRPM) as of May 31, 2023 (effective for reviews commencing on or after June 1, 2023).

AICPA Peer Review Board
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2022–2023

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Dawn Brenner
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Stephen Fetterman
Clynt Hart
Laura Hay
Julia Hayes
Steve Hicks

Kristen Mascis*
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Amy Pitter
Charles Prince*
Michael Sibley*
Dawn Trapani*
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**Member — Peer Review Board Standards Task Force*

**Non–Peer Review Board Standards Task Force Members
2022–2023**

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AICPA Peer Review Program*

Brad Coffey
*Manager
AICPA Peer Review Program*

Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*

(***Boldface italics*** denotes new language. Deleted text is shown in ~~strike through~~.)

PR-C Section 100, *Concepts Common to All Peer Reviews*

[Paragraphs .01–.08 are unchanged.]

.09 Firms that perform engagements under the Statements on Auditing Standards (SASs) or Government Auditing Standards, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or *audits or examination* engagements under PCAOB standards as their highest level of service must have system reviews. Firms ***are eligible to have engagement reviews if the highest level of service does not require a system review and is performed*** ~~that perform services under the SSARSs or services under the SSAEs~~ ***or is an other attestation engagement under PCAOB standards*** ~~not included in system reviews as their highest level of service are eligible to have engagement reviews.~~ (Ref: par. .A11)

[Paragraph .10 is unchanged.]

.11 For the purposes of all sections of these standards, the following terms have the meanings attributed as follows:

[The content of other definitions in this paragraph is unchanged.]

Consent agenda. A list of reviews, corrective actions, implementation plans, and other items that allows RAB members to vote on all items at one time without discussion; ~~however,~~ ***any RAB member may extract any item from the consent agenda for discussion and a separate vote if necessary; failing to respond to a call for vote should not be considered an affirmative response.*** The following minimum criteria must be met for a review to be accepted using a consent agenda: (Ref: par. .A17)

- A report rating of *pass*
- No matters for further consideration (MFCs)
- Without reviewer performance feedback

Items related to corrective actions and implementation plans should be accepted using a consent agenda only if

- there are clearly identifiable actions or procedures that could be accepted by the technical reviewer or CPA on staff (see paragraph ~~.0508~~ of PR-C section 420, *Corrective Actions and Implementation Plans*),
- requests to waive corrective actions or implementation plans are specific and easy to understand, or (Ref: par. .A18)
- there is no apparent reason that requests to extend due dates should not or would not be approved by the RAB. (Ref: par. .A19)

Other items may be approved using a consent agenda if there are clearly identifiable actions that do not require discussion, assessment, or a vote by the full peer review committee.

[Paragraphs .12–.43 are unchanged.]

.44 If any of the disagreeing parties believe a review of the panel’s decision is warranted, they should request an appeal by writing to the board and explaining the reasons a review of the panel’s decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established. (*Ref: par. .06 of section 400*)

[Paragraphs .45–.53 and .A1–.A10 are unchanged.]

.A11 The type of peer review is determined based on the engagements performed as the firm’s highest level of service, as shown in the following chart:

Engagements as the Firm’s Highest Level of Service	System Review	Engagement Review
<i>Statements on Auditing Standards (SASs)</i>		
Engagements	X	
<i>Government Auditing Standards (GAS)</i>		
Financial audits	X	
Attestation engagements (examination, review, or agreed-upon procedures under GAS)	X	
Performance audits	X	
<i>Statements on Standards for Attestation Engagements (SSAEs)</i>		

Engagements as the Firm’s Highest Level of Service	System Review	Engagement Review
Examination engagements	X	
Review engagements		X
Agreed-upon procedures engagements		X
<i>PCAOB Standards</i>		
Audits	X	
<i>Examinations</i>	X	
<i>Other attestation engagements (reviews, attest, or agreed-upon procedures engagements under PCAOB standards)</i>		X
<i>Statements on Standards for Accounting and Review Services (SSARs)</i>		
Reviews of financial statements		X
Compilation engagements		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 based on periods ending during the year under review, except for financial forecasts, projections, and agreed-upon procedures engagements. Financial forecasts, projections, and agreed-upon procedures engagements with accountant’s report dates during the year under review would be subject to selection.

[Paragraphs .A12–.A56 are unchanged.]

PR-C Section 200, General Principles and Responsibilities for Reviewers

[Paragraphs .01–.04 are unchanged.]

Reviewer Qualifications

.05 To qualify as a reviewer, CPAs should consider whether their day-to-day involvement in their firm's accounting and auditing practice is sufficiently comprehensive to enable them to perform a peer review with professional expertise. At a minimum, a reviewer should meet the following qualifications: (Ref: par. .A1)

- a. Be a member of the AICPA in good standing, licensed to practice as a CPA, and employed by or an owner of a firm enrolled in the program. (Ref: par. .A2)
- b. Be in public practice as a partner, manager, or person with equivalent responsibilities in the accounting or auditing practice or carrying out a quality control function in the CPA's firm. (Ref: par. .A3)
- c. Have current practice experience by performing or supervising accounting or auditing engagements in the CPA's firm or carrying out a quality control function in the firm, with reports dated within the last 18 months. (Ref: par. .A4)
- d. Have spent the last five years in the practice of public accounting in the accounting or auditing function.
- e. Be employed by or be the owner of a firm that has received a report with a peer review rating of *pass* or *pass with scope limitations* for its most recent peer review. (The report should have been accepted timely.) (Ref: par. .A5–.A6)
- f. Possess ***appropriate experience and*** current knowledge of professional standards ~~and experience~~ related to the kind of practice and the industries of the engagements to be reviewed. (Ref: par. .A7)
- g. Obtain at least 48 hours of AICPA-required continuing professional education (CPE) every 3 years in subjects relating to accounting, auditing, and quality control with a minimum of 8 hours in any 1 year.
- h. Be free of restrictions from regulatory or governmental bodies on the CPA's ability to practice public accounting. (Ref: par. .A8)
- i. Provide qualifications and experience via a reviewer resume.

[Paragraphs .06–.38 and .A1–.A45 are unchanged.]

PR-C Section 210, General Principles and Responsibilities for Reviewers — System Reviews

[Paragraphs .01–.04 are unchanged.]

Reviewer Qualifications for Team Captains

.05 In addition to meeting the requirements in section 200, a team captain must be a partner and complete initial and ongoing peer review training that meets the requirements established by the board. (Ref: par. .A1–.A2)

Reviewer Qualifications for Must-Select and Must-Cover Engagements

.06 In addition to the qualifications discussed in section 200, a reviewer of must-select engagements should meet the following criteria: (*Ref: par. .A2*)

- a. Have completed additional training focused on must-select engagements that meets the requirements of the board. (Ref: par. .A3~~2~~)
- b. Be ~~presently~~ **currently** involved in one of the following areas in the must-select engagements in the reviewer’s firm:
 - i. Supervising or performing engagements
 - ii. Performing engagement quality control reviews on engagements
 - iii. Performing the inspection of must-select engagements as part of the firm’s monitoring process
- c. Be employed by or be an owner of a firm that is a member of the respective audit quality center, if applicable.

[Paragraphs .07–.16 are unchanged.]

.17 To assess control risk, the reviewer should consider the results of ~~the team captain’s assessing~~ **ment** of the firm’s design of ~~and compliance with~~ **its policies and procedures according to** quality control standards established by the AICPA. (Ref: par. .A11~~4~~)

[Paragraphs .18–.35 are unchanged.]

.36 The reviewer should evaluate each engagement selected for review. The evaluation should include the following: (*Ref: par. .A32*)

- a. Consideration of the financial statements or information and the related accountants’ reports
- b. Review of accounting and audit documentation required by the applicable professional standards
- c. Consideration of information related to the engagement obtained through the peer review, including but not limited to engagement profile information, representations made by the firm, and other inquiries

[Paragraphs .37–.70 are unchanged.]

.71 For all reviews administered by the National Peer Review Committee, the team captain should submit the following documents ~~in addition to those required by paragraph .70~~, as applicable: (Ref: par. ~~.A6866~~)

- a. All documents required *by paragraph .70* to be submitted for system reviews
- b. Engagement questionnaires or checklists
- c. Quality control documents and related practice aids
- d. Staff and focus group interview forms
- e. Planning documents
- f. Any other documents considered relevant by the team captain

[Paragraph .A1 is unchanged.]

.A2 In rare circumstances, an exception to the reviewer qualification requirements described in paragraphs .05–.08 may be approved by the AICPA prior to commencement of the peer review. The request must be made in writing and should thoroughly explain why the exception should be approved.

[Paragraphs .A2–.A30 are renumbered to .A3–.A31. The content is unchanged.]

.A32 When reviewing engagements subject to the Statements on Standards for Accounting and Review Services, team captains may refer to examples of noncompliance with applicable professional standards in appendix A of section 220 to assist with concluding whether the engagement is performed and reported on in conformity with applicable professional standards in all material respects (nonconforming). While nonconforming engagements are elevated to a deficiency in an engagement review, nonconforming engagements do not necessarily result in a finding, deficiency, or significant deficiency in a system review.

[Paragraphs .A31–.A68 are renumbered to .A33–.A70. The content is unchanged.]

Appendix C — Additional Requirements for Must-Select and Must-Cover Engagements (Ref: par. .27)

~~.A7169~~

[Paragraphs .01–.02 in appendix C are unchanged.]

Engagements Under Government Auditing Standards

.03 Government Auditing Standards (GAS), 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 the financial statement audit of one or more entities subject to*

GAS, at least one such audit engagement should be selected for review. Additionally, if the firm performs engagements of entities subject to the Single Audit Act, the reviewer must evaluate a compliance audit.

[Paragraphs .04–.08 in appendix C are unchanged.]

Examinations of Service Organizations

.09 Due to the reliance of user entities on system and organization control (SOC) reports, particularly SOC 1[®] and SOC 2[®] reports, there is a significant public interest in examinations of service organizations relevant to user entities. If a firm performs an examination of one or more service organizations and issues a SOC 1 or SOC 2 report, at least one examination should be reviewed. ~~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, a SOC 1 engagement should be reviewed due to the reliance on the report by other auditors.~~

[Paragraphs .10–.12 in appendix C are unchanged.]

Exhibit B — Illustrative Examples of the Reviewer’s Report on the Firm’s System of Quality Control

~~.A7270~~ This exhibit contains various illustrations of a peer reviewer’s report on a firm’s system of quality control (system reviews).

[Illustrations 1-4 of exhibit B are unchanged.]

Illustration 5 — A Reviewer’s Report on the Firm’s System of Quality Control With a Peer Review Rating of Fail

[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

[Exit Conference Date]

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*],^{fn 1}

^{fn 1} 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.”

We^{fn 2} have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)^{fn 3} 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).

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. The summary also includes an explanation of how engagements identified as not performed or reported on 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 and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of the 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 on in conformity with the requirements of the applicable 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 and compliance with the firm's 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; and examinations of service organizations (SOC 1[®] and SOC 2[®] engagements).^{fn 4}

^{fn 2} 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.

^{fn 3} The report of a firm that 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."

^{fn 4} 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 more at the beginning of the institution's fiscal year; examinations of service organizations (SOC 1 and SOC 2 engagements); or other engagements required to be selected by the board, the engagement(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

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.

Significant Deficiencies^{fn 5} Identified in the Firm’s System of Quality Control

We noted the following significant deficiencies^{fn 6} during our review:

1. The firm’s quality control policies and procedures do not provide reasonable assurance that the firm will comply with applicable professional standards and will issue reports that are appropriate in the circumstances, as a result of the following significant deficiencies:
 - a. The firm lacks policies and procedures addressing new engagement acceptance to reasonably ensure it only undertakes engagements that it has the capabilities, resources, and professional competence to complete in accordance with applicable professional standards.
 - b. The firm lacks policies and procedures addressing continuing professional education (CPE) to require its personnel to obtain relevant training to prepare for engagements in new industries or service areas.
 - c. Firm leadership has not implemented policies and procedures to provide clear, consistent, and frequent actions and messages from all levels of the firm’s management that emphasize the firm’s commitment to quality.

In our opinion, the significant deficiencies described previously contributed to an employee benefit plan audit that did not conform to professional standards in all material respects. During our review, we discovered that the firm had undertaken an employee benefit plan audit without performing appropriate acceptance procedures, including the engagement partner obtaining relevant CPE or otherwise obtaining sufficient knowledge to conduct the audit.

2. The firm’s quality control policies and procedures addressing continuing professional education (CPE) are not sufficient to provide reasonable assurance that its personnel will have the competence necessary to perform engagements in accordance with professional and regulatory requirements. The courses taken by

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,” and so on. 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.

^{fn 5} This language should be tailored to indicate a single significant deficiency, when applicable.

^{fn 6} When considered together, the deficiencies rise to the level of significant deficiencies. The significant deficiencies provided are examples for illustrative purposes only.

firm personnel did not provide them with sufficient information about current developments in accounting and auditing matters. In our opinion, this led to firm personnel being unable to appropriately address recent pronouncements and new disclosure requirements and failure to consider new auditing standards and other required communications. This contributed to audit engagements performed under *Government Auditing Standards*, and audits in other industries, that did not conform to professional standards in all material respects.

3. The firm's quality control policies and procedures regarding monitoring do not provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The firm's quality control policies and procedures do not
 - a. include an ongoing consideration and evaluation of the firm's system of quality control, including inspection or a periodic review of engagement documentation, reports, and clients' financial statements for a selection of completed engagements.
 - b. require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility.
 - c. assign the performance of monitoring the firm's system of quality control to qualified individuals.

Opinion

In our opinion, as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of XYZ & Co.^{fn 7} in effect for the year ended June 30, 20XX, was not suitably designed or complied with to provide the firm with reasonable assurance of performing or 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 *fail*.

[*Name of team captain's firm*]

[Illustration 6 of exhibit B is unchanged.]

PR-C Section 220, General Principles and Responsibilities for Reviewers — Engagement Reviews

[Paragraphs .01–.05 are unchanged.]

^{fn 7} The report of a firm that 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."

Reviewer Qualifications for Review Captains

.06 In addition to meeting the requirements in section 200, a review captain should complete initial and ongoing peer review training that meets the requirements established by the board. (Ref: par. .A2–.A3)

[Paragraphs .06–.32 are renumbered to .07–.33. The content is unchanged.]

.3433 The written report in an engagement review should (Ref: par. .A2624)

- a. be dated as of the exit conference date.
- b. be issued on letterhead of the firm performing the review.
- c. state at the top of the report the title “Report on the Firm’s Conformity With Professional Standards on Engagements Reviewed.”
- d. include headings for each of the following sections:
 - i. Firm’s Responsibility
 - ii. Peer Reviewer’s Responsibility
 - iii. Deficiency(ies) Identified in the Firm’s Conformity With Professional Standards on Engagements Reviewed (if applicable)
 - iv. Scope Limitation (if applicable)
 - v. Conclusion
- e. state that the review captain reviewed selected accounting engagements of the firm and include the year-end covered by the peer review.
- f. state that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews (the standards) established by the Peer Review Board of the American Institute of Certified Public Accountants.
- g. state that the nature, objectives, scope, limitations of, and procedures performed in an engagement review as described in the standards can be found on the AICPA website where the standards are summarized.
- h. include a URL reference to the AICPA website where the standards are located and state that the summary includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.
- i. state that the firm is responsible for designing ***and complying with*** 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

and for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

[Items *j-p* of this paragraph are unchanged.]

[Paragraph .34 is renumbered to .35. The content is unchanged].

.36 For all reviews administered by the National Peer Review Committee, the review captain should submit the following documents, as applicable: (Ref: par. .A30)

- a. All documents required by paragraph .35 to be submitted for engagement reviews*
- b. Engagement questionnaires or checklists*
- c. Any other documents considered relevant by the review captain*

[Paragraph .A1 is unchanged.]

Reviewer Qualifications for Review Captains

.A2 Peer review training courses designed to meet the requirement are located on the Peer Review page of the AICPA website.

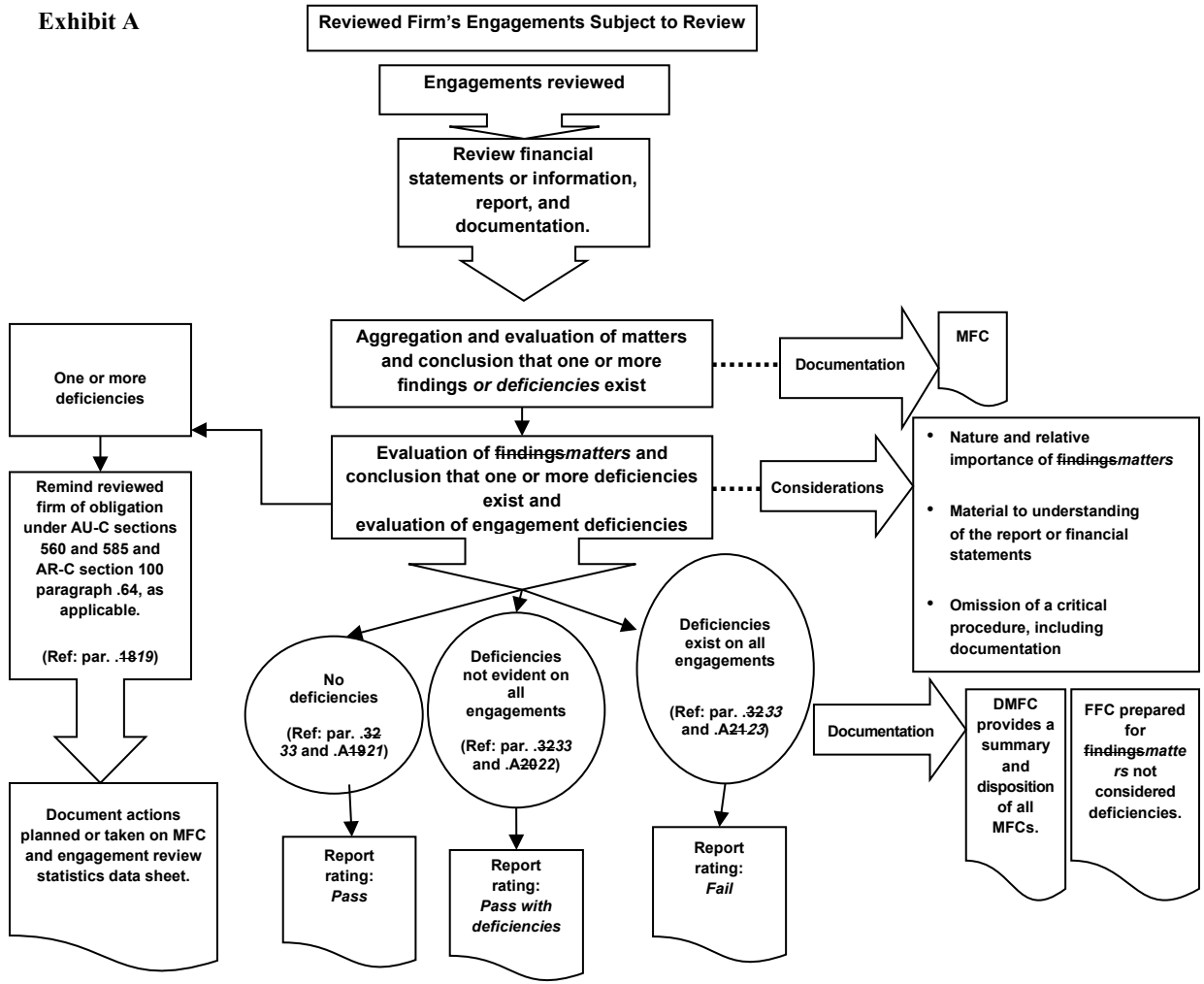
.A3 In rare circumstances, an exception to reviewer qualifications described in paragraph .06 may be approved by the AICPA prior to commencement of the peer review. The request must be made in writing and should thoroughly explain why the exception should be approved.

[Paragraphs .A2–.A6 are renumbered to .A4–.A8. The content is unchanged.]

Identifying, Evaluating, and Aggregating Matters, Findings, and Deficiencies (Ref: par. .20–.24)

.A79 Exhibit A shows a broad understanding of the peer review process, from the review of submitted engagements to the determination of *whether* a matter; *is a* finding; or deficiency. It also illustrates the aggregation of these items, their documentation, and their potential impact on the report rating.

Exhibit A



~~.A108~~ One or more matters may be elevated to a finding or deficiency. To determine if *whether* a matter should be *is* elevated to a finding or deficiency, the review captain should considers the matter’s nature and relative importance, if the matter is material to the understanding of the report or financial statements, or if the matter represents the omission of a critical procedure including documentation.

[Paragraphs .A9–.A28 are renumbered to .A11–.A30. The content is unchanged.]

Appendix A — Examples of Noncompliance With Applicable Professional Standards

~~.A3129~~ The following is a list of examples of noncompliance with applicable professional standards. This is not an all-inclusive list, and the reviewer should decide if the noncompliance is a matter, finding, or deficiency as described in paragraphs .2120–.2524 and by using the following guidance. (Ref: par. .2120–.2524 and .A97)

List of Matters ~~and Findings~~ That Generally Would ~~Not~~ Result in a ~~Deficiency-Finding~~

[The content beneath the preceding heading is unchanged.]

List of Matters ~~and Findings~~ That Generally Would Result in a Deficiency

[All other content beneath the preceding heading is unchanged.]

SSARs Procedures (Including Documentation)

- Failure to establish an understanding with management regarding the services to be performed through a written communication (for example, an engagement letter)
- Failure to document significant findings or issues
- Failure to document communications to the appropriate level of management regarding fraud or illegal acts that come to the accountant's attention
- *For review engagements, failure to document materiality or to apply the established materiality when designing or evaluating the results of review procedures*
- For review engagements, failure to perform or document analytical and inquiry procedures, including the matters covered, and the development of and basis for the accountant's expectations
- For review engagements, failure to document significant unusual matters and their disposition
- For review engagements, failure to obtain a client management representation letter
- Failure to obtain all required signatures on the engagement letter (or other suitable written agreement)

[Paragraph .A30 is renumbered to .A32. The content is unchanged.]

PR-C Section 300, *General Principles and Responsibilities for Reviewed Firms*

[Paragraphs .01–.19 are unchanged.]

Resigning From the Program

~~.20 A firm may resign from the program when it is no longer performing engagements that require the firm to undergo a peer review.~~ To resign from the program, a firm should submit a written request to the AE before the firm's peer review has commenced. *Before resigning, a* firm should consult with its state boards of accountancy to determine if *it is in compliance with its state peer*

~~*review requirements* there are rules that require enrollment in the program even if the firm does not perform services that include issuing reports or when it is no longer performing engagements that require a firm to undergo a peer review.~~

[Paragraphs .21–.25 and .A1–.A14 are unchanged.]

.A15 The firm’s AE and AICPA staff may disclose to third parties the following information:

- a. The firm’s name and address
- b. Whether the firm is enrolled in the program
- c. The date of acceptance and period covered by the firm’s most recently accepted peer review
- d. The most recent date that the firm’s enrollment in the program has been dropped or terminated, if applicable

This information is available in the AICPA public file for all firms enrolled in the program ***and for a period of 42 months after a firm is no longer enrolled.***

[Paragraphs .A16–.A22 are unchanged.]

~~**.A23** *A firm may resign from the program when it no longer performs engagements that require the firm to be enrolled in the program.* The submission by the firm of a request to resign from the program once its peer review has commenced but has not been completed is considered not cooperating, ***and the firm’s enrollment is subject*** with the AE and may lead to the termination ***from the program as described in paragraph .14*** of the firm’s enrollment in the program by a hearing panel of the board.~~

[Paragraph .A24 is unchanged.]

PR-C Section 310, General Principles and Responsibilities for Reviewed Firms — System Reviews

[Paragraphs .01–.15 are unchanged.]

.16 The firm should provide to the team captain written representations on firm letterhead for the peer review year, dated as of the date of the peer review report, that state the following: (Ref: par. .A22–.A23)

- a. Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our accounting and auditing practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

- b. Management acknowledges its responsibility for complying with the rules and regulations of state boards of accountancy and other regulations.
- c. Management has disclosed to the team captain all known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which the firm practices, for the year under review. ~~If there are known instances of noncompliance, management should summarize the instances and, if applicable, describe its remediation of the noncompliance.~~

[Items *d.–l.* in paragraph .16 are unchanged]

[Paragraphs .17–.18 and .A1–.A25 are unchanged.]

Exhibit A — Illustrative Representation Letter

.A26 The following illustrative letter includes written representations that are required by paragraphs .16 and .17 of this PR-C section. 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.

[*Entity Letterhead*]

[*Date*]

To [*Name of Team Captain*]:

We are providing this letter in connection with the peer review of the system of quality control for the accounting and auditing practice of [*name of firm*] [*applicable to engagements not subject to PCAOB permanent inspection*] ^{*fn 1*} as of the date of this letter and for the year ended June 30, 20XX.

Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our accounting and auditing practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We have [*no knowledge of*][*disclosed to you all 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.

^{*fn 1*} *The representation letter 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."*

We have provided to the team captain a list of all engagements with periods ending during (or, for financial forecasts or projections and agreed-upon procedures engagements, report dates in) 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, 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.

We have completed the following must-select engagements and issued their respective reports. 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. Examinations of service organizations (SOC 1 and SOC 2 engagements)]

[*We confirm that it is our responsibility to remediate nonconforming engagements as stated by the firm in the [Matter for Further Consideration, Finding for Further Consideration, or Letter of Response (as applicable)]].*

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,

[*Name of Reviewed Firm Representative(s)*]^{fn 24}

[Paragraph .A27 is unchanged.]

^{fn 24} Firm representatives are members of management, as described in paragraph .10 in section 300, *General Principles and Responsibilities for Reviewed Firms*.

PR-C Section 320, General Principles and Responsibilities for Reviewed Firms — Engagement Reviews

[Paragraphs .01–.15 are unchanged.]

.16 The firm should provide to the review captain written representations on firm letterhead for the peer review year, dated as of the date of the peer review report, that state the following: (Ref: par. .A16–.A18)

- a. Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- b. Management acknowledges its responsibility for complying with the rules and regulations of state boards of accountancy and other regulations.
- c. Management has disclosed to the review captain all known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements *through the issuance dates of the reviewed engagements* in each state in which the firm practices for the year under review. ~~If there are known instances of noncompliance, management should summarize the instances and, if applicable, describe its remediation of the noncompliance.~~

[Items *d.–l.* in paragraph .16 are unchanged]

[Paragraphs .17–.19 and .A1–.A18 are unchanged.]

Exhibit A — Illustrative Representation Letter

.A19 The following illustrative letter includes written representations that are required by paragraphs .16 and .17 of this PR-C section. 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 review captain.

[*Entity Letterhead*]

[*Date of the Report*]

To [*Name of Review Captain*]:

We are providing this letter in connection with the peer review of [*name of firm*] ***[applicable to engagements not subject to PCAOB permanent inspection (if applicable)]***^{fn 2} as of the date of this letter and for the year ended June 30, 20XX.

Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We have [*no knowledge of*][*disclosed to you all 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 through the issuance dates of the reviewed engagements in each state in which it practices for the year under review.

We have provided to the review captain a list of all engagements with periods ending during (or, for financial forecasts or projections and agreed-upon procedures engagements, report dates in) the year under review, regardless of whether issued. This list included, but was not limited to, all engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (SOC 1[®] and SOC 2[®] engagements), as applicable. 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 ***audit or examination*** engagements under Public Company Accounting Oversight Board (PCAOB) standards that are not subject to permanent inspection by the PCAOB. We understand that failure to properly include these engagements on the list 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.

[We confirm that it is our responsibility to remediate nonconforming engagements as stated by the firm in the Letter of Response (if applicable).]

We have discussed significant issues from reports and communications from regulatory, monitoring, and enforcement bodies with the review captain, if applicable. We have also provided the review 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 that, to the best of our knowledge and belief, there are no known restrictions or limitations on the firm's or its personnel's ability to

^{fn 2} ***The representation letter 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."***

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 practice in all material respects.

Sincerely,

[*Name of Reviewed Firm Representative(s)*] ^{fn 34}

[Paragraph .A20 is unchanged.]

PR-C Section 400, *General Principles and Administration Responsibilities*

[Paragraphs .01–.20 are unchanged.]

Report Acceptance Body

Qualifications

.21 A RAB member should

- a. be a member of the AICPA in good standing, licensed to practice as a CPA.
- b. be ~~presently~~**currently** involved in public practice as a partner, manager, or person with equivalent responsibilities in the accounting or auditing practice or carrying out a quality control function in the member's firm. (Ref: par. .A23)
- c. have spent the last five years in the practice of public accounting in the accounting or auditing function.
- d. be employed by or be an owner of a firm that has received a report with a peer review rating of *pass* or *pass with scope limitations* for its most recent peer review. The report should have been accepted timely. (Ref: par. .A24–**.A25**)
- e. complete RAB member training that meets the requirements established by the board.

^{fn 34} Firm representatives are members of management as described in paragraph .10 of section 300, *General Principles and Responsibilities for Reviewed Firms*.

- f. agree to confidentiality and conflict-of-interest requirements of the program.

[Paragraphs .22–.24 are unchanged.]

.25 If a RAB meeting includes a third party to meet the requirement for must-select experience discussed in paragraph .24, that individual should meet the following qualifications:

- a. Be a member of the AICPA in good standing, licensed to practice as a CPA, and employed by or an owner of a firm enrolled in the program.
- b. Be ~~presently~~ **currently** involved in public practice in the must-select engagements as a partner, manager, or person with equivalent supervisory responsibilities or carrying out a quality control function in the individual’s firm.
- c. Be employed by or an owner of a firm that has received a report with a peer review rating of *pass* or *pass with scope limitations* for its most recent system review. The report should have been accepted timely. (**Ref: par. .A29**)
- d. Agree to confidentiality and conflict-of-interest requirements of the program.

[Paragraphs .26–.30 are unchanged.]

.31 When considering replacing or waiving corrective actions or implementation plans, the RAB should do the following:

- a. Review the facts and circumstances surrounding the deficiencies or findings.
- b. Consider the reasons for the original action.
- c. Consider replacing an action prior to waiving an action, if applicable. (See paragraph ~~.1512~~ of section 420.)

[Paragraphs .32–.44 are unchanged.]

Technical Reviewer

Qualifications

.45 A technical reviewer should

- a. be a member of the AICPA in good standing, licensed to practice as a CPA.
- b. complete initial and ongoing peer review captain training that meets the requirements established by the board within 12 months preceding the commencement of the technical review. (**Ref: par. .A4038**)
- c. have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. (**Ref: par. .A4139**)

- d. complete initial technical reviewer training that meets the requirements established by the board within 12 months before serving as a technical reviewer and complete or attend one of the following every calendar year thereafter:
 - i. ~~A~~ a technical reviewer update training course developed by the AICPA
 - ii. ~~T~~ the annual AICPA peer review conference
- e. obtain at least 48 hours of AICPA-required CPE every 3 years in subjects relating to accounting, auditing, and quality control, with a minimum of 8 hours in any 1 year.
- f. obtain at least 8 hours of CPE every 2 years in subjects related to single audits, if performing the technical review of a peer review that includes single audit engagements. ~~The required CPE hours should include completion of technical reviewer training for single audits, which should be completed prior to performing the technical reviewer's first technical review of documents for a single audit engagement. (Ref: par. .A40)~~
- g. complete technical reviewer training specifically for single audit engagements prior to performing the technical reviewer's first technical review of peer review documents for a single audit engagement. (Ref: par. .A42)**
- h. annually participate in a peer review that is equivalent to the highest level of technical review performed. Participation includes the following: **(Ref: par. .A43)**
 - i. Reviewing and discussing the planning and scope of the peer review with the captain
 - ii. Reviewing the engagement checklists completed by the review team
 - iii. Attending meetings or participating in conference calls between the reviewer and reviewed firm to discuss issues encountered during the peer review
 - iv. Attending the closing meeting and the exit conference

[Paragraphs .46–.54 and .A1–.A24 are unchanged.]

.A25 In rare circumstances, an exception may be approved by the AICPA when a request is submitted in writing that thoroughly explains why the exception should be approved for an individual who does not meet the required qualifications described in paragraph .21.

[Paragraph .A25 is renumbered to paragraph .A26. The content is unchanged.]

Report Acceptance Body Composition (Ref: par. .23–.25)

.A2726 Current experience is described in paragraph ~~.A2122~~ of section 200.

.A2827 The appropriate must-select experience may come from a member of the RAB, another AE's RAB member, or an individual from a list of consultants maintained by the AICPA. The AE will determine if the RAB will not have the appropriate must-select experience and **will** assign an

individual with such experience prior to assigning the review to a RAB. ~~The~~*If the assigned individual with the appropriate must-select experience is a consultant rather than an assigned RAB member, that individual may attend the RAB meeting via teleconference; however, that individual is not eligible to vote on the acceptance of reviews.*

1. ~~participates as a consultant,~~
2. ~~is not eligible to vote on acceptance of a review, and~~
3. ~~may attend the RAB meeting via teleconference.~~

.A29 In rare circumstances, an exception may be approved by the AICPA when a request is submitted in writing that thoroughly explains why the exception should be approved for an individual who does not meet the required qualifications described in paragraph .25.

[Paragraphs .A28–.A40 are renumbered to paragraphs .A30–.A42. The content is unchanged.]

.A43 The timing of a technical reviewer’s participation may vary depending on the circumstances of the review. For example, the closing meeting and exit conference may be delayed and occur in the subsequent year. In this situation, the AE may consider the circumstances of the delay and exercise judgment when concluding whether the technical reviewer has substantially met the participation requirement described in paragraph .45.

[Paragraphs .A41–.A43 are renumbered to paragraphs .A44–.A46. The content is unchanged.]

Exhibit A — Example Familiarity Threat Policies and Procedures

.A4744 This exhibit includes examples of familiarity threats and potential safeguards used to mitigate the threats. These examples are not all-inclusive *and may not be applicable to every AE*. In some instances, a safeguard could mitigate more than one threat; in other instances, however, depending on the significance of a threat, more than one safeguard may be necessary to properly mitigate it.

Familiarity Threat	Safeguards to Mitigate the Threat
<p>.01 The peer reviews of the technical reviewers’ and committee or report acceptance body (RAB) members’ firms are presented for acceptance.</p>	<ul style="list-style-type: none"> • <i>Establish multiple RABs that change composition regularly.</i> • <i>Redact all firm and reviewer identifying information from the RAB materials.</i> • <i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i> • <i>Arrange for RAB members from other AEs to participate in RABs periodically.</i> • <i>Include the peer reviews of the technical reviewers’ and committee or RAB members’ firms in the annual oversight selections.</i>

Familiarity Threat	Safeguards to Mitigate the Threat
	<ul style="list-style-type: none"> • <i>Engage technical reviewers from other AEs to perform the technical review of the peer reviews of the technical reviewers' and committee or RAB members' firms.</i> • The technical reviewers' and committee or RAB members' peer reviews will be accepted by a different administering entity (AE). We have partnered with AE "A" and have attached the agreement as addendum B. • The AE is split in more than one district, for example, east and west. The committee or RAB accepts reviews from a district other than its own. • The CPA on staff monitors the RAB process and reports preferential treatment or inconsistencies in the process. • The AE will designate a committee member (or other qualified individual) as an observer of RAB meetings to monitor the RAB process and report preferential treatment or inconsistencies in the process.
<p><i>.02 The peer reviews performed by the technical reviewers and committee or RAB members are presented for acceptance. Overreliance is placed on committee or RAB members, which leads to other members not reading the RAB package in its entirety.</i></p>	<ul style="list-style-type: none"> • <i>Establish multiple RABs that change composition regularly.</i> • <i>Redact all firm and reviewer identifying information from the RAB materials.</i> • <i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i> • <i>Arrange for RAB members from other AEs to participate in RABs periodically.</i> • <i>Include the peer reviews performed by the technical reviewers and committee or RAB members in the annual oversight selections.</i> • Arranging for RAB members from other AEs to participate in RABs • Having multiple committees or RABs that change composition regularly • Having RAB members acknowledge that they have read reviews before starting the meeting • Having the CPA on staff evaluate committee or RAB member performance
<p><i>.03 The committee or RAB members have a long-standing relationship with the technical reviewers, which leads to overreliance on the technical reviewers'</i></p>	<ul style="list-style-type: none"> • Engage <i>ing</i> technical reviewers from other AEs qualified individuals from another state to perform all technical reviews <i>periodically</i>. • Arrange <i>ing</i> for RAB members from other AEs to participate in RABs <i>periodically</i>.

Familiarity Threat	Safeguards to Mitigate the Threat
<p>procedures and conclusions. For instance, it may not be apparent if an issue or a nonconforming engagement has been addressed, yet the committee or RAB <i>members</i> decide not to investigate because members believe the technical reviewer would not have missed the issue.</p>	<ul style="list-style-type: none"> • Engage ing a second technical reviewer to perform a selection of secondary technical reviews of high-risk reviewers, firms, and random samples. • <i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i>
<p>.04 The committee or RAB members have long-standing relationships with some reviewers, particularly those who perform a high volume of reviews.</p>	<ul style="list-style-type: none"> • <i>Arrange for RAB members from other AEs to participate in RABs periodically.</i> • <i>Redact all firm and reviewer identifying information from the RAB materials.</i> • <i>At the beginning of each meeting, remind committee or RAB members to identify relationships with reviewers and reviewed firms.</i> • <i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i> • Arranging for another AE to accept an AE's high-volume reviewers' reviews • Annually requesting committee or RAB members to identify conflicts of interest with reviewers and reviewed firms
<p>.05 Technical reviewers have long-standing relationships with some reviewers, particularly those who perform a high volume of reviews.</p>	<ul style="list-style-type: none"> • <i>Engage technical reviewers from other AEs to perform technical reviews periodically.</i> • <i>Assign technical reviewers on a varying basis, ensuring rotation on reviews performed by high-volume reviewers.</i> • <i>Engage a second technical reviewer to perform a selection of technical reviews of high-volume reviewers.</i> • <i>Include the peer reviews of high-volume reviewers in the annual oversight selections.</i> • <i>Designate the CPA on staff to periodically perform a detailed review of peer reviews that are ready for RAB presentation.</i> • Engaging qualified individuals from another state to perform all technical reviews • Arranging for another AE to accept reviews performed by a high-volume reviewer

Familiarity Threat	Safeguards to Mitigate the Threat
	<ul style="list-style-type: none"> • Annually requesting technical reviewers to identify conflicts of interest with reviewers and reviewed firms
<p>.06 Committees or RABs AEs are hesitant to provide feedback or consider deficiency letters for a variety of reasons including, but not limited to, the following:</p> <ol style="list-style-type: none"> a. RAB members know the reviewer. b. The reviewer performs a high volume of reviews administered by the AE, in the state and the RAB does not want to offend the reviewer is afraid to offend him or her. c. The reviewer is a RAB member (current or former) or is a technical reviewer. d. The reviewer teaches for the state CPA society or has some other society relationship that leads to a belief that the individual knows what the individual is doing. 	<ul style="list-style-type: none"> • Engage ing qualified individuals technical reviewers from other AEs another state to perform all technical reviews periodically. • Arrange ing for RAB members from other AEs to participate in RABs periodically. • Redact all firm and reviewer identifying information from the RAB materials. • Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process. • Annually requesting committee or RAB members to identify conflicts of interest with reviewers and reviewed firms
<p>.07 A committee member is given informal feedback on reviews the committee member performed but a different reviewer is issued written feedback for the same issue.</p>	<ul style="list-style-type: none"> • Arrange ing for RAB members from other AEs to participate in RABs periodically. • Redact all firm and reviewer identifying information from the RAB materials. • Having Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and report address preferential treatment or inconsistencies in the process. • Having the AE designate a committee member (or other qualified individual) as an observer of RAB meetings to monitor the RAB

Familiarity Threat	Safeguards to Mitigate the Threat
	<p>process and report preferential treatment or inconsistencies in the process</p>
<p>.08 Following an enhanced oversight, the RAB has allowed the peer reviewer or reviewed firm to provide documentation not provided to the subject matter expert during the enhanced oversight (such documentation should have been provided at that time). This gives the appearance that reviewers or reviewed firms familiar to the RAB are being allowed to create working papers.</p>	<ul style="list-style-type: none"> • Arranging for specialists from other states to participate in RABs • Arranging for RAB members from other AEs to participate in RABs • Having the CPA on staff monitor the RAB process and report preferential treatment or inconsistencies in the process
<p>.089 RAB members mention a firm’s reputation regarding a specific industry concentration when presented with issues (generally documentation issues), implying that because issues were not identified previously, it is unlikely issues exist now despite evidence to the contrary).</p>	<ul style="list-style-type: none"> • Arrange ing for specialists from other states to participate in RABs. • Redact all firm and reviewer identifying information from the RAB materials. • Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.
<p><i>.09 The peer review of the AE’s CPA on staff’s firm is presented for acceptance.</i></p>	<ul style="list-style-type: none"> • Arrange for another AE to administer the peer review of the CPA on staff’s firm (a change in venue). • Engage a technical reviewer from another AE to perform the technical review of the peer review of the CPA on staff’s firm. • Arrange for one or more RAB members from another AE to participate in the RAB when the peer review of the CPA on staff’s firm is presented.
<p><i>.10 The peer reviews performed by an individual within the CPA on staff’s</i></p>	<ul style="list-style-type: none"> • Engage a technical reviewer from another AE to perform the technical review of the peer review performed by an individual within the CPA on staff’s firm or reported on by the CPA on staff’s firm.

Familiarity Threat	Safeguards to Mitigate the Threat
<i>firm or reported on by the CPA on staff's firm are presented for acceptance.</i>	<ul style="list-style-type: none"> • <i>Arrange for one or more RAB members from another AE to participate in the RAB when the peer reviews reported on by the CPA on staff's firm are presented.</i>

[Paragraphs .A45–.A47 are renumbered to paragraphs .A48–.A50. The content is unchanged.]

PR-C Section 410, *The Report Acceptance Process*

[Paragraphs .01–.13 are unchanged.]

Delayed Acceptance

.14 The RAB should delay acceptance of a peer review *when it has sufficient information to conclude that the peer review was performed and reported on in accordance with the standards but there are* ~~for minor revisions~~ *that need to be addressed prior to publicizing the results of the peer review.* ~~in the following situations (this list is not all inclusive):~~ (Ref: par. .A8–.A1140)

- a.* ~~When peer review reports and letters of response~~
 - ~~i. do not indicate that a deficiency or significant deficiency is repeated from the prior peer review;~~
 - ~~ii. have misleading grammar or excessively ambiguous language;~~
 - ~~iii. include misquoted professional literature;~~
 - ~~iv. reference professional standards unrelated to the subject matter, or~~
 - ~~v. for system reviews, do not identify the industry and level of service for any deficiencies or significant deficiencies that are industry specific or related to a nonconforming must-select engagement~~
- b.* ~~When FFCs~~
 - ~~i. have incorrect or missing references to the applicable professional standards;~~
 - ~~ii. do not identify the MFC that led to the finding;~~
 - ~~iii. incorrectly identify the type of matter;~~
 - ~~iv. do not correctly identify whether the finding is a repeat;~~
 - ~~v. do not describe the scenario that led to the finding;~~

- ~~vi. do not provide reference to the specific industry or engagement related to a nonconforming engagement, if applicable;~~
- ~~vii. do not have a clear description of the finding from the reviewer;~~
- ~~viii. are not signed by an authorized representative of the firm; or~~
- ~~ix. for system reviews, have incorrect or missing references to the applicable requirements of the Statements on Quality Control Standards~~

~~e. When MFCs~~

- ~~i. are not completed properly or fully or~~
- ~~ii. contain firm or client references~~

Deferred Acceptance

.15 The RAB should defer acceptance of a review if *it does not have sufficient information to conclude whether the review was performed or reported on in accordance with the standards due to* ~~there are unresolved questions~~ *or revisions* significant enough that no decision can be made until further information is received. ~~and for significant revisions in the following situations (this list is not all inclusive):~~ (Ref: par. .A1211-.A1513)

~~a. When peer review reports or letters of response~~

- ~~i. have significant departures from the standard report formats;~~
- ~~ii. have an incorrect report rating or omitted deficiencies or significant deficiencies;~~
- ~~iii. have deficiencies or significant deficiencies that appear to set standards higher than those mandated by professional standards;~~
- ~~iv. for system reviews, have deficiencies or significant deficiencies that are not written systemically, or the systemic causes are not clear;~~
- ~~v. do not have responses that appropriately address deficiencies or significant deficiencies identified in the peer review report; or~~
- ~~vi. have responses that do not appropriately address nonconforming engagements, including responses that are unacceptably noncommittal, vague, or otherwise unclear or not responsive~~

~~b. When FFCs~~

- ~~i. do not have a clear description of the finding from the reviewer and, on system reviews, do not include the systemic cause of the finding or~~

- ~~ii. include a response from the reviewed firm that does not appear comprehensive, genuine, and feasible~~
- ~~c. When any other peer review documents need revision for the RAB to conclude whether the review was performed and reported on in accordance with the standards~~

Application and Other Explanatory Material

Technical Reviewer's Evaluation of System Reviews (Ref: par. .05-.07)

.A1 The RAB may delegate the review of the engagement profile and the supplemental peer review checklist for single audits to the technical reviewer if the technical reviewer has completed CPE as required by paragraph **.45e(f)-(g)** of section 400. The technical reviewer may request that a member of the RAB perform the technical review of such documents when the technical reviewer has not obtained the required CPE.

[Paragraphs .A2-.A7 are unchanged.]

.A8 *Acceptance of a peer review may be delayed in the following situations (this list is not all-inclusive):*

a. When peer review reports and letters of response

- i. do not indicate that a deficiency or significant deficiency is repeated from the prior peer review,**
- ii. have misleading grammar or excessively ambiguous language,**
- iii. include misquoted professional literature,**
- iv. reference professional standards unrelated to the subject matter, or**
- v. for system reviews, do not identify the industry and level of service for any deficiencies or significant deficiencies that are industry specific or related to a nonconforming must-select engagement**

b. When FFCs

- i. have incorrect or missing references to the applicable professional standards;**
- ii. do not identify the MFC that led to the finding;**
- iii. incorrectly identify the type of matter;**
- iv. do not correctly identify whether the finding is a repeat;**
- v. do not describe the scenario that led to the finding;**

- vi. *do not provide reference to the specific industry or engagement related to a nonconforming engagement, if applicable;*
- vii. *do not have a clear description of the finding from the reviewer;*
- viii. *are not signed by an authorized representative of the firm; or*
- ix. *for system reviews, have incorrect or missing references to the applicable requirements of the Statements on Quality Control Standards*

c. *When MFCs*

- i. *are not completed properly or fully or*
- ii. *contain firm or client references*

[Paragraphs .A8–.A10 are renumbered to .A9–.A11. The content is unchanged.]

.A12 Acceptance of a peer review may be deferred in the following situations (this list is not all-inclusive):

a. *When peer review reports or letters of response*

- i. *have significant departures from the standard report formats;*
- ii. *have an incorrect report rating or omitted deficiencies or significant deficiencies;*
- iii. *have deficiencies or significant deficiencies that appear to set standards higher than those mandated by professional standards;*
- iv. *for system reviews, have deficiencies or significant deficiencies that are not written systemically, or the systemic causes are not clear;*
- v. *do not have responses that appropriately address deficiencies or significant deficiencies identified in the peer review report; or*
- vi. *have responses that do not appropriately address nonconforming engagements, including responses that are unacceptably noncommittal, vague, or otherwise unclear or not responsive*

b. *When FFCs*

- i. *do not have a clear description of the finding from the reviewer and, on system reviews, do not include the systemic cause of the finding or*
- ii. *include a response from the reviewed firm that does not appear comprehensive, genuine, and feasible*

- c. *When any other peer review documents need revision for the RAB to conclude whether the review was performed and reported on in accordance with the standards*

[Paragraphs .A11–.A13 are renumbered to .A13–.A15. The content is unchanged.]

PR-C Section 420, *Corrective Actions and Implementation Plans*

[Paragraphs .01–.07 are unchanged.]

.08 If a finding, deficiency, or significant deficiency relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative *and the RAB determines CPE is an appropriate remedial action*, then specific CPE to address the common areas of noncompliance should be required by the RAB. *In these situations*, either an AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB. (Ref: par. .A4)

[Paragraphs .09–.10 are unchanged.]

.11 If the RAB believes more extensive actions, beyond the allowable implementation plans in exhibits *A and C* ~~and D~~, are necessary (such as submitting documents to an outside party), the RAB needs to consider whether the findings should have been elevated to deficiencies in the report.

[Paragraphs .12–.15 and .A1–.A15 are unchanged.]

Exhibit C — Allowable Implementation Plans: System Reviews

.A16

<u>Finding</u>	<u>Allowable Implementation Plan</u>
Nonconforming engagements and <ul style="list-style-type: none"> • initial findings on a must-select industry or • repeat findings for any industry 	<ul style="list-style-type: none"> • Require members of the firm to take specified types and amounts of CPE. • Require the firm to hire an outside party approved by the report acceptance body (RAB) to perform a pre-issuance or post-issuance review of certain types or portions of engagements. • Require the firm to hire an outside party approved by the RAB to review the firm’s remediation of nonconforming engagements. • Require the firm to hire an outside party approved by the RAB to review the firm’s completion of its intended remedial actions outlined in its response on the finding for

	<p>further consideration (FFC) form or to evaluate the appropriateness of alternative actions.</p> <ul style="list-style-type: none"> • Require the firm to hire an outside party approved by the RAB to review the firm’s internal monitoring or inspection report.
Engagements indicate Repeat findings <i>without nonconforming engagements</i>	<ul style="list-style-type: none"> • Require members of the firm to take specified types and amounts of CPE. • Require the firm to hire an outside party approved by the RAB to review the firm’s internal monitoring or inspection report.
Failure to possess applicable firm licenses	<ul style="list-style-type: none"> • Require the firm to submit proof of its valid firm licenses.

[Paragraph .A17 is unchanged.]

Appendix A — Guidance for Outside Parties Engaged to Assist Firms in Completing Corrective Actions and Implementation Plans

.A18 This appendix contains guidance for outside parties engaged to assist firms in completing corrective actions or implementation plans required as a condition of acceptance of the firm’s peer review.

[Paragraphs .01–.05 in appendix A are unchanged.]

Reporting

.06 The outside party should draft a letter or report to the RAB describing the procedures performed and conclusions reached. The letter or report should

- a. be issued on the letterhead of the outside party’s firm,
- b. be addressed to the AE’s RAB with a copy to the reviewed firm, and
- c. include the following elements:
 - i. A description of the corrective actions or implementation plans required by the RAB
 - ii. A description of the representations made by the reviewed firm regarding the changes made by the firm since its most recent peer review
 - iii. A description of the procedures performed by the outside party, *including the period ends of any engagements reviewed or the report dates for financial forecasts, projections, or agreed-upon procedures engagements*
 - iv. A summary of the results of the outside party’s procedures, including a description of any representations made by the reviewed firm regarding

further planned actions and the outside party's comments on the appropriateness of those actions

- v. A statement that the letter or report is intended for limited distribution to the RAB and the reviewed firm and is not intended as a substitute or replacement for the peer review documents issued on the firm's peer review
- vi. Information enabling the RAB to evaluate whether the firm has improved
- vii. For system reviews, recommendations of additional actions if the outside party believes the results reveal continued weaknesses in the reviewed firm's system of quality control

[Paragraph .07 in appendix A is unchanged.]

PR-C Section 430, *Reviewer Monitoring and Performance*

[Paragraphs .01–.26 and .A1–.A2 are unchanged.]

.A3 Examples of reviewer performance deficiencies that may be documented on a reviewer performance feedback form include, but are not limited to, the following:

- a. Related to engagement selection and review, the reviewer ~~did not~~
 - i. ***did not*** appropriately identify a nonconforming engagement prior to technical review, oversight, or RAB consideration ***and***
 - ii. ***did not*** demonstrate sufficient knowledge and experience required to review the engagement and identify issues prior to technical review, oversight, or RAB consideration.
- b. Related to assessment and disposition of matters, the reviewer did not appropriately aggregate or evaluate matters noted on the review such that the RAB determined
 - i. a deficiency was present but the reviewer did not elevate the matter beyond a matter for further consideration (MFC) or
 - ii. a significant deficiency (or a *fail* report rating on an engagement review) was present but the reviewer did not elevate the matter beyond an FFC.

[Paragraphs .A4–.A32 are unchanged.]



FICPA Peer Review Program
Administered in Florida
by The Florida Institute of CPAs



Peer Review
Program

AICPA Peer Review Program
Administered in Florida
by the Florida Institute of CPAs

January 19, 2023

Mr. Brad Coffey
AICPA Peer Review
Via email @ PR_expdraft@aicpa.org

Re: *Proposed Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections*

Dear Mr. Coffey

The Peer Review Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the above referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above-mentioned proposed Peer Review Standards Update. The FICPA has more than 19,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of twenty-two members consisting of different size firms throughout the state. The response below reflects only the views of the Committee. The Committee has the following comments related to the questions requested for comment numbered below:

1. The proposed changes described in the summary including any suggestions for improving the understandability and applicability of the requirements or application and other explanatory material. The Committee agrees with the proposed changes as described in the summary. Many of the changes are minor and have little to no impact on the way peer reviews are currently performed. Revising such wording from “presently” to “currently,” etc. does not have a significant impact on how reviews are performed, reported on, or administered. However, the Committee believes that if such changes reflect the appropriate terminology in the AICPA’s view, we agree with the proposed changes made.

The change made to assessing control risk at PR-C Section 210.17 is a good change as control risk is assessed prior to the testing compliance of the firm’s policies and procedures. However, the Committee would like for the Board to consider adding a subsequent question in the SRM in the risk assessment area to address the following: “Did the review team consider the effect of any matters noted during the review of engagements and testing of compliance with policies and procedures to lead the review team to consider changing its initial assessment of control risk and the impact to the scope of engagements reviewed?” Control risk should be an on-going assessment.

PR-C Section 220.36 – Although we do not administer NPRC reviews, we could not think of any planning documents noted in item “c” that would be required to be submitted for engagement reviews, especially since PRIMA lists out the details of engagement issued by the responsible party. It appears that this was just copied from the system requirements and may not be applicable to engagement reviews.

The Committee likes the new requirements that there may be rare circumstances where exceptions to reviewer qualification or RAB qualifications may be approved for both system and engagement reviews. The question proposed by this Committee is whether the AICPA can only approve those exceptions? Or could the Administering Entity also approve?

RAB qualifications have an exception in PR-C Section 410.21.d where it references the rare exception in para. .A25. The Committee questions why PR-C 410.25.c for third parties does not have the same exception as RAB members. If this is considered and included para. A25 would need to cross reference back to paragraph .25 in addition to .21.

2. The Committee believes the proposed effective date of May 31, 2023, is sufficient to implement the changes in the proposed update. The changes proposed are not significant enough to impact how reviews are performed or administered to delay the effective date until a later date.

The Committee appreciates this opportunity to respond to the exposure draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,



Ron Weinbaum, CPA
Chair, Florida Institute of CPAs Peer Review Committee

Committee members coordinating this response:

Ileana Alvarez, CPA
Steve Bierbrunner, CPA
Froment Gonzalez, CPA
Helen Painter, CPA
Christian Parks, CPA

January 23, 2023

AICPA Peer Review Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Attn: Brad Coffey, Manager – AICPA Peer Review Program

Via e-mail: PR_expdraft@aicpa.org

Re: Exposure Draft: Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*

Dear Members and Staff of the AICPA Peer Review Board (PRB):

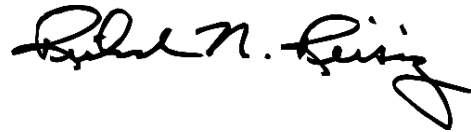
The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. Our comments on the Exposure Draft are made in consideration of the Boards' of Accountancy charge as regulators to protect the public interest.

In furtherance of that objective, NASBA supports the PRB in this initiative. We have reviewed the Exposure Draft and have no suggestions for improving the understandability and applicability of the requirements or application and other explanatory material.

We agree with the proposed effective date of May 31, 2023, coinciding with the May Peer Review Program Manual update.

We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Handwritten signature of Richard N. Reising in black ink.

Richard N. Reising, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO

Jan. 30, 2023

Brian Bluhm, Chair
AICPA Peer Review Board
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections

Dear Mr. Bluhm:

The Peer Review Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*. The PICPA is a professional association of approximately 18,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, and it oversees the administration of the AICPA's peer review program for Pennsylvania, Delaware, New York, and the U.S. Virgin Islands.

The committee's comments on the proposed enhancements and technical corrections to the clarified standards are below:

PR-C Section 100

- Paragraph .A11 – In the table presented, under the heading “Statements on Auditing Standards (SASs),” should it read as “Audit Engagements” as opposed to “Engagements” to be in line with the description of the other engagements?

PR-C Section 220

- Appendix A, Examples of Noncompliance with Applicable Professional Standards (proposed paragraph .A31) – A new matter is being added under SSARS procedures. Should the following example, discussed in the December 2022 Peer Reviewer Alert, also be incorporated into Appendix A? When the phrase, “*and for determining that the XYZ basis of accounting is an acceptable reporting framework*” is omitted from the accountant's report, it would generally result in a deficiency as it has been determined to be a critical element.

Without precise and additional examples of what constitutes as a critical element of the accountant's report, Administering Entities will likely continue to conclude differently on the same matter.

The committee also would like to share some additional comments on the current standards, which are included in this letter's attachment.

We appreciate your consideration of our comments, and we are available to discuss any of these comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Linda Gabor CPA". The signature is written in a cursive style.

Linda Gabor, Chair, PICPA Peer Review Committee

Attachment – Additional Comments

PR-C Section 210

- Pg. 95-96, Illustration 5 – We propose the Peer Reviewer’s Responsibility paragraph in the Fail system review report be updated to be consistent with all other system review reports. Currently, the illustration reads, “Our responsibility is to express an opinion on the design of and compliance with the firm’s system of quality control and the firm’s compliance therewith based on our review.” The paragraph should read, “Our responsibility is to express an opinion on the design of and compliance with the firm’s system of quality control based on our review.”
- Pg. 234-236, Exhibits A, B, C, and D – The tables of allowable corrective action and implementation plans do not include having the firm acknowledge that it does not perform a specific type of engagement. This action is discussed within the standards, but it is not specifically listed in any table. We propose the list of allowable action items in each exhibit mirror what is programmed in PRIMA. Technical reviewers will use these exhibits as guidance when deciding what actions to recommend to the RABs, therefore having complete lists of all allowable actions would be beneficial.

PR-C Section 310

- Pg. 153-154, Exhibit A (.A26) – We propose the illustrative representation letter for a system review include sample wording in the third paragraph, either in parentheses or a footnote, pertaining to possible disclosures of instances of noncompliance. If sample wording is not incorporated into the exhibit, consider including the wording in paragraph 310.16 or 310.17. We continually run into situations where firms and reviewers believe that stating “We have disclosed to all known situations” alone meets the requirements of the standards. A lack of samples is leading reviewers and firms to think they do not need to include any detail about the restriction and/or instance of noncompliance. Despite the reference to paragraphs .16 and .17, reviewers are not reading the standards.

PR-C Section 320

- Pg. 172-173, Exhibit A (.A19) – We propose the illustrative representation letter for an engagement review include sample wording in the third paragraph, either in parentheses or a footnote, pertaining to possible disclosures of instances of noncompliance. If sample wording is not incorporated into the exhibit, consider including the wording in paragraph 320.16 or 320.17. We continually run into situations where firms and reviewers believe that stating “We have disclosed to all known situations” alone meets the requirements of the standards. A lack of samples is leading reviewers and firms to think they do not need to include any detail about the restriction and/or instance of noncompliance. Despite the reference to paragraphs .16 and .17, reviewers are not reading the standards.



Administering peer reviews for the following:

Illinois CPA Society | Indiana CPA Society | Iowa Society of CPAs | Kentucky Society of CPAs
South Carolina Association of CPAs | West Virginia Society of CPAs | Wisconsin Institute of CPAs

January 30, 2023

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*

Dear Board Members:

The Peer Review Alliance (PRA) is an approved peer review administrator of the AICPA Peer Review Program and one of the largest administrators in the United States. PRA currently manages the peer review program on behalf of seven states (Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia and Wisconsin). With over 2,100 CPA firms under its administration, PRA assists firms ranging in size from sole practitioner to over 300 professionals in meeting their peer review needs.

The PRA Report Acceptance Committee (“Committee” or “we”) is pleased to comment on the Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*.

The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the position of the Committee rather than any individual members of the Committee, the organizations with which such members are associated, or the partner state CPA societies.

PR-C Section 220, General Principles and Responsibilities for Reviewers – Engagement Reviews

We agree with the proposed revisions to Appendix A in an Engagement Review setting where nonconformity equates to a deficiency. However, because the added paragraph .A32 in PR-C Section 210 also refers Team Captains to this Appendix when performing a System Review, we suggest that different headings be considered (i.e., ones that refer to conformity vs. nonconformity rather than a finding vs. a deficiency) since nonconformity on a System Review does not always result in a deficiency. Alternatively, we suggest an explanatory note to clarify this difference for Team Captains.

Appendix A — Examples of Noncompliance With Applicable Professional Standards

~~.A3129~~ The following is a list of examples of noncompliance with applicable professional standards. This is not an all-inclusive list, and the reviewer should decide if the noncompliance is a matter, finding, or deficiency as described in paragraphs .2120–.2524 and by using the following guidance. (Ref: par. .2120–.2524 and .A97)

List of Matters ~~and Findings~~ That Generally Would ~~Not~~ Result in a ~~Deficiency-Finding~~

[The content beneath the preceding heading is unchanged.]

List of Matters ~~and Findings~~ That Generally Would Result in a Deficiency

[All other content beneath the preceding heading is unchanged.]

PR-C Section 300, General Principles and Responsibilities of Reviewed Firms

Paragraph .A23 of the proposed standards update states that, “A firm may resign from the program when it no longer performs engagements that require the firm to be enrolled in the program.” Paragraph .20 adds that, “Before resigning, a firm should determine if it is in compliance with requirements of its state board of accountancy for enrollment in the program.” However, we believe that individual AICPA membership requirements should also be considered when determining whether a firm may resign from the peer review program.

AICPA Bylaws Section 230 – *Requirements for Retention of Membership* states that, “Members of the Institute shall...Engage in the practice of public accounting with a firm that is enrolled in an Institute-approved practice-monitoring program if the services performed by such a firm are within the scope of the AICPA’s practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards or, if authorized by Council, themselves enroll in such a program” (BL Section 2.3.4).

Now let’s consider two identical firms – one that performed engagements during its “normal peer review year” (i.e., “the same peer review year-end for subsequent reviews” [PR-C Section 100.A43]) and one that did not. Firm A’s most recently accepted peer review had a year-end of 12/31/2019 and is due to have its next peer review with a year-end of 12/31/2022 and a due date of 6/30/2023. The review has not commenced; however, the firm performed services within the scope of the AICPA’s practice-monitoring standards and issued reports purporting to be in accordance with AICPA professional standards for client period-ends falling within the peer review year of 12/31/2022 and wishes to resign from the program to avoid peer review.

Firm B’s most recently accepted peer review had the same year-end of 12/31/2019 and is due to have its next peer review with a year-end of 12/31/2022 and a due date of 6/30/2023. However, Firm B planned ahead and did not perform any services within the scope of the AICPA’s practice-monitoring standards or issue any reports purporting to be in accordance with AICPA professional standards for client period-ends falling within the peer review year of 12/31/2022.

Setting aside state board rules for the moment, we have always been directed that if a firm performed engagements during its “normal peer review year”, the firm needed to complete one final peer review before it was able to resign from the peer review program because PRIMA asks the firm to change its response for all accounting and auditing engagements from “Performed” to “Do Not Perform” and to provide the level of service, period-end and report date of its last engagement. A “Do Not Perform” response would not be appropriate if the firm completed engagements during its normal peer review year.

We therefore suggest that the Board consider revising paragraphs .20 and .A23 to clarify that an enrolled firm may not resign from the AICPA Peer Review Program if the firm has performed engagements during its normal peer review year.

PR-C Section 420, Corrective Actions and Implementation Plans

We agree with the proposed revision in the table for Exhibit C for the allowable implementation plans for repeat findings without nonconforming engagements (paragraph .A16).

We also agree in theory with the proposed revision in paragraph .06 in Appendix A – Guidance for Outside Parties Engaged to Assist Firms in Completing Corrective Actions and Implementation Plans. However, we are concerned that this may lead to unnecessary delays in acceptance of corrective action or implementation plans if outside party reports are returned to the firm or reviewer if such information is initially or inadvertently omitted.

Proposed Effective Date

We agree with the proposed effective date of May 31, 2023 to coincide with the May Peer Review Program Manual (PRPM) update.

The Committee appreciates the opportunity to express its opinion on these matters and would be pleased to discuss our comments in greater detail if requested.

Randall L. Miller, CPA

Chair, Peer Review Alliance Report Acceptance Committee

Kim Meyer, CPA

Vice Chair, Peer Review Alliance Report Acceptance Committee

APPENDIX A

PEER REVIEW ALLIANCE REPORT ACCEPTANCE COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2022 – 2023

The Peer Review Alliance Report Acceptance Committee (“Committee”) is composed of the following technically qualified, experienced members. These members have peer review experience and Committee service ranging from newly appointed to over 25 years. The Committee is an appointed senior technical committee of the Illinois CPA Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of peer review and quality control standards. The Committee’s comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of peer review or quality control standards. The Subcommittee develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Sarah Beckman, CPA	UHY LLP
Cary Drazner, CPA	Marcum LLP
Jennifer Goettler, CPA	Sikich LLP
John Guido, CPA	Baker Tilly US, LLP
James Javorcic, CPA	Mayer Hoffman McCann P.C.
Steven Kessler, CPA	Wipfli LLP

Local:

Richard Atterbury, CPA	Martens and Company, CPA, LLP
Joseph Beck, CPA	Jones, Pounder & Associates, P.C.
Matthew Brown, CPA	Brown CPA LLC
Lori Dearfield, CPA	Kelley Galloway Smith Goolsby, PSC
Steven Dearien, CPA	Dearien & Company AC
Jonathon Eade, CPA	Jones, Nale & Mattingly, PLC
Hugh Elliott, CPA	Dugan & Lopatka CPAs, P.C.
Myron Fisher, CPA	Baldwin CPAs, PLLC
Mary Fleece, CPA	Tetrick & Bartlett, PLLC
Janice Fogue, CPA	ECS Financial Services, Inc.
Joseph Galarowicz, CPA	KerberRose S.C.
Robert Giblichman, CPA	Warady & Davis LLP
Steven Grohne, CPA	MCK CPAs & Advisors
Arthur Gunn, CPA	Arthur S. Gunn, Ltd.
David Hicks, CPA	Hicks & Associates CPAs, PLLC
Paul Inerra, CPA	ATA Group, LLP
Rob Jordan, CPA	Hill & Jordan CPA’s, LLC
Christina Kelly, CPA	The Hobbs Group
Karen Kerber, CPA	KerberRose SC
Mark Klesman, CPA	Klesman & Company, P.C.
Rebecca Lee, CPA	McCreless & Associates, P.C.
Jerome McDade, CPA	Briscoe, Burke & Grigsby LLP

Kim Meyer, CPA
Randall Miller, CPA
Kevin Modrich, CPA
Liza Newbanks, CPA
Brian Powers, CPA
Amie Pranaitis, CPA
Gilda Priebe, CPA
Stella Santos, CPA
Terrence Schmoyer, CPA
Neil Schraeder, CPA
William Sherry, CPA
Gregory Wasiak, CPA
Russell Wilson, CPA
Tobey Wilson, CPA
Anthony Workman, CPA

Staff Liaison:

Paul Pierson, CPA

Meyer & Associates CPA, LLC
Hawkins Ash CPAs, LLP
DeMarco Sciacotta Wilkens & Dunleavy LLP
Deming, Malone, Livesay & Ostroff, P.S.C.
Honkamp Krueger & Co., P.C.
Hughes, Cameron & Company, LLC
Adelfia LLC
Adelfia LLC
Schmoyer and Company, LLC
Hacker, Nelson & Co., P.C.
Engelson & Associates, Ltd.
Dauby O'Connor & Zaleski, LLC
Porte Brown LLC
ECS Financial Services, Inc.
Kelley Galloway Smith Goolsby, PSC

Illinois CPA Society

January 30, 2023

Brad Coffey, CPA
Technical Manager-Peer Review
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Exposure Draft

Dear Mr. Coffey,

The views expressed herein are written on behalf of the Peer Review Committee (PRC) of the Texas Society of Certified Public Accountants (TXCPA). The PRC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the above-referenced exposure draft.

Overall, the PRC is supportive of the Board's proposal to update existing Statements on Standards for Performing and Reporting on Peer Reviews.

We appreciate the opportunity to provide feedback into the standards-setting process.

Sincerely,



Timothy S. Pike, CPA
Chair, Peer Review Committee
Texas Society of Certified Public Accountants

Brad Coffey

From: Paul Pierson <PiersonP@icpas.org>
Sent: Wednesday, February 1, 2023 5:30 PM
To: PR_expdraft
Subject: Proposed Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections

Brad,

I understand that the Clarity project was a significant undertaking and one in which the AICPA Peer Review Board and Standards Task Force did not wish to introduce new standards; but simply make the existing standards, interpretations and guidance easier to use and understand.

To that end, I believe that certain guidance from the superseded Report Acceptance Body Handbook (PRP Sec. 3300, Chapter 2, Section II) (reproduced below) was helpful to users in better understanding the roles and responsibilities of the Technical Reviewer and suggest that it be added to the Application and Other Materials section of PR-C Section 400 as a reference from paragraph .47.

- A. The role of the technical reviewer is to assist the RAB in its report acceptance functions by performing the following functions (not all inclusive):
- Anticipating the committee's or RAB's questions
 - Providing the possible answers to these questions or related recommendations along with all pertinent review documents
 - Advising the committee or RAB of significant matters that may not be apparent from the review documents
 - Dealing with evident problems before the review is sent to the committee or a RAB
 - Recommending corrective actions related to a deficiency or deficiencies in the peer review report or implementation plans related to findings on FFC forms, where appropriate
 - Consulting with administering entity staff, peer reviewers, and reviewed firms on matters relative to the review or its results
 - Providing reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues
 - Performance of oversights when requested by the committee or RAB
- B. N/A – *The essence of this paragraph is included in the clarified Standards at PR-C Sec. 400.54.*
- C. The technical reviewer looks at the materials in more depth than the RAB. However, the technical reviewer is not performing the type of review that would be performed by an audit partner or a pre-issuance reviewer.

Please let me know if you or any of the Board or Task Force members wish to discuss this matter further.

Best regards,

Paul Pierson, CPA

Senior Director, Peer Review & Professional Standards

Peer Review Alliance | Illinois CPA Society

550 W. Jackson, Suite 900, Chicago, IL 60661-5742

Phone: 312.517.7610 | **Fax:** 312.993.0307

Email: piersonp@icpas.org | **Web site:** www.icpas.org

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
100	<u>Concepts Common to All Peer Reviews</u>		
100	<ul style="list-style-type: none"> .44 (AICPA Staff) – Both paragraphs .43 and .44 relate to requirements for disagreements; paragraph .43 includes a reference to 400.06 but paragraph .44 of section 100 does not. Adding a paragraph reference to paragraph .44 would assist with directing readers to additional guidance in section 400 that includes further requirements and description of the disagreement process. 	<p>STF discussed and considered adding to paragraph .44 of section 100, an additional cross-reference to 400.06 for further clarification.</p> <p>.44 If any of the disagreeing parties believe a review of the panel’s decision is warranted, they should request an appeal by writing to the board and explaining the reasons a review of the panel’s decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established. (Ref: par. .06 of section 400)</p>	Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A
100	<ul style="list-style-type: none"> .A11 (PICPA) - In the table presented, under the heading “Statements on Auditing Standards(SASs),” should it read as “Audit Engagements” as opposed to “Engagements” to be in line with the description of the other engagements? 	<p><i>Note: The complete table is not included to preserve length of this document.</i></p> <p>STF reviewed and considered the suggested change as part of the exhibit located in paragraph .A11</p> <p>Statements on Auditing Standards (SASs)</p> <ul style="list-style-type: none"> Audit Engagements 	No change recommended; such revision was not believed to provide any additional understanding or clarification for users of the standards.
200	<u>General Principles and Responsibilities for Reviewers</u>		
200	<ul style="list-style-type: none"> No comments from stakeholders. 		
210	<u>General Principles and Responsibilities for Reviewers — System Reviews</u>		

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
210	<p>Appendix C – Engagements Under Government Auditing Standards (PMTF-GCA)</p> <ul style="list-style-type: none"> Due to recent changes in the nature of engagements performed according to government auditing standards and various sources of federal funding, the practice monitoring task force recommends a revision to paragraph .03 in Appendix C of section 210, to further specify the original intention of the guidance for peer reviews to be performed on a financial statement audit under GAGAS to achieve appropriate must-select coverage. <p>The proposed revision is intended to clarify for reviewers that could misinterpret the word “engagement” and mistakenly conclude selection of a program-specific or other type of compliance audit is sufficient to meet the must-select requirement for GAGAS engagements.</p>	<p>Based on feedback from the PMTF-GCA, STF recommends the following revision to paragraph .03 in Appendix C of section 210:</p> <p>.03 Government Auditing Standards (GAS), 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. <i>If a firm performs the financial statement audit of one or more entities subject to GAS, at least one such audit engagement should be selected for review.</i> Additionally, if the firm performs engagements of entities subject to the Single Audit Act, the reviewer must evaluate a compliance audit.</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>
210	<ul style="list-style-type: none"> Exhibit B, Illustration 5 (PICPA) – We propose the Peer Reviewer’s Responsibility paragraph in the Fail system review report be updated to be consistent with all other system review reports. Currently, the illustration reads, “Our responsibility is to express an opinion on the design of and compliance with the firm’s system of quality control and the firm’s compliance therewith based on our review.” The paragraph should read, “Our responsibility is to express an opinion on the design of and compliance with the firm’s system of quality control based on our review.” 	<p>STF agrees with the suggested change for consistency.</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>
220	<p><u>General Principles and Responsibilities for Reviewers — Engagement Reviews</u></p>		

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
220	<p>Revision below suggested for consistency between requirements for reporting in section 210 and 220:</p> <p>.33 The written report in an engagement review should (Ref: par. .A24) [...]</p> <p><i>i.</i> state that the firm is responsible for designing <u>and complying with</u> 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 and for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.</p> <p>For comparison, the same requirement in paragraph .68<i>i</i> of section 210 is included below:</p> <p><i>“state that the firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects and for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, where appropriate, and for remediating weaknesses in its system of quality control, if any.”</i></p>	<p>While not proposed as part of the omnibus ED, some peer reviewers and technical reviewers noted a slight variation in the wording between the requirement in paragraph .68<i>i</i> of section 210 and .33<i>i</i> of section 220.</p> <p>STF recommends this change for consistency between language that describes the firm’s responsibility in the reporting requirements of section 210 and 220.</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
220	<ul style="list-style-type: none"> 220.36 (FICPA) - Although we do not administer NPRC reviews, we could not think of any planning documents noted in item “c” that would be required to be submitted for engagement reviews, especially since PRIMA lists out the details of engagement issued by the responsible party. It appears that this was just copied from the system requirements and may not be applicable to engagement reviews. 	<p>STF discussed whether 220.36c should be removed or revised to other appropriate language to reduce possible confusion about which documents are required for engagement reviews.</p> <p>Note: paragraph .35 is included for context. When drafting the proposed paragraph, Staff considered engagement listing and selection (a required submission in PRIMA) to fall under “planning documents”, although this is likely one-and-the-same as the review summary required by .35c</p> <p>.35 Within 30 days of the exit conference date or by the firm’s peer review due date, whichever date is earlier, the review captain should submit to the AE or complete electronically, as applicable, the following documents: (Ref: par. .A28)</p> <ol style="list-style-type: none"> Report and letter of response, if applicable Review Captain Summary Review summary FFC forms, if applicable MFC forms, if applicable DMFC, if applicable Firm’s representation letter <p>.36 For all reviews administered by the National Peer Review Committee, the</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
		<p>review captain should submit the following documents, as applicable: (Ref: par. .A30)</p> <ul style="list-style-type: none"> a. All documents required by paragraph .35 to be submitted for engagement reviews b. Engagement questionnaires or checklists c. Planning documents d.c. Any other documents considered relevant by the review captain 	
220	<ul style="list-style-type: none"> • 220.A7 Exhibit A (Staff) – Flowchart in exhibit A is not consistent with the guidance that matters in engagement reviews are elevated to either a finding or deficiency. 	<p><i>Note: Flowchart is not included to preserve length of this document. Refer to Agenda Item 1.2A for proposed revisions.</i></p> <p>STF recommends .A9 and related exhibit A to be revised to align with other changes in PRSU No. 1, related to disposing of matters in engagement reviews.</p>	Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A
220	<ul style="list-style-type: none"> • 220.A31 (PICPA) – Appendix A, Examples of Noncompliance with Applicable Professional Standards (proposed paragraph .A31) – A new matter is being added under SSARS procedures. Should the following example, discussed in the December 2022 Peer Reviewer Alert, also be incorporated into Appendix A? When the phrase, “and for determining that the XYZ basis of accounting is an acceptable reporting framework” is omitted from the accountant’s report, it would generally result in a deficiency as it has been determined to be a critical element. 	STF discussed the content of the referenced reviewer alert and concluded the content of the alert is appropriate, however the specific nature of the discussion in the alert is not considered appropriate for inclusion in Appendix A.	No change recommended as Appendix A is intended for general examples and the nature of such revision would introduce unnecessary specificity.
220	<ul style="list-style-type: none"> • 220.A31, Appendix A (PRA) – We agree with the proposed revisions to Appendix A in an Engagement Review setting where nonconformity equates to a 	STF discussed and concluded the titles of the section headings in appendix A are appropriate for users of the	Proposed change is recommended for PRB approval

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<p>deficiency. However, because the added paragraph .A32 in PR-C Section 210 also refers Team Captains to this Appendix when performing a System Review, we suggest that different headings be considered (i.e., ones that refer to conformity vs. nonconformity rather than a finding vs. a deficiency) since nonconformity on a System Review does not always result in a deficiency. Alternatively, we suggest an explanatory note to clarify this difference for Team Captains.</p>	<p>guidance in the context of engagement reviews; however, for further clarification the STF recommends the proposed application material provide further clarification as recommended by the respondent.</p> <p>210.A32 “When reviewing engagements subject to the Statements on Standards for Accounting and Review Services, team captains may refer to examples of noncompliance with applicable professional standards in appendix A of section 220 to assist with concluding whether the engagement is performed and reported on in conformity with applicable professional standards in all material respects (<i>nonconforming</i>). While nonconforming engagements are elevated to a deficiency in an engagement review, nonconforming engagements do not necessarily result in a finding, deficiency, or significant deficiency in a system review.”</p>	<p>as presented in Agenda Item 1.2A</p>
300	<u>General Principles and Responsibilities for Reviewed Firms</u>		
300	<ul style="list-style-type: none"> .20 & .A23 Resignations (PRA) – Paragraph .A23 of the proposed standards update states that, “A firm may resign from the program when it no longer performs engagements that require the firm to be enrolled in the program.” Paragraph .20 adds that, “Before resigning, a firm should determine if it is in compliance with requirements of its state board of 	<p>STF discussed the purpose of the proposed change to .20 and .A23 to make correction to paragraph .20 that had inadvertently introduced a new requirement that did not exist under the old standards (which was also not consistent with AICPA Bylaws).</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<p>accountancy for enrollment in the program.” However, we believe that individual AICPA membership requirements should also be considered when determining whether a firm may resign from the peer review program.</p> <p>AICPA Bylaws Section 230 – Requirements for Retention of Membership states that, “Members of the Institute shall...Engage in the practice of public accounting with a firm that is enrolled in an Institute-approved practice-monitoring program if the services performed by such a firm are within the scope of the AICPA’s practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards or, if authorized by Council, themselves enroll in such a program” (BL Section 2.3.4).</p> <p>Now let’s consider two identical firms – one that performed engagements during its “normal peer review year” (i.e., “the same peer review year-end for subsequent reviews” [PR-C Section 100.A43]) and one that did not. Firm A’s most recently accepted peer review had a year-end of 12/31/2019 and is due to have its next peer review with a year-end of 12/31/2022 and a due date of 6/30/2023. The review has not commenced; however, the firm performed services within the scope of the AICPA’s practice-monitoring standards and issued reports purporting to be in accordance with AICPA professional standards for client period-ends falling within the peer review year of 12/31/2022 and wishes to resign from the program to avoid peer review.</p> <p>Firm B’s most recently accepted peer review had the same year-end of 12/31/2019 and is due to have its next peer review with a year-end of 12/31/2022 and a</p>	<p>Discussion included consideration of the following:</p> <ul style="list-style-type: none"> • The suggestion by the respondent supports an explicit requirement that would not permit firms to resign from the program if engagements were performed during the firm’s peer review year. • The task force concluded when developing PRSU No. 1, that a firm may resign if its peer review has not commenced, but the firm should be aware and take responsibility for any peer review requirements from state laws and regulations. • AICPA Staff consulted with its legal team and concluded based upon the AICPA Bylaws (2.3.4), the PRB does not have authority to restrict firms from resigning if its peer review has not commenced and members of the AICPA may resign at any time before the peer review has begun (7.1). • Firms have a responsibility to comply with state laws and regulations and may need to inquire of their respective SBOAs regarding requirements. <p>STF recommends the following language in paragraphs .20 and .A23 of PRSU No. 1.</p>	

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<p>due date of 6/30/2023. However, Firm B planned ahead and did not perform any services within the scope of the AICPA's practice-monitoring standards or issue any reports purporting to be in accordance with AICPA professional standards for client period-ends falling within the peer review year of 12/31/2022.</p> <p>Setting aside state board rules for the moment, we have always been directed that if a firm performed engagements during its "normal peer review year", the firm needed to complete one final peer review before it was able to resign from the peer review program because PRIMA asks the firm to change its response for all accounting and auditing engagements from "Performed" to "Do Not Perform" and to provide the level of service, period-end and report date of its last engagement. A "Do Not Perform" response would not be appropriate if the firm completed engagements during its normal peer review year.</p> <p>We therefore suggest that the Board consider revising paragraphs .20 and .A23 to clarify that an enrolled firm may not resign from the AICPA Peer Review Program if the firm has performed engagements during its normal peer review year.</p>	<p>Resigning From the Program</p> <p>.20 A firm may resign from the program when it is no longer performing engagements that require the firm to undergo a peer review. To resign from the program, a firm should submit a written request to the AE before the firm's peer review has commenced. <u>Before resigning, a</u> firm should consult with its state boards of accountancy to determine if <u>it is in compliance with its state peer review requirements</u>there are rules that require enrollment in the program even if the firm does not perform services that include issuing reports or when it is no longer performing engagements that require a firm to undergo a peer review.</p> <p>...</p> <p>.A23 <u>A firm may resign from the program when it no longer performs engagements that require the firm to be enrolled in the program.</u> The submission by the firm of a request to resign from the program once its peer review has commenced but has not been completed is considered not cooperating <u>and the firm's enrollment is subject with the AE and may lead to the termination from the program as described in paragraph .14 of the firm's enrollment in the program by a hearing panel of the board.</u></p>	

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
310	<u>General Principles and Responsibilities for Reviewed Firms — System Reviews</u>		
310	<p>Exhibit A (Informal feedback)</p> <ul style="list-style-type: none"> Regarding reference to PCAOB in the sample representation letter practice aid as well as Exhibit A in the Clarified Standards, while the “[applicable to engagements not subject to PCAOB permanent inspection (if applicable)]” is in both and in red in the practice aid, it appears it would be helpful to have a footnote added to explain what “if applicable” means as I see no other instructions on how to tailor. The reference in the representation letter appears to be a new addition under the Clarified Standards. 	<p>This calls attention to a change that is included in the omnibus ED to the rep letter for engagement reviews.</p> <p><i>“[fn]The representation letter 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.”</i></p> <p>For reference, a similar footnote is included in the illustrative peer review reports in section 210. This change enhances consistency between rep letters and reports, with more direct guidance for when this phrase is applicable.</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>
310	<ul style="list-style-type: none"> Exhibit A-Illustrative Representation Letter (PICPA) - We propose the illustrative representation letter for a system review include sample wording in the third paragraph, either in parentheses or a footnote, pertaining to possible disclosures of instances of noncompliance. If sample wording is not incorporated into the exhibit, consider including the wording in paragraph 310.16 or 310.17. We continually run into situations where firms and reviewers believe that stating “We have disclosed to all known situations” alone meets the requirements of the standards. A lack of samples is leading reviewers and firms to think they do not need to include any detail about the restriction and/or instance of noncompliance. Despite the reference to paragraphs .16 and .17, reviewers are not reading the standards. 	<p>The STF considered revision to the illustrative representation letter to include a footnote that prompts the reviewed firm to summarize known instances of noncompliance; however, upon further discussion, the STF concluded that summary of such details would not be appropriate in firm representations.</p> <p>Therefore, STF recommends revision to paragraph .16c to remove the statement that requires a summary of instances of noncompliance related to state board licensure requirements:</p> <p>[Excerpt 310.16c]</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
		<p>“c. Management has disclosed to the team captain all known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which the firm practices, for the year under review. If there are known instances of noncompliance, management should summarize the instances and, if applicable, describe its remediation of the noncompliance.”</p>	
320	<p><u>General Principles and Responsibilities for Reviewed Firms — Engagement Reviews</u></p>		
	<ul style="list-style-type: none"> .16c (Informal Feedback) – The illustration includes representation that compliance with licensure requirements is considered through the issuance dates of engagements reviewed, however the requirement in .16c only says “for the year under review”. 	<p>STF agrees with this comment and proposes the following revision to 320.16c so the requirement is consistent with the illustration:</p> <p>[Excerpt 320.16c] “c. Management has disclosed to the review captain all known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements <u>through the issuance dates of the reviewed engagements</u> in each state in which the firm practices for the year under review. If there are known instances of noncompliance, management should</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
		summarize the instances and, if applicable, describe its remediation of the noncompliance.	
320	Exhibit A – Firm rep letter [See suggestion above for Exhibit A in section 310]	STF recommends the following footnote be included in the firm rep letter for engagement reviews: <i>“[fn]The representation letter 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.”</i>	Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A
320	<ul style="list-style-type: none"> Exhibit A-Illustrative Representation Letter (PICPA) - We propose the illustrative representation letter for an engagement review include sample wording in the third paragraph, either in parentheses or a footnote, pertaining to possible disclosures of instances of noncompliance. If sample wording is not incorporated into the exhibit, consider including the wording in paragraph 320.16 or 320.17. We continually run into situations where firms and reviewers believe that stating “We have disclosed to all known situations” alone meets the requirements of the standards. A lack of samples is leading reviewers and firms to think they do not need to include any detail about the restriction and/or instance of noncompliance. Despite the reference to paragraphs .16 and .17, reviewers are not reading the standards. 	<p>The STF considered revision to the illustrative representation letter to include a footnote that prompts the reviewed firm to summarize known instances of noncompliance; however, upon further discussion, the STF concluded that summary of such details would not be appropriate in firm representations.</p> <p>Therefore, STF recommends revision to paragraph .16c (see above revision) to remove the statement that requires a summary of instances of noncompliance related to state board licensure requirements.</p>	Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A
400	<u>General Principles and Administration Responsibilities</u>		
400	.45 (TRATF) – At a recent meeting, the technical reviewer’s advisory task force requested that the STF discuss removing the requirement to complete the	STF considered the proposed change and recommends revision to the requirement in paragraph .45.	Proposed change is recommended for PRB approval

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<p>technical reviewer training for single audits every two years, as included in subparagraph <i>f</i>, as content would not change enough to warrant repeated viewings.</p> <p>In its place, the task force recommended that this specific training requirement be solely for technical reviewers before performing their first technical review of a peer review that has Single Audits subject to review.</p>	<p><i>f.</i> obtain at least 8 hours of CPE every 2 years in subjects related to single audits, if performing the technical review of a peer review that includes single audit engagements. The required CPE hours should include completion of technical reviewer training for single audits, which should be completed prior to performing the technical reviewer's first technical review of documents for a single audit engagement. (Ref: par. .A40)</p> <p><i>g.</i> <u>complete technical reviewer training specifically for single audit engagements prior to performing the technical reviewer's first technical review of peer review documents for a single audit engagement. (Ref: par. .A40)</u></p>	<p>as presented in Agenda Item 1.2A</p>
400	<p>.47 (Pierson) – I believe that certain guidance from the superseded Report Acceptance Body Handbook (PRP Sec. 3300, Chapter 2, Section II) (reproduced below) was helpful to users in better understanding the roles and responsibilities of the Technical Reviewer and suggest that it be added to the Application and Other Materials section of PR-C Section 400 as a reference from paragraph .47.</p> <ul style="list-style-type: none"> • A. The role of the technical reviewer is to assist the RAB in its report acceptance functions by performing the following functions (not all inclusive): <ul style="list-style-type: none"> ○ Anticipating the committee's or RAB's questions ○ Providing the possible answers to these questions or related recommendations along with all pertinent review documents 	<p>The STF considered and discussed the following based on the suggestion from the respondent:</p> <ul style="list-style-type: none"> • Additional perspective was provided by the respondent that this information while not specific requirements in all cases, help to frame what is included and expected in a technical review, particularly for users outside of those actually performing the procedures (e.g., BOAs, AE executives, reviewed firms, etc.) • The referenced guidance from the superseded RAB HB was 	<p>No change recommended – STF considered that the standards were drafted with the intent of avoiding duplicative guidance, and roles and responsibilities of technical reviewers are more appropriately described in section 410, as requirements for such responsibilities are more specific to the report acceptance process (i.e. completing tech review procedures) and 400 is intended to describe more general requirements for administering entities.</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<ul style="list-style-type: none"> ○ Advising the committee or RAB of significant matters that may not be apparent from the review documents ○ Dealing with evident problems before the review is sent to the committee or a RAB• Recommending corrective actions related to a deficiency or deficiencies in the peer review report or implementation plans related to findings on FFC forms, where appropriate ○ Consulting with administering entity staff, peer reviewers, and reviewed firms on matters relative to the review or its results ○ Providing reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues• Performance of oversights when requested by the committee or RAB. • B. <i>N/A – The essence of this paragraph is included in the clarified Standards at PR-C Sec. 400.54.</i> • C. The technical reviewer looks at the materials in more depth than the RAB. However, the technical reviewer is not performing the type of review that would be performed by an audit partner or a pre-issuance reviewer. 	<p>considered when developing the requirements in 410.05-.10 and its related application material in 410.A2-.A3 (further, 400.47 is cross-referenced to those paragraphs in section 410).</p> <ul style="list-style-type: none"> ○ 400.47 “Technical reviews are required to be performed on all peer reviews. The technical reviewer should review peer review documents, evaluate whether the peer review documentation provides satisfactory evidence of compliance with the standards and supports the conclusions reached, and complete the technical reviewer’s checklist. (See paragraphs .05–.10 of section 410.)” 	
400	<ul style="list-style-type: none"> • 400.A25 (FICPA) – The Committee likes the new requirements that there may be rare circumstances where exceptions to reviewer qualification or RAB qualifications may be approved for both system and engagement reviews. The question proposed by this Committee is whether the AICPA can only approve those exceptions? Or could the Administering Entity also approve? 	<p>STF considered as proposed, 400.A25 permits an exception to RAB member qualifications that is approved by the AICPA and such exception is reasonable to extend to third parties that attend RAB meetings; however, the STF believes approval of such rare instances should centralized and obtained from AICPA staff.</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<ul style="list-style-type: none"> RAB qualifications have an exception in PR-C Section 400.21.d where it references the rare exception in para. .A25. The Committee questions why PR-C 400.25.c for third parties does not have the same exception as RAB members. If this is considered and included para. A25 would need to cross reference back to paragraph .25 in addition to .21. <ul style="list-style-type: none"> <i>Note: The comment letter references section 410: Determined to be a typo based on the context and referenced requirements and application material.</i> 		
410	<u>The Report Acceptance Process</u>		
410	<ul style="list-style-type: none"> No comments from stakeholders. 		
420	<u>Corrective Actions and Implementation Plans</u>		
420	<ul style="list-style-type: none"> .A14–.A17, Exhibits A, B, C, and D (PICPA) – The tables of allowable corrective action and implementation plans do not include having the firm acknowledge that it does not perform a specific type of engagement. This action is discussed within the standards, but it is not specifically listed in any table. We propose the list of allowable action items in each exhibit mirror what is programmed in PRIMA. Technical reviewers will use these exhibits as guidance when deciding what actions to recommend to the RABs, therefore having complete lists of all allowable actions would be beneficial. 	STF discussed and concluded that the suggested addition is not technically an implementation plan or corrective action, as the lists include active steps to be taken by a reviewed firm to remediate findings or deficiencies.	No change recommended
420	<ul style="list-style-type: none"> Appendix A (PRA) – We also agree in theory with the proposed revision in paragraph .06 in Appendix A – Guidance for Outside Parties Engaged to Assist Firms in Completing Corrective Actions and Implementation Plans. However, we are concerned that this may lead to unnecessary delays in acceptance of corrective action or implementation plans if outside party reports 	STF considered the stated concern and concluded that general communications about the updated PRPM should be adequate for reviewers to obtain the most recent version of the standards and related practice aids.	No change recommended

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	are returned to the firm or reviewer if such information is initially or inadvertently omitted.		
430	<u>Reviewer Monitoring and Performance</u>		
430	<p>Reviewer Performance Deficiencies (Informal feedback)</p> <p>.A3 Examples of reviewer performance deficiencies that may be documented on a reviewer performance feedback form include, but are not limited to, the following:</p> <p><i>a.</i> Related to engagement selection and review, the reviewer did not</p> <p style="padding-left: 40px;">i. did not appropriately identify a nonconforming engagement prior to technical review, oversight, or RAB consideration <u>and</u></p> <p style="padding-left: 40px;">ii. did not demonstrate sufficient knowledge and experience required to review the engagement and identify issues prior to technical review, oversight, or RAB consideration.</p> <p><i>b.</i> Related to assessment and disposition of matters, the reviewer did not appropriately aggregate or evaluate matters noted on the review such that the RAB determined</p> <p style="padding-left: 40px;">i. a deficiency was present but the reviewer did not elevate the matter beyond a matter for further consideration (MFC) or</p>	<p>The STF considered and discussed the change proposed, which is intended to clarify that both a.i and a.ii should be present for a reviewer performance deficiency to be issued.</p> <p>The task force concluded the revision is appropriate and that the word “and” should be emphasized (e.g. through bolding, underlining, etc.) in between section i and ii in paragraph .A3 of section 430.</p>	<p>Proposed change is recommended for PRB approval as presented in Agenda Item 1.2A</p>

Ref#	Comments, Proposed Revisions, or Suggestions	Standards Task Force Consideration	STF Recommendation
	<ul style="list-style-type: none"> ii. a significant deficiency (or a fail report rating on an engagement review) was present but the reviewer did not elevate the matter beyond an FFC. 		
<i>Other</i>	<u>Other General Comments or Suggestions</u>		
	<p>FICPA</p> <ul style="list-style-type: none"> • Proposes the following addition to the SRM, considering change to paragraph 210.17 regarding assessment of control risk: <ul style="list-style-type: none"> ○ “Did the review team consider the effect of any matters noted during the review of engagements and testing of compliance with policies and procedures to lead the review team to consider changing its initial assessment of control risk and the impact to the scope of engagements reviewed?” 	<p>STF discussed and concluded to complement the change proposed to paragraph 210.17, an addition to the SRM is appropriate to support the notion that assessment of control risk in a peer review is continual.</p>	<p>No further change recommended; however, Staff will develop a new SRM question that corresponds with the revision to 210.17.</p>

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:

- Discussed responses (formal and informal) to the Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections* exposure draft, resulting in the final proposed update to the standards as presented in Agenda Item 1.2
- Discussed and provided feedback on guidance related to alternative practice structures and related peer review checklist changes
- Discussed and provided feedback on proposed revisions to guidance in PRIMA Help related to peer review due date extensions
- Discussed and approved a resource document with questions and answers that describe differences between findings and deficiencies in peer reviews versus those identified in a firm's system of quality management
- Revisited and concluded no changes are warranted in the December 2022 reviewer alert article that discusses AR-C section requirements that are deemed to be critical elements in compilation reports

Upcoming tasks:

- Discuss and consider expansion of guidance for third parties performing implementation plans or corrective actions
- Discuss and review revisions to the clarified standards to address requirements of the quality management standards, which will be proposed in an exposure draft that is expected to be presented for PRB consideration and approval in late 2023

Oversight Task Force

Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- Approved AE oversight reports and AE responses
- Reviewed AE benchmark summaries
- Reviewed enhanced oversight reports with comments for consistency
- Monitored results of enhanced oversights
- Discussed the type of feedback issued by AEs as a result of enhanced oversights
- Monitored reviewer performance
- Approved AICPA Annual Report on Oversight
- Discussed revisions to the AICPA Peer Review Program Oversight Handbook

Upcoming tasks:

- Approve RAB observation reports
- Approve responses to AE oversight reports
- OTF members will perform AE oversights

- Review AE benchmark summaries and feedback received
- Approve, conditionally approve, or defer approval for AEs to administer the program for 2023
- Review enhanced oversight reports with comments for consistency
- Monitor results of enhanced oversights
- Discuss the type of feedback issued by AEs as a result of enhanced oversights
- Monitor reviewer performance
- Discuss revisions to the AICPA Peer Review Program Oversight Handbook

Education and Communication Task Force

Accomplished since last PRB meeting:

- Continued planning procedures for the 2023 Peer Review Conference to be held July 31-August 2, 2023 in Philadelphia, PA, including finalization of the General Session agenda, session presenters/speakers and session topics
- Published the following Reviewer Alerts
 - February 9, 2023 – Special Edition
 - February 22, 2023 – Regular Edition
 - March 16, 2023 – Special Edition
- Held the Q1 2023 Peer Review Forum on March 1, 2023 for approximately 122 participants
- Developed content for the pre-EBP Conference’s peer review session on May 2, 2023 (satisfies the EBP Must-Select training requirement)

Upcoming tasks:

- Conference
 - Develop content (presentations, conference cases, and other) for the 2023 Peer Review Conference
- Communications
 - Develop and publish the May 2023 Reviewer Alert
 - Develop and publish the spring 2023 *PR Prompts* newsletter (May 2023)
- Training Courses
 - Hold the first of three scheduled AICPA-sponsored 2023 virtual offerings of the “Becoming an AICPA Peer Review Team or Review Captain: Case Study Application” seminar beginning on May 8, 2023
 - Hold the Q2 2023 Peer Review Forum on May 11, 2023
 - [Click here to register.](#)
 - Hold the “Are you Ready for your Firm’s Peer Review?” webcast on May 15, 2023
 - [Click here to register.](#)
 - Develop materials for the ENGAGE peer review session scheduled for June 7, 2023 (satisfies the Team/Review Captain ongoing training requirement)
 - Continue monitoring our available courses to determine if improvements should be made to our overall training framework
 - Continue creation of a new on-demand, self-study course on identifying and writing systemic causes to be released during 2023
- Reviewer Pool
 - Continue analysis of the reviewer pool and implement plans to improve the pool
 - Implement modifications to PRIMA and the reviewer search to allow reviewers to indicate their willingness to accept new peer review clients.

- Continue discussions related to reviewer performance, reviewer training, and reviewer marketing feedback provided during the September 9, 2022 open session PRB meeting

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

Our analysis indicates an 8% decrease in the number of reviewers that actually performed reviews from 2020-2022. However, the number of firms enrolled in the Program has decreased by 11.8% over the past three years. We're also continuing to track the firm to team captain ratio which was 14.49, an 8% increase over LY.

Based on that information coupled with information from the most recent customer satisfaction survey, Staff estimate an adequate pool of reviewers through 2026.

However, Staff still intend to perform activities designed to enhance the reviewer pool including: collaborating with PR content squad and creative services to revamp campaign materials and the upcoming tasks of the Education and Communication Task Force identified in Agenda item 1.3.

Report from State CPA Society CEOs

Ms. Pitter will provide the state society CEO report verbally during the meeting on May 3.

Update on the National Peer Review Committee

The NPRC last met on February 16. Two large firm reviews were presented and accepted.

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

- 74 reviews have been presented, including:
 - 70 Pass
 - 4 Pass with Deficiencies and
 - 0 Fail

The NPRC's next meeting will be held on May 11, 2023.

Update on the Proposed Criteria for QCM Content

Staff is working with the QCM task force to address feedback received in response to the [Criteria for Quality Control Materials \(QCM\) Content exposure draft](#) in order to present responses and updated criteria to the AICPA Assurance Services Executive Committee. Staff will provide additional updates at future meetings.



AICPA[®]

Peer Review
Program

ANNUAL REPORT ON OVERSIGHT

**Issued
April 17, 2023**

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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 program were met.

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 2020–2022, 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 2022. Information presented in this report pertains to peer reviews accepted¹ during the calendar years 2020–2022, which covers a full three-year peer review cycle. As a result of the COVID-19 pandemic and the automatic six-month extensions approved by the Peer Review Board (PRB) in May 2020 for all firms with reviews, corrective actions, and implementation plans originally due from January 1 to September 30, 2020, fewer reviews were accepted during 2020. With the impact of the pandemic, administering entities (AEs) were encouraged to continue to be lenient when considering due date extension requests from firms in 2021 and 2022 which further delayed reviews being performed and accepted.

In planning and performing our procedures, we considered the objectives of the oversight program, which state that there should be reasonable assurance that (1) AEs are complying with the administrative procedures established by the 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 disseminated by AEs is accurate and timely.

Our responsibility is to oversee the activities of AEs that elect and are approved to administer the Program, including the establishment and results of each AE's oversight processes. The COVID-19 pandemic impacted oversight procedures in 2021 and 2022. Certain procedures were not performed in 2022 and others continued 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 2022, 141 oversights were performed at the AE level. See pages 12–13, “Oversight of peer reviews and reviewers.”
- *Benchmarks.* AEs monitor and regularly report on compliance with AE benchmarks, which are qualitative, objective, and measurable criteria to enhance overall quality and effectiveness of Program administration. See page 13, “Evolution of peer review administration.”

The Oversight Task Force (OTF) utilizes subgroups, known as focus groups, to monitor and perform procedures in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook*. These focus groups report to the full OTF.

- **AE Oversight Focus Group**

The AE oversight focus group monitors the results of AE oversights performed by OTF members (which occur on a rotating basis, ordinarily every other year). These oversights

¹ 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.

include testing the administrative and report acceptance procedures established by the PRB. OTF members oversighted 11 AEs in 2021 and 14 AEs in 2022. See pages 6–7 “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, which are performed by OTF members and Program staff, focus on whether the report acceptance process is being conducted in accordance with *Standards* and guidance. In 2022, RAB observations were performed on 79 RAB meetings and 290 peer reviews were selected during these observations. See pages 7–8 “RAB Observations” for a detailed description of the process.

- **Enhanced Oversight Focus Group**

Enhanced oversights are performed by approved subject matter experts (SMEs) on must-select engagements and include the review of financial statements and working papers for such engagements. The enhanced oversight focus group reviews and evaluates the results of enhanced oversights and the oversight reports with comments, then provides input and feedback to Program staff and SMEs. The focus group also evaluates the reviewer performance feedback issued by AE peer review committees as a result of these oversights and recommends that the reviewer performance focus group consider issuing feedback when necessary. See pages 8–11 “Enhanced Oversights” 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, evaluates AE performance, and provides feedback to AEs as necessary. The focus group also considers whether modifications to the benchmarks are needed.

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

The POA focus group reviews and annually approves the plans submitted by the AEs agreeing to administer the Program in compliance with *Standards* and guidance. Information is submitted in two parts. The first part is due each November and typically includes various acknowledgments, policies, and procedures. The second part is due each April and reports on compliance with oversight requirements. Final approval of the POA is evaluated after the completion of the second submission.

- **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 compliance with *Standards*. The focus group evaluates the results 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 2022, the OTF concluded the objectives of the PRB oversight program were met.

Respectfully submitted,

Kim D. Meyer

Kim D. Meyer, Chair
Oversight Task Force
AICPA Peer Review Board

AICPA Peer Review Program

There are approximately 20,100 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 1,600 firms enrolled in the Program that indicated they do not currently perform any engagements subject to peer review. In previous years, this report referenced the number of qualified peer reviewers, however, individuals performing peer reviews is a more relevant metric. Between 2020-2022, approximately 7,200 peer reviews were performed annually by 862 individuals acting as captains for system or engagement reviews. 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 2020–2022, approximately 21,700 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 1 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:

	System Reviews	Engagement Reviews
Pass	82%	84%
Pass with deficiency(ies)	12%	11%
Fail	6%	5%

A list of 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 examples of noncompliance with professional standards (both material and immaterial) that were most frequently identified during the peer review process.

Exhibit 2 summarizes the number and type of reasons by quality control element as defined by the Statements on Quality Control Standards (SQCS), for report deficiencies (that is, pass with deficiency[ies] or fail) on system reviews accepted from 2020–2022 in the Program.

Nonconforming engagements identified

The *Standards* state that a nonconforming engagement is an engagement not performed or reported on in accordance with the requirements of applicable professional standards in all material respects. Materiality refers to misstatements, including omissions, where there is substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user. Exhibit 3 shows the total number of individual engagements reviewed for both system and engagement reviews, along with those identified as nonconforming.

The percentage of nonconforming engagements identified each year from 2020–2022 (for system and engagement reviews combined) were:

Year	% of nonconforming engagements
2020	16%
2021	14%
2022	13%

The percentage of nonconforming audit engagements each year were:

Year	% of nonconforming audits
2020	26%
2021	27%
2022	23%

The overall percentage of nonconforming engagements, as well as the percentage of nonconforming audit engagements, decreased slightly in 2022 compared to prior years.

Corrective actions and implementation plans

During the report acceptance process, an AE’s peer review committee determines the need for, and type of, corrective actions or implementation plans (both herein after referred to as follow-up actions) by considering the nature and significance of findings, deficiencies, or significant deficiencies. It also considers whether the reviewed firm’s actions taken or planned to remediate nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible.

Corrective actions are remedial in nature and are intended to strengthen the performance of the firm. The firm acknowledges that it will perform and complete the required corrective action plan as a condition of its peer review acceptance. The firm’s peer review is not complete until the AE is satisfied that the corrective actions were sufficiently performed.

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. There can be multiple corrective actions and implementation plans required on an individual review. For implementation plans, the firm is required to acknowledge that it will 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. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to fair procedures that could result in the termination of the firm’s enrollment in the Program.

See exhibit 4 for a summary of follow-up actions required.

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 jurisdictions it administers. See exhibit 5 for a list of approved AEs. This responsibility includes having written oversight policies and procedures.

All states and jurisdictions that require peer review accept the Program as satisfying their peer review licensing requirements. Some state boards of accountancy (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 reported upon in accordance with the *Standards*,
- Results of the reviews are evaluated on a consistent basis by all AE peer review committees, and
- Information disseminated 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 feedback from AEs' peer review committees and staff,
- Provide consultation on matters applicable 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, may have a conflict of interest (for example, performing the oversight of the AE that administers the OTF member's firm'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,
- Interview the administrator(s), technical reviewer(s), CPA on staff and peer review committee chair, 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, comments from RAB observations, and

compliance with benchmarks 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 identified during the oversight with the AE's peer review committee and CPA on staff. The OTF member then issues an AICPA Oversight Report (report) to the AE that discusses the purpose of the oversight and objectives of the oversight program 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, in writing, to any findings included in the report and letter or, at a minimum, acknowledge the oversight if there are no findings reported. The oversight documents, which include 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 complete 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 2021 and 2022, a member of the OTF performed an oversight for AEs listed in exhibit 6. See exhibit 7 for a summary of comments from the oversights performed during the two years.

RAB observations

Description

The primary objectives of the RAB observation are 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 reviewers, peer review committee/RAB members and the CPA on staff are complying with applicable benchmarks monitored through RAB observations.

RAB observations allow for real-time feedback to RABs and AEs, 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 meeting, the RAB observer offers comments at the close of discussions on issues or items noted during his or her review of the materials. All significant items that were noted by the RAB observer, but not the RAB, are included as comments in the RAB observation report, which is reviewed and approved by the OTF. The final report is sent to the AE's peer review committee chair and CPA on staff. Peer review committees may respond after the final report is issued by the OTF.

Results

For 2021 and 2022, all AEs had at least two RAB observations. RAB observations were performed by OTF members or 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 2021 and 2022 are as follows:

	2021	2022
RAB meetings observed	78	79
Peer reviews selected during observations	327	290
Peer reviewers	222	199
Based on observers' comments:		
Acceptance delayed or deferred	24	23
Feedback forms issued to reviewers	3	0

The number of reviews delayed or deferred as a result of the RAB observers' comments increased from 7.3% in 2021 to 7.9% in 2022.

Enhanced oversights

Description

Enhanced oversights are performed by subject matter experts (SMEs). SMEs consist of current or former members of the applicable Audit Quality Center executive committee and expert panels, current or 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 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 oversight samples

One objective of the enhanced oversight program is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether engagements are properly identified as nonconforming. Ordinarily this objective is achieved through the selection of two samples.

- *Random sample* – Selected from all peer reviews that include at least one must-select engagement. Each peer review included in the population has an equal chance of being selected for oversight.
- *Risk-based sample* – Selected based on certain criteria established by the OTF.

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

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

Enhanced oversight scope

Enhanced oversights focus exclusively on must-select engagements (engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under the Federal Deposit Insurance Corporation Improvement Act (FDICIA), and examinations of service organizations). Prior to 2021, when *Government Auditing Standards* engagements with single audits were selected, the oversight focused only on the single audit portion of the audit. Beginning in 2021, the entire engagement was reviewed as part of these oversights. Most oversights are performed on employee benefit plan, single audit, and *Government Auditing Standards* engagements as these are the most common must-select engagements. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight.

Enhanced oversight process

After the peer review working papers and report are submitted to the AE, Program staff notifies the peer reviewer and the firm of the oversight.

The SME reviews the same engagement financial statements and working papers and compares his or her results to those of the peer reviewer. The SME issues a report, with comments, if applicable, detailing any material items not identified by the peer reviewer that cause the engagement to be considered nonconforming. If the report includes comments, the peer reviewer has an opportunity to provide a letter of response explaining whether he or she agrees with the oversight report and any additional procedures that he or she will perform.

The enhanced oversight report and the peer reviewer's letter of response (if applicable) are provided to the AE for consideration during the peer review report acceptance process. If the peer reviewer disagrees with the results of the oversight, the AE will follow the disagreement guidance in the *Standards*.

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 enhanced oversight reports

The OTF reviews the enhanced oversight reports when the SME identifies material items not identified by the peer reviewer that cause the engagement to be considered nonconforming. 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 when a nonconforming engagement was not originally identified by the peer reviewer or when the peer reviewer identified the engagement as nonconforming but did not identify additional material items. If an AE does not issue feedback, the OTF considers if any further actions are necessary, including whether to issue feedback as a performance finding or performance deficiency, or a performance deficiency letter to the peer reviewer.

- *Performance finding* – Issued when a peer reviewer does not identify a nonconforming engagement but demonstrates sufficient knowledge and experience required to review the engagement.
- *Performance deficiency* – Issued when a peer reviewer does not identify a nonconforming engagement and does not demonstrate sufficient knowledge and experience required to review the engagement.
- *Performance deficiency letter* – Issued when a peer reviewer has a pattern of performance findings or more than one performance deficiency is noted.

Results

As previously discussed, in 2018, an increased focus was placed on evaluating noncompliance 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 nonconforming, whereas these engagements are now deemed nonconforming.

The following table summarizes the annual results for both the random and risk-based samples. The table includes an adjusted nonconforming rate beginning in 2018 to remove engagements that are nonconforming only due to risk assessment issues. Because the guidance was only effective for the last quarter of 2018, it 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 nonconforming in 2019, 17 were nonconforming only because of risk assessment issues. When excluding those engagements with only risk assessment issues, the adjusted nonconforming rate is 37%.

Year	Sample size	Total nonconforming engagements identified by SME	%	Nonconforming engagements with only risk assessment issues	Adj %	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming 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	*	*	*	*	*	*	*
2021	34	14	41%	0	41%	7	50%
2022**	93	35	38%	0	38%	23	66%

* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020 and resumed in September 2021.

** As of the date of this report, the 2022 overall enhanced oversight sample is 89% complete.

The following table summarizes the annual results for the random sample.

Year	Sample size	Total nonconforming engagements identified by SME	%	Nonconforming engagements with only risk assessment issues	Adj %	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2014	74	32	43%	N/A	43%	7	22%
2015	85	47	55%	N/A	55%	26	55%
2016	41	18	44%	N/A	44%	9	50%
2017	54	21	39%	N/A	39%	13	62%
2018	95	47	49%	3	46%	33	70%
2019	77	44	57%	15	38%	35	80%
2020	*	*	*	*	*	*	*
2021	*	*	*	*	*	*	*
2022**	71	28	39%	0	39%	21	75%

* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020. Oversights resumed in September 2021; however, no random oversights were performed.

** As of the date of this report, the 2022 random enhanced oversight sample is 88% complete.

Enhanced oversight results indicate improvement in peer reviewer performance with reviewer detection rates of nonconforming engagements increasing since the enhanced oversight program began in 2014. The PRB's focus on oversight and reviewer education has led to significant improvements in peer reviewer performance, which ultimately results in improved firm performance and higher audit quality.

Exhibit 9 lists items identified by SMEs that were not identified by the peer reviewer that, either individually or in the aggregate, led to a nonconforming engagement.

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 the jurisdiction(s) the AE administers. Peer review committees may designate a task force to be responsible for monitoring its oversight program.

In conjunction with AE staff, the peer review committee establishes oversight policies and procedures that at least 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 OTF 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 peer review committee chair or designated task force of peer review committee members, based on input from AE staff, technical reviewers, and peer review 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 perform certain procedures, 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 peer review committee to consider all the facts before 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 considers various factors and criteria when selecting peer reviews for oversight, such as the following.

- *Firm based* – Selection considers various factors, such as 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.
- *Reviewer based* – Selection considers various factors, including 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 issuing an inappropriate peer review report, not considering significant matters or failure to select an appropriate number and cross-section of engagements.
- *Minimum requirements* – At a minimum, typically each AE is required to conduct oversight on two percent of all reviews accepted 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 ongoing COVID-19 pandemic, the OTF continued to reduce the minimum requirements. For 2022, each AE was required to conduct oversight on one percent of all reviews accepted in a 12-month period (ordinarily the previous calendar year), and within the one percent, generally there must be at least one system and one engagement review. Furthermore, for 2022, 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 2022. If the AE administers fewer than 25 engagement reviews annually, ordinarily 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 2022, AEs conducted oversight on 141 reviews. There were 96 system and 45 engagement reviews oversighted. See exhibit 10 for a summary of oversights 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 are 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 practitioners, members, and regulators is tremendous. At the same time, the need for an evolution of peer review administration is overwhelmingly validated by stakeholder feedback.

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(s) with primary responsibility: administrators, technical reviewers, peer review committee/RAB members, 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.

AEs are subject to fair procedures when there is a pattern of consistent noncompliance with the benchmarks. As the OTF anticipated, many AEs reported noncompliance with certain benchmarks because of the ongoing COVID-19 pandemic. The OTF did not commence fair procedures against any AE for benchmark noncompliance related to the pandemic. The OTF continued to evaluate the benchmark measurements and made 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 AEs with patterns of consistent noncompliance that required further actions. See exhibit 11 for a summary of results for 2022.

The following shows the results of the Program from 2020–2022 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review.

System Reviews

	2020		2021		2022		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,316	79	3,200	86	2,682	81	8,198	82
<i>Pass with deficiency(ies)</i>	394	14	358	10	419	13	1,171	12
<i>Fail</i>	219	7	167	4	200	6	586	6
Subtotal	2,929	100	3,725	100	3,301	100	9,955	100

Engagement Reviews

	2020		2021		2022		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,814	83	3,890	85	3,180	84	9,884	84
<i>Pass with deficiency(ies)</i>	365	11	467	10	436	11	1,268	11
<i>Fail</i>	190	6	245	5	182	5	617	5
Subtotal	3,369	100	4,602	100	3,798	100	11,769	100

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

The following table lists the reasons for report deficiencies (that is, pass with deficiency[ies] or fail reports) from system reviews in the Program accepted from 2020–2022 summarized by each element of quality control as defined by QC section 10. Since pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in exhibit 1, “*Results by type of peer review and report issued.*”

REASON	2020	2021	2022
Leadership responsibilities for quality within the firm ("the tone at the top")	99	67	89
Relevant ethical requirements	67	47	26
Acceptance and continuance of client relationships and specific engagements	77	52	64
Human resources	207	219	288
Engagement performance	530	433	465
Monitoring	309	237	277
TOTALS	1,289	1,055	1,209

The following shows the total number of engagements reviewed, for both system and engagement reviews, and the number identified as not performed or reported on in conformity with applicable professional standards in all material respects (nonconforming) from peer reviews accepted from 2020–2022 in the Program.

On April 1, 2019, Program staff began tracking the number of nonconforming audits due to noncompliance with the risk assessment standards. In 2020, 2021, and 2022 respectively, approximately 16%, 17% and 13% of audits reviewed were identified as nonconforming due to noncompliance with the risk assessment standards. Furthermore, those audits may have been nonconforming for additional reasons beyond noncompliance with the risk assessment standards.

Engagement Type	2020			2021			2022		
	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%
Audits:									
Single Audits	1,314	532	40%	1,346	554	41%	1,238	402	32%
Government Auditing Standards - All Other	1,617	494	31%	1,812	526	29%	1,592	357	22%
ERISA	2,249	724	32%	2,380	665	28%	2,085	462	22%
FDICIA	71	24	34%	46	3	7%	53	17	32%
Other	6,578	1,322	20%	6,137	1,435	23%	4,252	857	20%
Reviews	4,435	450	10%	5,787	616	11%	4,934	579	12%
Compilations & Preparations:									
With Disclosures	2,725	149	5%	3,629	250	7%	2,975	242	8%
Omit Disclosures	7,330	639	9%	10,736	647	6%	8,030	551	7%
Forecasts & Projections	22	1	5%	17	2	12%	9	1	11%
SOC® Reports	199	22	11%	215	28	13%	214	15	7%
Agreed Upon Procedures	987	143	14%	1,232	99	8%	1,290	95	7%
Other SSAEs	165	11	7%	194	18	9%	181	18	10%
Totals	27,692	4,511	16%	33,531	4,843	14%	26,853	3,596	13%

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 cooperation or acceptance of the firm's peer review. Follow-up actions include both corrective actions and implementation plans and offer education and remediation guidance to firms. These provide a mechanism for the peer review committee to monitor firms' remedial actions in response to deficiencies and findings. A review can have multiple corrective actions and/or implementation plans. For 2020–2022 reviews, the following represents the type of corrective actions and/or implementation plans required.

Type of follow-up action	2020	2021	2022
Agree to take/submit proof of certain CPE	2,276	2,561	2,280
Submit to review of remediation of nonconforming engagements	235	246	292
Agree to pre-issuance reviews	364	352	423
Agree to post-issuance reviews	468	522	488
Agree to hire outside party to review completion of intended remedial actions	105	108	115
Agree to hire an outside party to review the firm's internal monitoring or inspection report	200	129	159
Submit to outside party revisit	84	76	44
Elect to have accelerated review	1	1	1
Submit evidence of proper licensure	62	63	79
Firm represented in writing they no longer perform engagements in the industry or level of service	62	39	63
Agree to hire outside party to perform inspection	46	25	24
Outside party to review Quality Control Document	26	25	24
Submit proof of purchase of manuals	13	13	10
Agree to join an Audit Quality Center	20	29	24
Other	62	102	69
TOTALS	4,024	4,291	4,095

Administering Entity	Licensing jurisdiction(s)
California Society of CPAs	California, Arizona, Alaska
Coastal Peer Review, Inc.	Maryland, North Carolina
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
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
The Ohio Society of CPAs	Ohio
Oklahoma Society of CPAs	Oklahoma, Kansas, South Dakota
Oregon Society of CPAs	Oregon, Guam, Hawaii, Northern Mariana Islands
Partners in Peer Review	Alabama, Arkansas, Mississippi
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

For the years 2021 and 2022, an OTF member performed an oversight of each of the following AEs. The oversight results are available on the [AICPA's website](#).

2021

Coastal Peer Review, Inc.
Colorado
Connecticut
Louisiana
Massachusetts
Minnesota
Oklahoma
Peer Review Alliance
Texas
Virginia
Washington

2022

California
Florida
Georgia
Michigan
Missouri
National Peer Review Committee
Nevada
New England Peer Review, Inc.
New Jersey
Ohio
Oregon
Partners in Peer Review
Pennsylvania
Tennessee

The following represents a summary of comments by the OTF for the 2021 and 2022 AE oversights. The comments are examples not indicative of every AE and may have been a single occurrence that has since been corrected.

Administrative procedures

- Appropriate signed versions of confidentiality agreements were not obtained based on the individual's role (e.g., administrator, technical reviewer, CPA on staff or committee member) or did not adhere to the current templates
- Hearing referral decision letter regarding firm's consecutive non-pass report was sent, though it was unclear if an assessment had been performed and documented in accordance with guidance
- AE did not timely notify Program staff to disable computer system access of technical reviewers after their resignation
- Open reviews, including those with overdue corrective actions or implementation plans did not appear to be actively monitored for completion

Technical reviewer procedures

- Technical reviewer did not initially identify issues noted by the OTF member
- During the year, over 10% of peer reviews presented were deferred by the RAB, in part due to matters not initially addressed by the technical reviewer
- Reviews were not consistently presented to the RAB within 120 days of receipt of working papers from the reviewer
- Engagement reviews meeting the criteria to be accepted by the technical reviewer were not consistently accepted within 60 days of receipt of working papers from the reviewer

CPA on staff procedures

- No RAB members with current experience in a must-select category included in a review were scheduled to participate in the RAB meeting
- Information provided to the peer review committee to assess firm noncooperation was incomplete
- Documentation of the peer review committee/RAB's decision of potential firm referrals for noncooperation related to consecutive non-pass reports was not consistently maintained resulting in instances where it was unclear how the peer review committee overcame the mandatory presumption to refer firms receiving three or more consecutive non-pass reports
- Individuals involved in the administration of the Program were simultaneously involved in enforcement related work
- A state board of accountancy employee participating in an administrative site visit performed by a Peer Review Oversight Committee (PROC) was allowed access to confidential information

Peer review committee/RAB procedures

- The RAB did not initially identify issues noted by the OTF member
- Post-issuance review reports indicated continued significant issues in firm engagement quality; however, additional corrective actions were not issued due to the firm's next peer review being imminent
- Guidance for evaluation of firms with consecutive non-pass reports was not consistently followed, resulting in at least one instance of sending referral decision letters before the committee completed their evaluation

The following are example comments generated from RAB observations performed by the Program staff and OTF members for 2021 and 2022. These comments provide the AEs' peer review committee/RAB members, technical reviewers, and CPAs on staff 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.

- Firm representation letters were not tailored appropriately or not consistent with the *Standards*
- RAB agreed to a recommended implementation plan or corrective action that was not in accordance with guidance
- Peer review report was not properly tailored or was not consistent with the *Standards*
- Technical issues and questions were not appropriately identified and/or addressed before presentation to the RAB
- RAB did not include the minimum number of qualified members (e.g., team captain qualified for system reviews or RAB member with current must-select engagement experience) to present, discuss, and accept a peer review
- Firm's letter of response did not adequately address the firm's actions taken or planned to remediate nonconforming engagements nor the timing of the remediation
- Single audit engagement profile was unclear regarding the firm's safeguards in place to address nonattest services performed, requiring follow-up to determine the impact on the engagement
- RAB inappropriately applied peer review guidance related to noncompliance with risk assessment standards
- Peer review documentation contained inconsistencies that made it unclear if the peer review report rating was appropriate
- Systemic cause missing or did not appropriately address the underlying cause of deficiencies in the report or findings on FFC forms
- RAB members had conflicts of interest with peer reviews presented for acceptance that was not previously identified

The following are example departures from professional standards identified by the SMEs in the 2021 and 2022 samples that were not identified by the peer reviewers. The SMEs identified these departures from professional standards, individually or in the aggregate, as material departures from professional standards that caused the engagement to be considered nonconforming.

Employee Benefit Plan engagements

- Failure to perform an appropriate risk assessment including not assessing risk at the assertion level, not supporting inherent risk assessments, not properly linking audit procedures performed to the risk assessment, not documenting understanding of controls including IT and complementary user controls, and/or not appropriately testing controls
- Lack of documentation over tests of operating effectiveness on key complementary user controls for a SOC[®] 1 report upon which reliance was placed
- Failure to appropriately address a qualified opinion included in a SOC[®] 1 report
- Failure to obtain a SOC[®] 1 report for a payroll processing service provider
- Control risk assessed at less than high without obtaining a SOC[®] 1 report or performing other control testing
- Failure to perform or document sufficient procedures over participant data, participant contributions, benefit/distribution payments, or income allocation to participant accounts
- Failure to perform or document sufficient procedures to conclude whether employer contributions were correctly calculated or appropriate
- Failure to appropriately include sufficient documentation such that an experienced auditor can understand the nature, timing, and extent of procedures performed; results of procedures performed; audit evidence obtained; conclusions reached; and any professional judgments used
- Failure to identify and report prohibited transactions
- Failure to appropriately report on prior year when the firm early adopted SAS 136

Single audit and Government Auditing Standards engagements

- Failure to document the safeguard applied to address a significant threat to independence
- Failure to sufficiently test or document testing of all direct and material compliance requirements
- Failure to adequately determine sample size to sufficiently test control and compliance attributes
- Inappropriately assessed control risk at high for all direct and material compliance requirements when it is required that the auditor plan the audit to achieve a low level of control risk
- Failure to document controls over the preparation of the Schedule of Expenditures of Federal Awards
- Insufficient documentation of auditor analysis and judgment of which applicable compliance requirements were determined not to be direct and material
- Failure to sufficiently document an understanding of the five components of internal control to assess risks of noncompliance with each direct and material compliance requirement
- Failure for all requisite audit team members to meet the Yellow Book CPE requirements

The following shows the number of oversights performed by each AE for 2022.

Administering Entity	2022		
	System	Engagement	Total
California	12	1	13
Coastal Peer Review	1	4	5
Colorado	1	1	2
Connecticut	1	1	2
Florida	5	2	7
Georgia	1	1	2
Louisiana	2	1	3
Massachusetts	1	1	2
Michigan	1	2	3
Minnesota	1	1	2
Missouri	1	1	2
National Peer Review Committee	36	1	37
Nevada	2	1	3
New England Peer Review	1	1	2
New Jersey	3	2	5
Ohio	3	1	4
Oklahoma	1	1	2
Oregon	2	1	3
Partners in Peer Review	4	3	7
Peer Review Alliance	5	4	9
Pennsylvania	3	4	7
Puerto Rico	2	0	2
Tennessee	1	1	2
Texas	3	4	7
Virginia	1	3	4
Washington	2	2	4
Total	96	45	141

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 2022. The OTF did not identify any AEs with a pattern of consistent noncompliance that required further actions.

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)
Administrators		
Admin 1	Perform tasks associated with cases and letters (e.g., Peer Review Information or 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.	1
Admin 2	Provide RAB materials electronically to RAB members at least seven calendar days before RAB meetings.	1
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. Over this reporting period, an AE should have 10% or fewer not sent within this timeframe.	2
Technical Reviewers		
TR 1	Meet all qualifications established in guidance, including training requirements.	2
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.	12
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.	1
TR 6	Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. Over this reporting	7

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)
	period, an AE should have fewer than 10% of reviews deferred.	2022
TR 7	Evaluate reviewer performance history and present to RAB.	0
TR 8	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.	0
TR 9	Be available during RAB meetings in which his or her reviews are presented to answer questions to avoid deferrals or delays.	0
Committee/RAB		
Comm/RAB 1	Meet all qualifications established in guidance, including training requirements.	0
Comm/RAB 2	Follow peer review guidance in the evaluation and acceptance of peer reviews.	8
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.	0
Comm/RAB 5	Waive or replace corrective actions and implementation plans in accordance with guidance except in hardship situations.	0
Comm/RAB 6	Assess firm referrals for noncooperation related to consecutive non-pass reports.	4
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
CPA on staff		
CPA 1	Submit current benchmark forms signed by CEO to OTF by due date.	1
CPA 2	Monitor committee and RAB members' qualifications in accordance with guidance.	2
CPA 3	RAB member composition includes members with current experience in must-select engagements.	2
CPA 4	A minimum of three RAB members evaluates every peer review for acceptance in accordance with guidance.	1

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)
		2022
CPA 5	Maintain documentation of committee/RAB's decision for firm referrals for noncooperation related to consecutive non-pass reports.	3
CPA 6	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	1
CPA 7	Scheduling error overrides are appropriate and approved in accordance with guidance.	2
CPA 8	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.	1
CPA 9	Respond to requests from OTF or AICPA staff by due date.	1
CPA 10	Submit complete Plan of Administration signed by the CEO including all AE oversight requirements by April 1.	0
CPA 11	Submit complete Plan of Administration signed by the CEO by November 1.	1
CPA 12	Meet all qualifications of the CPA on staff, including training requirements.	0
CPA 13	Obtain appropriate signed versions of confidentiality agreements, based on the individual's role, from AE staff, technical reviewers, committee/RAB members, and Peer Review Oversight Committee (PROC) members (as applicable) annually.	0

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 remedial in nature so that deficiencies identified within firms through this process can be effectively addressed. For firms that perform audits and certain other engagements, the peer review is accomplished through procedures that provide the peer reviewer with a reasonable basis for expressing an opinion on whether the reviewed firm's system of quality control for its accounting and auditing practice has been appropriately designed and whether the firm is complying with that system.

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

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

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

PCAOB. Because many SBOAs and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAF PRP provided the mechanism (along with the PCAOB inspection process) to allow member firms to meet their SBOA licensing and other state and federal governmental agency peer review requirements.

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

Since peer review became a mandatory AICPA membership requirement in 1988, 53 states and territories have adopted peer review licensure requirements. Many licensees are also required to submit certain peer review documents to their SBOA as a condition of licensure. To help firms comply with state peer review document submission requirements, the AICPA created facilitated state board access (FSBA). FSBA allows firms to give permission to the AICPA or their AEs to provide access to the firms' documents (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 jurisdictions now require their licensees to participate in FSBA, whereas others recognize it as an acceptable process to meet the peer review document submission requirements.

Documents included in FSBA are:²

- 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 to the satisfaction of the peer review committee (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.

² As of February 2015, a firm's current and prior peer review documents are available via 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.

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 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)³, 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

³ QC section 10 can be found in AICPA *Professional Standards*.

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 26 state CPA societies, groups of state societies, or specific-purpose committees, known as AEs, to administer the Program in 2022. 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 Peer Review Program (PRP) for non-AICPA firms and individuals who chose not to enroll in the Program. These 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. In 2022, there were seven AEs that administered state society PRPs.

<u>Term</u>	<u>Definition</u>
AICPA Peer Review Board (PRB)	The AICPA senior technical committee that governs the Peer Review Program (Program).
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.
Administering entity	A state CPA society, group of state CPA societies, the National Peer Review Committee, or other entity annually approved by the PRB to administer the Program.
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 (SSARSs) 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.
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.

<u>Term</u>	<u>Definition</u>
Corrective action	Remedial actions prescribed by the committee, RAB, or board that should be agreed to and completed by reviewed firms or peer reviewers.
CPA on staff	The CPA responsible for managing the program at the AE.
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 engagements under Statements on Auditing Standards (SASs), <i>Government Auditing Standards</i> , or SSAE examination engagements. It focuses on work performed and reports and financial statements issued on particular engagements (SSAE agreed upon procedures, SSAE and SSARSs 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.

<u>Term</u>	<u>Definition</u>
Financial statements	Presentation of financial data including balance sheets, income 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 (engagement review)	One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Finding (system review)	One or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with the system 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 should be documented as a finding for further consideration (FFC) on an 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.
Follow-up action	A corrective action or implementation plan issued to a firm in response to a finding, deficiency, or significant deficiency.
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	Actions required of a reviewed firm in response to a finding included on 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	One or more "no" answers to questions in peer review checklists identified during a system review or an engagement review. <ul style="list-style-type: none"> • <i>Engagement reviews.</i> One or more "no" answers to questions in peer review checklists that were not resolved

<u>Term</u>	<u>Definition</u>
	<p>to the review captain's satisfaction. These are documented as matters for further consideration (MFCs) on an MFC form.</p> <ul style="list-style-type: none"> • <i>System reviews</i>. One or more "no" answers to questions in peer review checklists that a reviewer concludes warrant further consideration in the evaluation of a firm's system of quality control. A matter should be documented as a matter for further consideration (MFC) on an MFC form.
Oversight Task Force (OTF)	The standing task force of the PRB responsible for establishing oversight policies and procedures to ensure that AEs are complying with the administrative procedures established by the PRB, reviews are being conducted and reported on in accordance with standards, and the results of the reviews are being evaluated on a consistent basis in all jurisdictions.
Peer review committee (committee)	A group of individuals appointed by an AE to oversee the administration, acceptance and completion of the peer reviews and performance of peer reviewers.
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> 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.
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	An online system that is accessed to carry out the Program administrative functions.
Report Acceptance Body (RAB)	A group of individuals appointed by the committee who are delegated the report acceptance function on behalf of the committee.
Review	A SSARS 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.

<u>Term</u>	<u>Definition</u>
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> .
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> <ul style="list-style-type: none"> a. The firm and its personnel comply with professional standards and applicable legal and regulatory requirements and b. Reports issued by the firm are appropriate in the circumstances.
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 quality control standards established by the AICPA, 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 1.6B

**Firms Dropped from the AICPA Peer Review Program for Noncooperation
between January 1, 2023 and March 31, 2023**

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of April 3, 2023, are denoted by an “*” following the firm name.

Firm Number	Firm Name	State
900255187415	Skud and Company, LLC	AK
900255349356	ATC Group, Inc.	AL
900003890764	Joseph Walls, CPA	AL
900255351490	L. Don Cole CPA P.A	AR
900010012955	Cohen, Rife & Jutzi, P.C.	AZ
900255350514	Edward D Roberts CPA PC	AZ
900256000232	Joseph Lessard, CPA PLLC	AZ
900010155075	KAKB, PLLC	AZ
900009790783	A&L CPAs	CA
900010001418	Anderson & Associates, CPAs, P. C.	CA
900255350538	Benito O Rodriguez & Company	CA
900010038992	Bernard Kotkin & Company, LLP	CA
900007871710	Brumm & Associates, Inc*	CA
900011978796	Dale R. Howe, CPA	CA
900255349770	David B. Whitford, Jr., CPA	CA
900004731957	David D. Tobkin, Inc	CA
900255349182	DH and Company LLP	CA
900255350574	Greengrowth CPAs*	CA
900010150424	Hock Company LLP	CA
900255270631	J. H. Lee Accountancy Corporation	CA
900010105205	Jackson & Arshagouni*	CA
900255350994	John J Capelli Jr., CPA	CA
900255180687	Johnson T.H. Wong, CPA	CA
900010034915	Johnson, Fujita, Peauroi, A. C.	CA
900010141074	L. Ray Ashworth	CA
900010095592	Leyman & Company	CA
900010122502	M. R. Grant	CA
900255048128	Mark S. Freedman, CPA, Inc.	CA
900005777229	Mary Louise Nixon, CPA	CA
900011411311	Michael J. Borenstein, CPA	CA
900255180292	Michael R Baudler CPA*	CA
900256000164	Morris and Kim LLP	CA
900005772147	Patten & Co., CPA	CA
900255285621	Paul Sears CPA	CA

Firm Number	Firm Name	State
900006901222	Pors & Associates	CA
900011476749	Richard V. Philpot, AC, Inc.	CA
900011653149	Robert T. Elliott, CPA	CA
900256000208	Thibodeau & Associates, Inc.	CA
900010081562	Wenger & Bauer, CPAs, Inc.	CA
900004964946	Gilman & Co. CPAs	CO
900010109881	David M. Linger, CPA/PFS, PA	FL
900010148948	M.E. Caplan , P.A.	FL
900001041651	Manuel Dieguez	FL
900008199488	Marie M Rosier, CPA, MBA LLC dba MMR CPA*	FL
900010014450	Thomas Craig & Company, LLP	FL
900255350142	Altruis CPAs, LLC*	GA
900011684592	John Michael Miller, CPA	GA
900004540308	R. Larry Sumner, CPA P.C.	GA
900010112391	The James Polk Company, LLC	GA
900010149353	Turner & Jones, LLC	GA
900003809327	Robinson Ruhnke, P.C.	IA
900255188873	Hayes & Silver CPAs	ID
900010006296	Blumenfeld, Weiser, Friedman & Co.	IL
900255350706	Khan CPA Group, LLC	IL
900004872903	Lloyd Financial Services, Ltd	IL
900003813752	Mirza Baig & Company	IL
900255350021	William Lewis Hayes II, CPA, CIA, CCSA	IL
900010028625	Hanafee & Jones, Inc.	IN
900006613376	Jeffrey A Mullen CPA, LLC	IN
900005666927	MGA Professional Corp	IN
900004363725	Teresa L. Powell, CPA*	IN
900001146516	Joseph A. Kobilarcsik Chartered	KS
900255351865	Owlfi CPA LLC	KS
900255350822	Anne Rakestraw, CPA	KY
900255351715	Deer Financial Services PLLC	KY
900255352017	Green River Accounting and Tax Solutions LLC dba Fowler Durham Barber CPAs	KY
900255351819	Michelle S. Duncan, CPA, PSC	KY
900004187625	Simon CPA & Company PSC	KY
900010091212	Lovell & Company, CPAs, APC	LA
900005795749	Michelle Diaz, CPA, APAC*	LA
900007270174	George J. Roberts CPA PC	MA
900001181212	Richard W. Towne P. C.	MA
900010134730	Victor P. Santos	MA
900011786797	Randolph C. Ruckert, PA	MD

Firm Number	Firm Name	State
900004505247	Hoisington & Bean, P.A.	ME
900010011615	Chaness & Maher, P.C., CPAs	MI
900010026315	Walter S. Gorski & Co., P. C.	MI
900255182946	FMS Solutions	MN
900010111176	Holmquist & Associates*	MN
900010150394	Kenneth B. Vonderharr, CPA	MN
900010116908	Elder & Isaac, CPA, PC	MO
900255350628	Prosperity Accounting LLC*	MO
900255351808	SAAS, LLC	MO
900010135483	Burger & Comer, P. C.*	MP
900010080173	Ramsey & Ramsey	MS
900255180460	Florell and Barnhard, PC	NE
900010084267	William S. Urban CPA PC	NE
900010104102	Morrissey & Company, LLC	NH
900003877507	Calvin L Hayes CPA LLC	NJ
900255192343	Ned Marini CPA LLC	NJ
900010121139	Roth & Merritt, P. C.	NJ
900010126479	Scott J. Loeffler CPA	NJ
900010084116	Tannous & Tannous	NJ
900008007105	William P. Dolan, CPA LLC	NJ
900011604229	Tim Lacy, CPA, PC	NM
900255352078	Schriner's A&A, LLC	NV
900010141963	Accounting Group of Western New York CPA, P.C.	NY
900001023614	Barry Schechter	NY
900009073756	Charles Foster CPA PLLC	NY
900010147722	DeFreitas & Minsky, LLP	NY
900010128747	John P. Mucke CPA PLLC	NY
900005832819	Li, Xu & Associates, CPA, PLLC*	NY
900255350577	Michael R. McGovern & Company CPAs	NY
900255191557	Nadler & Upbin, LLP	NY
900010148274	Pascale, Razzino, Alexanderson & Company, PLLC CPAs	NY
900010135795	Peter C. Bezzina, CPA P.C.	NY
900009974907	Romain CPA, LLC	NY
900255350313	V. Bathija & Associates CPA, PLLC	NY
900010153219	William Ramos CPA, PC	NY
900011445731	Cross + Associates CPAs LLC	OH
900010155767	Leverone & Associates Inc.	OH
900002257415	Lori A. McDonald CPA Inc*	OH
900010104726	Neil J. Reichenbach, CPA, LLC dba Reichenbach & Steiner CPA	OH

Firm Number	Firm Name	State
900010076890	Wilson, Shannon & Snow, Inc.*	OH
900010140928	Hinkle & Company PC*	OK
900255351807	Westhoff CPA Firm, PC	OK
900003839432	BCK & Associates LLC	PA
900255106011	Klacik & Associates, P.C.*	PA
900010142047	Robert Thomas Kurp	PA
900010131074	Trout, James & Associates P.C.	PA
900255349977	ARCO FINANCIERO LLC*	PR
900010112564	CPA Carlos Guillermo Colon Bermudez, LLC	PR
900010138778	D'Leading Business Solutions, Inc.*	PR
900005219310	Jesus M. Mora Nieves, CPA	PR
900010148981	R. S. & Associates, CPA-PSC*	PR
900010112360	Veguilla CPA Group, PSC	PR
900010106184	Anthony J. Milia, CPA, Inc.*	RI
900010114737	Steven C. Mercadante	RI
900255181503	Surfside Tax & Accounting Services, LLC	SC
900010091162	Wilson MacEwen & Co.*	SC
900003745646	Rollins & Rollins, CPAs*	TN
900005493926	W Edward Souther, CPA	TN
900255351207	Bennett & Trice PLLC	TX
900010015096	Cundiff, Rogers & Solt, P. C.	TX
900255348713	Hudgens CPA, PLLC*	TX
900255348506	K Williams CPA	TX
900010147381	Kuttler & Bumbaugh, CPAs PLLC	TX
900010047075	Moseley & Riddle	TX
900010090773	Pyke & Pyke, P. C.	TX
900255349084	Stephenson, LeGrand & Pfeil, PLLC	TX
900006440062	Sumrall & Bondy PC	TX
900256000240	Victor Mokuolu, CPA PLLC*	TX
900255349347	MyCPA Accounting and Advisory Services	UT
900255351109	Clarke Financial Associates	VA
900005916726	The Jones Group CPAs and Consultants, PLC	VA
900001028006	W. Gregg Modesitt	VA
900011776595	David S Christy CPA	WA
900010141301	Michael Plato Inc. DBA Michael Plato, CPA	WA
900001110872	James J Artabasy	WI

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

The AICPA Peer Review Board terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate. Firm terminations are also published at <https://us.aicpa.org/forthepublic/prfirmterm>. Due to website updates in early Spring, as of the date of preparation of these materials, the publication of some firms, denoted with "***", has been temporarily delayed.

Failure to complete a corrective action

The firms did not complete corrective actions designed to remediate deficiencies identified in their most recent peer review.

Kil S. Jung – New York, NY
Doug Dobbs CPA, P.A. – Little Rock, AR
Harvard & Associates, PA – Tallahassee, FL
Beecher & Bethel LLP – Fort Edward, NY
Bostick, Murphy & Co. CPAs PC – Mount Kisco, NY
Kirk & Richardson, P.C. – Aubrey, TX
Lee A. Miller – Maumelle, AR **
Baumann Dennis & Hochuli, LLP – Floral Park, NY **
Harvey Ginsberg & Co., P.C. – Briarcliff Manor, NY **

Failure to complete an implementation plan

The firm did not complete an implementation plan designed to remediate findings identified in the firm's most recent peer review.

M.V. Kuper P.C. – Wheeling, IL **

Consecutive non-pass reports in engagement reviews

The firm continually failed to perform and report on engagements selected for peer review in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

McKinney & Associates, CPAs, LLC – Albuquerque, NM **

Consecutive non-pass reports in system reviews

The firms failed to design a system of quality control, and/or sufficiently comply with such a system, to provide the firms with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firms received consecutive pass with deficiency or fail reports.

Noke and Heard LLP – Summit, NJ
Stephanie L. Hartnett, CPA, P.A. – Jacksonville, FL **
Chough, Oh, Gill, Chae & Co., P.A. – Silver Spring, MD **

Noncooperation related to omission or misrepresentation of information

The firm either omitted or misrepresented information provided to its administering entity relating to its accounting and auditing practice.

Rich Bartol Consulting – Temecula, CA **

Compliance Update - Firm Noncooperation

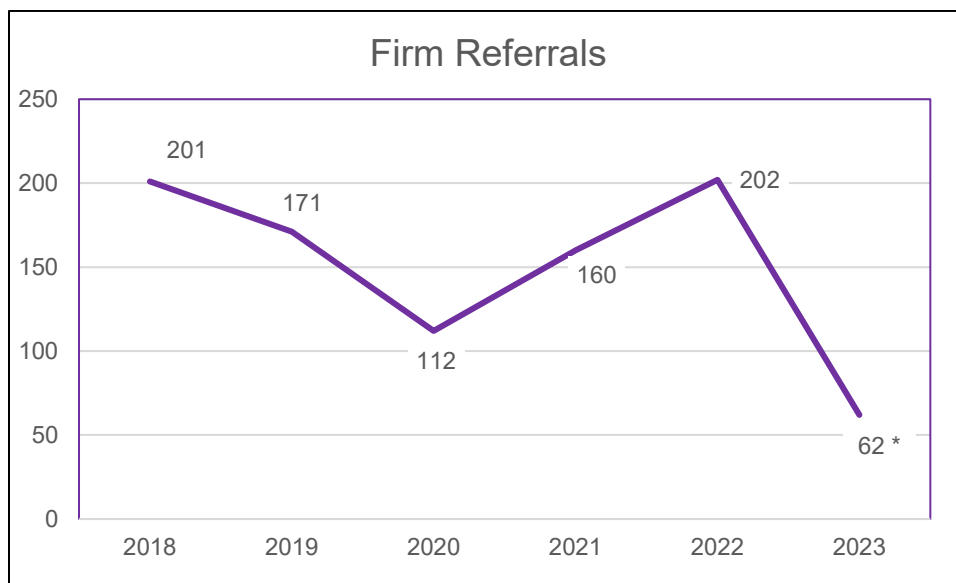
Why is this on the Agenda?

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

Hearings, Drops and Terminations

Firm Hearing Referrals and Mediation

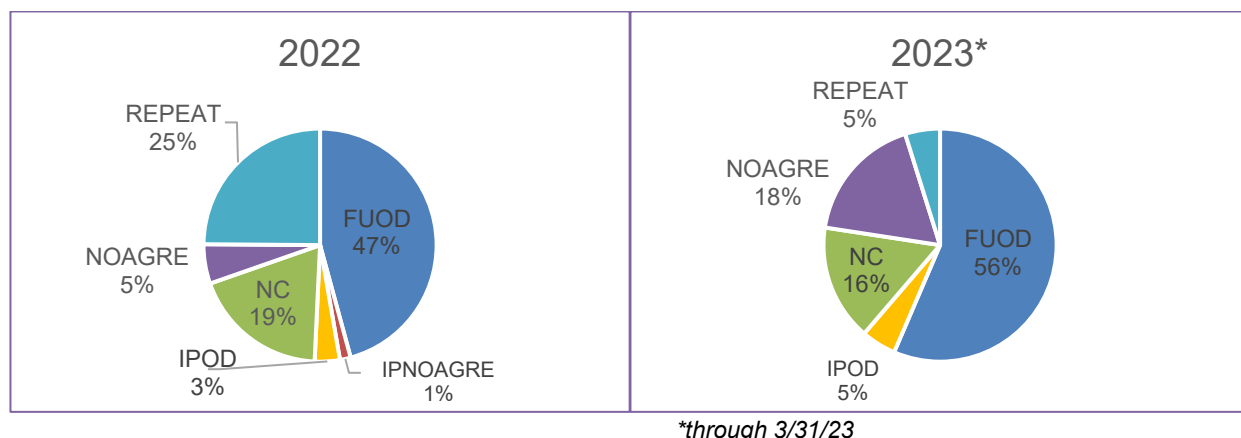
Referrals are firm noncooperation cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing. The table below shows overall hearings volume through March 2023:



**through 3/31/2023*

Termination hearings align closely with the Enhancing Audit Quality initiatives. The decrease shown in 2020 relates to several temporary changes made by the AICPA Peer Review Program (PRP) in response to the coronavirus impact on firms, providing firms with additional time to complete peer reviews, corrective actions and implementation plans. Since that time, normal operations have resumed and efforts to increase consistency, efficiency and effectiveness of administration of the AICPA Peer Review Program (PRP) have resulted in relatively constant volume. Based upon an increase in first quarter referrals in the current year compared to last year (62 in 2023 and 51 in 2022), it appears that overall volume may increase slightly in 2023.

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



Legend:	
FUOD/IPOD	Failure to complete corrective action(s) or implementation plan
NC	General noncooperation (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 receive a pass report rating after consecutive non-pass peer reviews

In the first quarter of 2023, there has been an increase in the number of cases related to failure to complete corrective actions and a corresponding decreased in cases for failure to receive a pass report rating after consecutive non-pass peer reviews (reflected in the REPEAT category above). This is merely a timing difference related to acceptance of hearing cases. Investments made in automation of warning letter delivery as required by guidance as well as education and monitoring will likely result in increases in this category, which aligns with Enhancing Audit Quality initiatives.

Firms referred for certain charges, such as failing to agree to or 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, to assist in keeping cooperative firms enrolled in the program and reduce panel and other resource usage. Mediation is not attempted for charges such as consecutive non-pass reports or material omission from scope because those firms do not have any recourse. Through March 31, 2023, mediation was attempted on 40 of the hearing referrals received in 2023, resulting in 10 (or 25%) of those hearings being resolved prior to hearing.

Firm Enrollment Drops

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 included in the [AICPA Standards for Performing and Reporting on Peer Reviews](#) (PR-C 300.12, .A6-.A7) (previously in the [Peer Review Board Drop Resolution](#) included in Interpretation 5h-1).

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 an enrollment drop from the PRP and mediation is attempted for firms filing an appeal. Through March 2023:

Action/Status	#
Appeals received	10
Less:	
Reenrolled prior to appeal hearing	2
Awaiting appeal panel	<u>8</u>

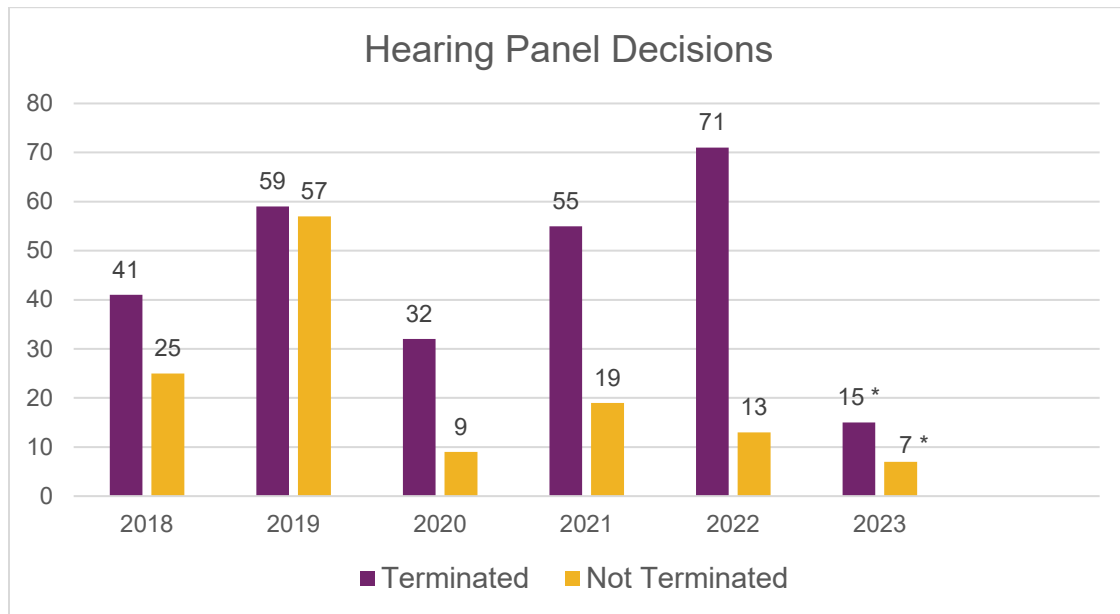
Firm Enrollment Terminations

A firm's enrollment may be terminated for other failures to cooperate with the PRP (typically after the commencement of a review). A detailed list of noncooperation reasons that may lead to a termination is included in the [AICPA Standards for Performing and Reporting on Peer Reviews](#) (PR-C 300.13) (previously in the [Peer Review Board Termination Resolution](#) (Interpretation 5h-1) on aicpa.org. Terminations from the PRP must be decided upon by a hearing panel of the PRB. Firms may appeal PRP enrollment termination.

Drops and terminations of firms enrolled in the 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 \(with AICPA members\) for which enrollment in the AICPA Peer Review Program was terminated](#) are published on aicpa.org and included in the PRB open session materials. Due to website updates in early Spring, as of the date of preparation of these materials, the publication of some firms has been temporarily delayed. Firms without AICPA members for which 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 five years and thru March 2023:



*through 3/31/2023

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

Firms not terminated reported above represent a hearing panel decision not to terminate the firm's enrollment. In such cases, hearing panels may require corrective, remedial 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.

The number of panel decisions increased significantly in 2019, corresponding to the increase in firm referrals during 2018. A significant portion of those referrals were the result of completeness activities, or material omission from scope, and were not terminated but required to complete replacement reviews. The decrease shown in 2020 relates to the previously mentioned temporary changes made by the PRP in response to the coronavirus impact on firms.

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

If a firm's enrollment in the PRP is dropped or terminated, it should address or remediate the cause of the drop or termination to be considered for reenrollment. 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, reenrollment requests for some firms must be considered by a hearing panel (PR-C 300.16 .A14). 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

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 reenrollment and, as such, evidence of completion must be completed (attached to the reenrollment case in PRIMA) at the time of reenrollment. During 2022, two reenrollment requests were considered and approved. No reenrollment requests have been received and considered as of March 31, 2023.

PRB Observers

Lisa Brown
Dan Weaver
Paul Pierson
Richard Hill
Stacey Lockwood
Gavin Burnham
Paul Burns
Jon Arbles
Laura Lambert
Sharon Romere-Nix
Fiona Tam
Gloria Snyder
Jerry Cross
Heather Trower
Thomas Bowns
Darlene Boles
Julie Phipps
Viki Windfeldt
Annie Wheeley
Dipesh Patel
David Holland
Renee Villano
Tim Montgomery
Julie Salvaggio
Pamela Lemire
Monica Farrell
Jennifer Winters
Kent Absec
Geof Brown
Faye Hayhurst
Melinda Hart
Chuck Jordan
Mary Beth Halpern
Paul Ziga
Gloria Roberts
Julie McNeal
Calvin Harris
Martin Pittioni
Adelina Burke
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Laura Harrison
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