

**AICPA Peer Review Board  
Open Session Highlights  
August 11, 2016  
San Diego, CA**

***PRB Members:***

Anita Ford, Chair  
Jeannine Birmingham\*  
Brian Bluhm  
Dawn Brenner  
Bill Calder  
James Clausell  
Bert Denny  
Mike Fawley  
Karen Kerber  
Bill Lajoie\*  
Mike LeBlanc  
Barbara Lewis  
Alan Long  
Tom Parry  
Andrew Pope  
Keith Rowden  
Debra Seefeld  
Martin Shannon  
Todd Shapiro  
Tom Whittle

\*via phone

***AICPA Staff:***

Jim Brackens  
Gary Freundlich  
Fran McClintock  
Sue Lieberum  
Beth Thoresen  
Donna Roethel-Freundlich  
Rachelle Drummond  
Tim Kindem  
LaVonne Montague  
Jennifer Capoccia  
Dave Andrews  
Ciara Locklear  
Dawn Booker  
Kim Ellis\*

***Guest Participants:***

See [Exhibit 1](#)

**Agenda Item 1.2: Approval of Modifications of Report and Representation Letter Exposure Draft– Mr. Parry**

***Discussion Summary:***

1. Issues identified during Staff's Federal Audit Clearinghouse completeness project prompted The Modifications of Report and Representation Letter Exposure Draft. The issues include, but are not limited to, incomplete engagement listings and discrepancies between peer review reports and engagement statistics, specifically those engagements subject to the Single Audit Act. STF is proposing that the Board approve the Exposure Draft which outlines the proposed changes to the standards as presented in Agenda Item 1.2A;
  - a. Proposed must-select language in peer review reports will specifically mention the review of an engagement subject to the Single Audit Act.
  - b. Proposed changes to the language in firm representation letters will require the firm's statement about the completeness of their engagement listing to specifically mention engagements subject to the Single Audit Act. Firms will also be required to include a statement, when appropriate, that the firm performed and the reviewer reviewed specified must-select engagements.

2. Mr. Parry stated that the explanatory memo of the ED incorrectly referred to a scope of work attachment that was removed from the ED, this reference was removed before publishing.
3. The Board expressed concern with a 30-day comment period. The overall sentiment was that it is insufficient time for the peer review community to respond.

*Resolutions:*

1. The proposed changes to the standards as presented in Agenda Item 1.2A were approved subject to the following, effective for reviews commencing January 1, 2017 or later.
  - a. Enhance the footnote to better describe the proper report wording when a reviewer only reviews the Single Audit portion of an engagement
  - b. Staff to extend the exposure period to the end of September, if practicable
  - c. Removal of the incorrect reference to the scope of work attachment

*Open Items:*

None

**Agenda Item 1.3: Approval of Revisions to Guidance Related to Common SSARS No. 21 Noncompliance– Mr. Parry**

*Discussion Summary:*

1. Peer reviewers are beginning to review engagements performed in accordance with SSARS No. 21 during their peer reviews. In response to numerous questions regarding changes to the accountant's report introduced by SSARS No. 21 and their impact on the peer review, the STF is proposing changes to Appendix E of PRP Section 6200, Instructions to Reviewers Performing Engagement Reviews. Historically, the lack of proper implementation of applicable professional standards has resulted in engagements being considered as not performed or reported on in conformity with applicable professional standards in all material respects (i.e. "nonconforming"). As a result, the STF proposed the following changes:
  - a. The failure to conform the language and format of the accountant's report to current applicable professional standards listed as a matter or finding that would generally result in a deficiency or significant deficiency.
  - b. For preparation engagements, the failure to disclose that substantially all disclosures have been omitted when applicable was moved under the "Presentation and Disclosure" Heading. This was done to provide additional clarity as previously this example had been covered in the 'Reports' section of Appendix E which caused some confusion for preparation engagements as they do not typically contain a traditional accountant's report.
2. Additionally, the Board is being requested to review and approve other conforming changes in PRP Section 2000, Peer Review Standards Interpretations, related to some interpretations that reference SSARS No. 19, but do not mention SSARS No. 21, as shown in Agenda Item 1.3B.
3. Some members of the peer review community have voiced their concern in deeming a compilation report using SSARS No. 19 language as nonconforming. The existing PRP Section 6200 guidance states that a deficiency arises when the report does not include all of the critical elements in the applicable standard. They feel the changes made to the compilation report requirements should not be considered significant. Mr. Parry went on to read a letter he received from Jim Coates, technical reviewer that expressed these sentiments. Additional materials highlighting the reporting requirements changes from SSARS No. 19 to SSARS No. 21 were distributed to the meeting attendees for a visual reference.

4. Mr. Parry also expressed his concern regarding the impact this would have on engagement reviews, which would further increase RAB hours and hearing panels.
5. Historically, the PRB has maintained a position that if the accountant's or auditor's reports are not updated for the current applicable standards, the engagement should be identified as nonconforming. The majority of the Board felt consistency in application should be maintained.
6. Mr. Whittle suggested removing the additional language that included "format" (as described in "a" above) because formatting and minor wording errors should not lead to a nonconforming engagement. He and other Board members suggested adding language to convey that not adopting the current applicable standards would result in a nonconforming engagement, but that clear clerical errors (e.g. when one paragraph heading in an accountant's report in a review engagement is absent, but the others are present) would not lead to a nonconforming engagement.

*Resolutions:*

1. The proposed changes to PRP Section 6200 presented in Agenda Item 1.3A were approved subject to the following, effective immediately
  - a. In lieu of the STF's addition as described in "1a" above, the amended bullet reads as follows
    - i. "Failure to adopt current applicable standards or the accountant's report does not contain the critical elements of the current applicable standards."
2. The proposed\* changes to standards interpretation as presented in Agenda Item 1.3B were approved as presented, effective immediately.

\*Agenda Item 1.3B was also approved with a few minor modifications. The changes to Standards Interpretation No. 6-8 included use of the word "performed" in lieu of "prepared" and an additional paragraph was added stating; "*In addition, Interpretation No. 1 of AR-C section 90, Review of Financial Statements, (AICPA, Professional Standards, AR-C sec. 9090 par. .01) states that in circumstances in which the accountant's review report states that the review was conducted in accordance with SSARs and another set of review standards, the practitioner should comply with both sets of standards.*"

*Open Items:*

1. Draft a reviewer alert to clearly articulate the Board's determination.

**Agenda Item 1.4: Task Force Updates**

*See Peer Review Board Open Meeting Agenda Item 1.4 for details of what was covered during this discussion*

**Agenda Item 1.5: Federal Audit Clearinghouse Completeness Update - Ms. Montague**

*See Peer Review Board Open Meeting Agenda 1.5 for details of what was covered during this discussion.*

**Agenda Item 1.6: Operations Directors Report - Ms. Thoresen**

*Discussion Summary:*

1. Ms. Thoresen thanked the staff and ECTF for a record breaking conference, surpassing the 2008 results, the previous high.
2. Evolution of Peer Review Administration
  - a. Straw man proposal sent out in February addressed to State Society CEOs and the feedback period ended last week, although staff is still accepting comments. In July, a supplemental paper addressed to state boards of accountancy was also distributed that addressed some of the initial feedback received, which

included communicating that the proposed volume numbers and timing presented are not fixed.

- b. Intention is to increase the quality, efficiency and consistency of peer reviews and expedite the acceptance of peer reviews.
- c. Staff is currently analyzing feedback, including carefully assessing feasibility of suggested alternative models, and will be discussing the thoughts with select state society leaders and the PRB next month.
- d. All feedback will be considered in the development of a final plan, estimated to be distributed at the end of the year. Staff will keep the Board abreast of Evolution's developments.

On August 1<sup>st</sup> the initial communication of the PRISM replacement system, Peer Review Integrated Management Application (PRIMA), was sent to the peer review community. The expected launch of the first phase of changes is the first quarter of 2017. A communication strategy related to the launch of PRIMA is being finalized and will include targeted communications and training to all stakeholders, so reviewers and firms should expect to hear more in the coming months.

#### **Agenda Item 1.7: Report from State CPA Society CEOs - Mr. Shapiro**

##### *Discussion Summary:*

1. State Society CEOs have been discussing the "Proposed Evolution of Peer Review Administration" discussion paper. The societies are committed to improving quality, but have varying opinions on how this should be accomplished.
2. Mr. Shapiro expects numerous comments from the state societies regarding the Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Exposure Draft, comment period ending August 26, 2016.

#### **Agenda Item 1.8: Update on National Peer Review Committee - Mr. Fawley**

##### *Discussion Summary:*

1. The last NPRC meeting was May 12, 2016.
    - a. The committee approved a member rotation schedule and task force assignments.
    - b. Accepted 1 QCM review.
  2. There are 11 large firm reviews that require oversight in 2016, 4 will require a panel.
  3. 2 QCM reviews to be performed in 2016.
  4. The NPRC will have its ad hoc inspection this year, which will take place this fall.
  5. Future Meetings
    - a. Conference call on October 27, 2016
    - b. In-person Washington D.C. meeting to be held on December 8, 2016
- RAB calls/monitoring - Since May 3, 2016, the NPRC has held 8 RAB calls. During those calls: 72 reviews were presented. Of those, 50 were pass, 14 pass with deficiencies, and 8 were fail reports

#### **Agenda Item 1.9: For Informational Purposes:**

- A. Report on Firms Whose Enrollment was Dropped or Terminated  
*See Peer Review Board Open Meeting Agenda Item 1.9A for the list of firms dropped or terminated, no discussion occurred at the meeting.*

#### **Agenda Item 1.10: Future Session Meetings**

- A. September 26-27, 2016 Open/closed sessions—Conference call
- B. January 31, 2017 Open/closed sessions—Naples, FL
- C. May 12, 2017 Open/closed sessions—Durham, NC

- D. August 17, 2017 Open/closed sessions—Nashville, TN
- E. September 28-29, 2017 Open/closed sessions—Conference call

The meeting adjourned at 11:15 PDT.

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

<b>In Person</b>	
Linda McCrone	CalCPA
Melissa Nelson	Idaho Society of CPAs
Jane Egan	Montana Society of CPAs
Phyllis Barker	Oregon Society of CPAs
Nichole Favors	Indiana CPA Society
Mary Beth Halpern	MACPA
Robert Lee	California Board of Accountancy
Heather Lindquist	Illinois CPA Society
Thomas Kirwin	Sullivan Bille PC
Paul Pierson	Illinois CPA Society
Tiffany Tocco	Missouri Society of CPAs
Erica Forhan	Moss Adams LLP
Jeff DeLyser	CA Board of Accountancy-PROC
Vinit Shrawagi	California Society of CPAs
Jerry Cross	TSCPA
<b>Via Phone</b>	
Robert Brooks	NC State Board of CPA Examiners
Rebecca Gebhardt	NASBA
Thomas Singleton	Virgin Islands Society of CPAs
Dipesh Patel	Texas Society of CPAs
Julie Salvaggio	Kentucky Society of CPAs
Brian Ross	Plante Moran
Anna Durst	Nevada Society of CPAs
Gregg Taketa	Hawaii State Board of Public Accountancy
Patty Hurley	Oklahoma Society of CPAs
Kara Fitzgerald	TN Society of CPAs
Gerry Stifter	Minnesota Society of CPAs Technical Reviewer
Katie Cheek	TSCPA
Ernie Markezin	NYSSCPA
David Nance	NC State Board of CPA Examiners
Bill Bailey	U.S. Department of Labor
Delores King	DCKing Consulting PC
Tiffney Duncan	Texas State Board of Public Accountancy
Daniel Weaver	Texas State Board of Public Accountancy
Kent Absec	Idaho State Board of Accountancy
Phyllis Barker	Oregon Society of CPAs
Paul Ziga	Georgia State Board of Accountancy
Wendy Garvin	Tennessee Board of Accountancy
Gloria Roberts	Gloria P. Roberts CPA
Faye Hayhurst	Minnesota Society of CPAs