AICPA Peer Review Program

AICPA Peer Review Board Meeting – Open Session Highlights
August 5, 2015

Meeting Participants

PRB Members:
Anita Ford
James Clausell
Mike Fawley
Larry Gray
Richard Hill
Karen Kerber
Mike LeBlanc
Toni Lee-Andrews
Alan Long
Mike McNichols
Tom Parry
Andrew Pope
Thad Porch
Bob Rohweder*
Keith Rowden
Todd Shapiro
Debra Seefeld
Tom Whittle

AICPA Staff:
Jim Brackens
Jennifer Capoccia*
Sue Coffey
Rachelle Drummond
Kim Ellis*
Gary Freundlich
Jaime Henderson*
Tim Kindem
Sue Lieberum
Fran McClintock
Tracy Peterson*
Donna Roethel
Beth Thoresen
Andrew Volz

Guest Participants:
See Exhibit 1

Absent:
Rich Jones
Thad Porch

*Attended via phone

Agenda Item 1.2: Approval of Changes to Chapter 4 of the RAB Handbook Related to Implementation Plans and Corrective Actions on System Reviews – Mr. Parry

Discussion Summary:
1. The purpose of the agenda item is to make the guidance for accelerated reviews as a corrective action the same for both pass with deficiencies and fail reports.
2. The agenda item does not propose new guidance, it is just making the language consistent.

Resolutions:
1. In section 3, System Review Report Rating – *Fail*, "require" should be removed from the end of b and added to the beginning of b(1).
2. The guidance in Agenda Item 1.2A with the revision noted above and the alert in Agenda Item 1.2B were approved.

Open Items:
None

Agenda Item 1.3: Approve Clarified Peer Review Report Exposure Draft – Mr. Parry

Discussion Summary:
1. Ms. Ford noted that the Board discussed the exposure draft during closed session.
2. The PRB confirmed its objective is to make peer review results more informative and was in favor of the enhancements being proposed. However, it believes that additional revisions should be made to the reporting model and related guidance to drive a fundamental change in reviewer and firm behavior.
   a. The three major improvements being considered are:
      i. Removing the requirement to "close the loop" in the deficiency description and instead requiring the firm to address it in its Letter of Response (LOR).
      ii. Removing the recommendation from the report and creating additional guidance around the LOR to support the firm in identifying an appropriate systemic cause and remedial actions.
      iii. Providing better examples of deficiencies that more closely align with the deficiency descriptions with the QC Standards and then having a linkage of that deficiency contributing to nonconforming engagements, in particular must select engagements.
3. The Board expects to approve a revised exposure draft in November 2015 with an estimated effective date of January 2017.

Resolutions:
1. None

Open Items:
1. Consider replacing the heading "Opinion" on Engagement Review Reports to "Conclusion" or something else more appropriate for the comfort provided by peer reviewers.
2. The ARSC intentionally made the reports for compilations visually different than audit reports to easily distinguish between the two. Should a similar visual approach be taken for Engagement Review Reports so that report users can easily distinguish between the two?

Agenda Item 1.4: Update on Task Forces of Enhancing Quality Initiative – Ms. Ford

Discussion Summary:
1. The materials provide a summary of each of the enhancing audit quality initiatives.
2. For themes, Ms. Ford clarified that the task force intends for each of the themes to be a focus for some time. The fact that new themes will be introduced in 2016 does not mean the 2015 themes are no longer relevant. The 2015 themes will continue to be a focus until they are no longer needed.
3. For completeness, the PRB is continuing to put pressure on AICPA staff to use whatever resources are available to start piloting and moving forward sooner rather than later.

Resolutions:
1. None

Open Items:
None

Agenda Item 1.5: Update on Enhanced Oversight Initiative – Mr. Hill

Discussion Summary:
1. Mr. Hill explained the OTF's approach to this initiative, including the basis for selections for the pilot program and the baseline going forward.
2. Mr. Hill explained the results of the pilot and the conclusions reached as to why the enhanced oversights were identifying nonconforming engagements when the reviewers were not.

Resolutions:
None

Open Items:
1. Staff should consider a reviewer focus to provide guidance to reviewers, technical reviewers, and RABs to assess the overall impact to the peer review if the enhanced oversight identifies a must select engagement, such as scope expansion.
2. The set-up of peer review checklists should be reconsidered or additional guidance provided for when there are voluminous bullets under one question. In these cases, if, for example, 1 of the 15 bullets is a No but the other 14 are a Yes, should the reviewer mark the question No? Reviewers treat this scenario differently and it may be part of the reason why there are discrepancies in the way a reviewer concludes on an engagements vs. the individual performing the enhanced oversight.

Agenda Item 1.6: Discussion on New Reviewer Training Guidance – Ms. Lee-Andrews

Discussion Summary:
1. Ms. Lee-Andrews explained that Agenda Item 1.6A provides details regarding the nature of the changes to reviewer training guidance, including sample questions the ECTF has heard regarding the changes.
2. PRISM will be updated to address AE concerns about the timing of reviewer training vs. review scheduling and the errors that may result.
3. A Frequently Asked Questions document related to the new framework was approved at the August 4, 2015 ECTF meeting and will be posted to aicpa.org shortly.

Resolutions:
None

Open Items:
None

Agenda Item 1.7: Discussion on Potential RAB and Technical Reviewer Training Requirements – Mr. Lee-Andrews

Discussion Summary:
1. In an effort to improve training for all members involved in the peer review process, ECTF is exploring technical reviewer and RAB training.
2. Observers provided differing viewpoints on whether training should be mandatory. The discussion included:
   a. There are many different types of technical reviewers, e.g., full-time, part-time, dual reviewer/technical reviewer roles, etc. Training should fit the type of technical reviewer.
   b. ECTF should not overburden volunteers with multiple annual training requirements, for example, those peer reviewers that also serve as technical reviewers and/or RAB members.

    c. Reviewer training doesn't necessarily address changes to the RAB Handbook in as much detail as technical reviewers and committee members should have. So while you don't want to overburden those that perform different roles, the responsibilities related to peer reviewer are different and they should receive proper training based on that role.

    d. Webcasts based on the conference materials would be a good tool to ensure everyone is getting the same message regardless of the training they attend.

Resolutions:
None

Open Items:
None

Agenda Item 1.8: Report from State CPA Society Executive Directors – Mr. Shapiro

Discussion Summary:
1. A group of state society leaders has been meeting to discuss the evolution of the administration of peer review as the program evolves and is providing input to AICPA leadership as they consider potential options for improving quality. The group is focusing on how to:
   a. Increase audit quality
   b. Increase consistency, efficiency, and effectiveness
   c. Maintain positive member experience
   d. Maintain appropriate interchange with states
   e. Assess potential change for financial impact on state societies.
2. The group has concluded that having 42 Administering Entities is contributing to inconsistencies but has not concluded how many are the right amount and no changes are expected before 2017 or 2018.
3. If a state society loses their administrator or technical reviewer or is considering making significant changes to their administration of the program, AICPA has requested that they be consulted before implementing.

Resolutions:
None

Open Items:
None

Agenda Item 1.9: Update on Electronic Peer Review Program Manual – Ms. Lieberum

Discussion Summary:
1. Ms. Lieberum noted that those subscribing to the manual should now have it available through OPL and explained the advantages of having access to the manual online.
2. Peer review materials will remain available to members on aicpa.org until 12/31/15 after which a subscription to the manual will be required to access them. Members and non-members can access the materials via a subscription.

Resolutions:
None

Open Items:
1. Concerns were raised about firms not having access to the peer review checklists for use in their monitoring procedures. Reviewers and firms should have as many

resources available to them as possible to enhance quality. It was suggested that the AICPA try to find an alternative way to recoup costs associated with the manual, such as through increased administrative fees.

Agenda Item 1.10: Operations Director's Report – Ms. Thoresen

Discussion Summary:
1. PRISM 2 – The AICPA will begin development in 2016 for new technology but it will be an ongoing project.
2. Peer Review Conference – the 2015 conference had over 400 attendees and received positive feedback. The next conference will be in San Diego.
3. PMOF – The AICPA issued a concept paper back in December and is analyzing the feedback received. The concept is not final and is expected to change. We are in the process of identifying a vendor to create a pilot for a voluntary program.

Resolutions:
None

Open Items:
None

Agenda Item 1.11: For Informational Purposes
    1.11A: Update on Oversight Task Force
    1.11B: Update on Standards Task Force
    1.11C: Update on Education and Communication Task Force
    1.11D: Update on National Peer Review Committee
    1.11E: Report on Firms Whose Enrollment was Dropped or Terminated
    1.11F: Update on MFC Project

Discussion Summary:
1. The items are presented for informational purposes only.
2. Ms. McClintock noted that the NPRC was looking for Board members to volunteer to sit on QCM review panels.

Resolutions:
None

Open Items:
None

Agenda Item 1.12: Future Open Session Meetings – Ms. Thoresen

Discussion Summary:
1. The next open session is a conference call on 9/18.
2. An open session conference call will be scheduled for 11/10 to discuss the reporting exposure draft.

Resolutions:
None

Open Items:
None

Exhibit 1:
AICPA Peer Review Board Meeting – Open Session
Guest Participants

In Person	
Paul Pierson	Illinois CPA Society
Ryan Murnick	Illinois CPA Society
Thomas Kirwin	Sullivan Bille PC
Jerry Cross	TSCPA
Stacey Lockwood	LCPA
Marsha Moffitt	Arkansas Society of CPAs
Nichole Favors	Indiana CPA Society
Tiffany Tocco	Missouri Society of CPAs
Vinit Shrawagi	California Society of CPAs
Heather Trower	PICPA
Paul Brown	FICPA
Ron Gitz	LCPA
Linda McCrone	California Society of CPAs
Jeannine Birmingham	Alabama Society of CPAs
Bert Denny	Regier Carr & Monroe LLP
Barbara Lewis	Atkinson & Co., Ltd
Via Phone	
Glen Tesch	NYS Education Department
Sharon Romere-Nix	Thomson Reuters (PPC)
Ernest Markezin	NYSSCPA
Gerard Stifter	Minnesota Society of CPAs
Daniel Weaver	Texas State Board of Public Accountancy
Dana Paehlig	State of Michigan
Gloria Roberts	Gloria P. Roberts CPA
Paul Ziga	Georgia State Board of Accountancy
Martin Pittioni	Oregon Board of Accountancy
Brian Bluhm	Eide Bailly LLP
Phyllis Barker	Oregon Society of CPAs
Julie Phipps	Washington Society of CPAs
Patty Hurley	Oklahoma Society of CPAs
Constance Sakyi	CT SBOA
Brittany Lewin	WI Dept of Safety and Professional Services
Terry Schmoyer	Schmoyer and Company LLC
Tom Fitzsimmons	WebsteRogers LLP
Reza Mahbod	RMA Associates, LLC
Robert Jordan	Hill & Jordan LLC
Katie Cheek	TSCPA
Kara Fitzgerald	TSCPA
Marshall Karp	Marshall Karp PC
Jeff DeLyser	CA BPA PROC
Randall Moss	OK BOA
Mike Saner	OK BOA
Bill Lajoie	William G. Lajoie P.C.