

Peer Review Board Open Session Materials

August 17, 2017

Nashville, Tennessee

**AICPA Peer Review Board
Open Session Agenda
August 17, 2017
Nashville, TN**

Date: Thursday, August 17, 2017

Time: 9:30 AM - 12:00 PM Central Time

Meeting room: Carmichael/Mctyeire

Conference call number: External: 855 880 1246 (US Toll Free) AICPA Staff: 408 638 0968

Meeting ID: 919 402 2199

- 1.1 Welcome Attendees and Roll Call of Board** - Mr. Kindem/Mr. Parry
- 1.2 Approval of Revisions to the RAB Handbook – EAQ Initiative Conforming Guidance* - Mr. Hill
- 1.3 Approval of Revisions Related to SSAE No. 18* - Mr. Pope
- 1.4 Approval of Rules of Procedures for Nonmembers* - Mr. Pope
- 1.5 Approval of Revisions Related to the Peer Review Information Form* - Mr. Pope
- 1.6 Approval of Limited Restrictions* - Mr. Hill
- 1.7 Task Force Updates*
 - A. Standards Task Force Report - Mr. Pope
 - B. Education and Communication Task Force Report - Ms. Kerber
 - C. Oversight Task Force Report - Mr. Hill
- 1.8 Completeness Update* – Ms. Montague
- 1.9 Operations Director's Report** - Ms. Thoresen
- 1.10 Report from State CPA Society CEOs** - Mr. Shapiro
- 1.11 Update on National Peer Review Committee** - Mr. Fawley
- 1.12 Other Business** - Mr. Parry
- 1.13 For Informational Purposes*:
 - A. Report on Firms Whose Enrollment was Dropped or Terminated*
- 1.14 Future Open Session Meetings**
 - A. November 9, 2017 Open session - Conference call

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

RAB Handbook Revisions – EAQ Initiative Conforming Guidance

Why is this on the Agenda?

Opportunities to enhance reviewer performance guidance have been identified during development of PRIMA, a comprehensive online peer review process that increases efficiency, consistency, and effectiveness of the Peer Review Program. The changes to the RAB Handbook presented in Agenda Item 1.2A are meant to enhance guidance through:

- Clarifying technical reviewer responsibilities for monitoring and evaluating the performance of the reviewer, including whether there is a pattern of reviewer performance findings
- Eliminating duplication of reviewer related data that will be otherwise captured by PRIMA (e.g., feedback forms, ineligibility letters, suspensions)
- Clarifying guidance on the impact to the team captain when the committee issues performance feedback to a team member

Refer to Agenda Item 1.2A for proposed revisions to the RAB Handbook (Chapter 2 for technical reviewer's checklists and Chapter 8 for Reviewer Performance).

Feedback Received

This approach was approved in concept by the Oversight Task Force at their May 2017 meeting. The revisions to the technical reviewer's checklists were discussed during the June 2017 Technical Reviewers Quarterly Call. Additionally, the Standards Task Force reviewed and approved the revisions at their July 2017 meeting.

AE Impact

AEs would be required to follow the new RAB Handbook guidance with little anticipated impact. Technical reviewers will utilize the revised technical reviewer's checklists.

Communications Plan

Prior to effective date (see below):

1. Peer Review Administrative Alert
2. Discussion on a bi-weekly AE call
3. Discussion on a quarterly Technical Reviewers call

Manual Production Cycle (estimated)

Changes would be incorporated in the Peer Review Program Manual (PRPM) within the month after the effective date (see below).

Effective Date

1. Technical reviewer's checklists in Chapter 2 – upon Board approval and September 2017 PRPM publication
2. Revisions to Reviewer Performance in Chapter 8 – upon Board approval and September 2017 PRPM publication
 - a. Note that the related changes that impact the Reviewer Performance Feedback Form -- Eliminating duplication of reviewer related data that will be otherwise captured by PRIMA (e.g., feedback forms, ineligibility letters, suspensions)— are contingent upon functionality in PRIMA. The exposure is that the RAB Handbook

guidance will not require indication of such findings on the form, but the form available in PRIMA may include those findings until programming is changed. This presents minimal risk to the peer review program.

Board Consideration

The Board is asked to discuss the following:

1. Consider and approve revisions to the RAB Handbook (technical reviewer's checklists in Chapter 2 and Reviewer Performance in Chapter 8) in Agenda Item 1.2A.

**Proposed Revisions to PRP 3300 for EAQ Initiative Conforming Guidance
(Note that only sections of PRP 3300 with revisions are presented)**

Exhibit 2-2 — AICPA PEER REVIEW PROGRAM SYSTEM REVIEW TECHNICAL REVIEWER’S CHECKLIST

Name of Reviewed Firm	Review Number
_____	_____
Team Captain	Date Report Submitted ^{fn 2}
_____	_____
Name of Technical Reviewer	Date of Technical Review
_____	_____
Rating of Firm’s Current Report	Current Year-End
_____	_____
<u>Number of MFCs</u>	<u>Number of FFCs</u>
_____	_____
Rating of Firm’s Prior Report	Prior Year-End
_____	_____

SUGGESTED REVIEW PROCEDURES

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Comments</u>
1. Read the summary review memorandum (SRM) and the report.				
a. Does the SRM appear to have been properly completed?				_____
b. Does the SRM discussion of inherent and control risk factors and detection risk conclusions show an appropriate risk assess-				_____

^{fn 2} Date team captain submitted report if a peer review rating of pass or pass (with a scope limitation) or date the firm submitted the report and letter of response if a peer review rating of pass with deficiencies or fail.

mine the pervasiveness of the issue?

h. Is the information in the SRM consistent with other peer review documents, especially the report, and FFCs, if any?

i. Does the report conform in format and language with the standards and related guidance, including the identification of high risk engagements (if any)?

(1) If the report includes high risk engagements, does it appropriately reflect how many were reviewed (singular vs. plural)?

j. Were there any deficiencies or significant deficiencies included in the report? (If “no,” skip to question 2)

(1) Does the deficiency or significant deficiency description include

- reference to the applicable requirement of Statements on Quality Control Standards?
- the scenario that led to the deficiency or significant deficiency?
- reference to nonconforming engagements as a result of the deficiency or significant deficiency, if applicable?
- identification of the level of service?
- identification of the applicable industry if industry specific or if re-

lated to a nonconforming engagement in a must select industry or practice area?

- (2) Are any deficiencies or significant deficiencies repeated from the firm's prior review(s) and, if so, is that fact properly noted?
- (3) Does the firm's letter of response (LOR) address

- the firm's actions taken or planned to remediate nonconforming engagements, if applicable?
- the firm's actions taken or planned to remediate deficiencies or significant deficiencies in the firm's system of quality control?
- the timing of the remediation?

- (4) If there are repeat deficiencies or significant deficiencies, is the firm's current response different from its prior response?

- [Consider Interpretation 96n-1 for clarification of a repeat deficiency](#)

- 32. a. If the administrative checklist indicates that the firm performs engagement(s) subject to the Single Audit Act, did the engagement(s) reviewed include a single audit engagement?
- b. Has ~~attachment 2~~[attachment 1](#) of this checklist been completed for single audit engagement(s)? Please indicate if ~~attachment 2~~[attachment 1](#) was completed by a technical reviewer or a report ac-

ceptance body (RAB) member.

3. Read the representation letter. Does the letter conform to the standards and related guidance and include all required representations? If no, obtain revised letter.

a If question 12(f) is answered “yes”, is the representation letter appropriately tailored to confirm that the firm will remediate nonconforming engagements as stated by the firm on the Matter for Further Consideration Form, Finding for Further Consideration Form, or Letter of Response, as applicable?

- ~~4. Review information in the administrative file. Does it appear that requests for scope limitation waivers, due date extensions, peer review year-end changes, and other matters have been properly considered and documented?~~

- ~~54. Were there any Finding for Further Consideration (FFC) forms and/or Matter for Further Consideration (MFC) forms? (If “no”, skip to question 6) Review the MFC forms, the Disposition of MFC (DMFC) form, and FFC forms, if any, for completeness and, in light of the matters and findings, the reviewed firm’s responses.~~

~~DMFC~~

~~a. Are the dispositions appropriate, if applicable? Does the DMFC form provide a trail of the disposition of all MFCs, including appropriate explanations, if applicable?~~

~~Matters~~

- ~~b. Do matters appear to have been given appropriate consideration in the preparation of the report and FFCs?~~
- ~~c. If a matter was deemed “isolated,” did the reviewer appropriately document that determination?~~
- ~~d. Do the reviewer’s conclusions on the matters (design and compliance) appear proper?~~

e. Is the MFC written such that specific reviewer, client, or firm names cannot be identified based on the descriptions provided? If not, request the MFC to be revised.

f. ~~If the reviewed firm did not complete the MFC electronically,~~

- ~~• was the hard copy submitted with the peer review working papers?~~

- ~~• was the hard copy completed in its entirety and signed by an appropriate reviewed firm representative (managing partner or peer review contact)?~~

- ~~• does the information on the hard copy MFC match the information entered into PRISM by the reviewer?~~

Findings

g. Does the finding description include

- reference to the applicable requirement of Statements on Quality Control Standards?

- the scenario that led to the finding?

- reference to nonconforming engagements as a result of the finding, if applicable?

h. Does the firm's response address

- the firm’s actions taken or planned to remediate non-conforming engagements, if applicable?
- the firm’s actions taken or planned to remediate findings in the firm’s system of quality control?
- the timing of the remediation?

- i. Are any findings repeated from the firm’s prior peer review(s) and, if so, is that fact properly noted?
- j. If yes, is the firm’s current response different from its prior response? If it is the same, consider recommending an implementation plan(s).

56. Were the required checklists and forms current, and do they appear to have been completed in a professional manner?

7. ~~Do you think the review should be considered for oversight?~~

68. ~~Have you completed and uploaded attachment 1, including ensuring Are the major and minor report codes and engagement statistics prepared by the team captain are correct? Are there discrepancies between the web-based platform and the peer review documentation prepared by the reviewer? For example, is the number of non-conforming engagements noted in the peer review documentation consistent with those listed in the electronic records? If applicable, consult with the administrator to resolve discrepancies between the web-based platform and the peer review documentation prepared by the reviewer.~~

79. Are there any contentious issues related to a specific industry or must select engagement which could impact the peer review results? If yes, indicate the industry and notify the peer review administrator.

- 8. Is prior reviewer feedback either nonexistent or inconsequential, based on information in technical staff's reviewer performance files, including from other AEs on the AICPA's web-based platform? If no, explain, including the impact, if any, on this and other reviews.
- 9. Do you think the review should be considered for oversight?

RECOMMENDATIONS:

Consider the results of your review of the report, the LOR (if applicable), FFCs (if applicable), and other review documents.

- 1. Do you recommend that the report, LOR (if applicable), and FFCs (if applicable) be accepted as submitted? Yes No
 If no, please briefly describe the reasons why you believe the documents should not be accepted, including any changes that are needed.

- 2. Do you recommend that the reviewed firm be asked to agree to certain corrective actions so that the committee can monitor the firm's progress in correcting the deficiencies or significant deficiencies noted in the report? Yes No N/A
 If yes, please determine a timing that is feasible for the firm, and briefly describe the actions and appropriate due-date for you suggest the RAB consider.

- 3. Do you recommend that the reviewed firm should be asked to complete an implementation plan in addition to or as an affirmation of the plan described in its response to the findings on the FFC forms? Yes No N/A
 If yes, please briefly describe the implementation plan you suggest the RAB consider.

4. If the current report rating will cause the reviewed firm to receive consecutive non-pass reports, do you recommend the reviewed firm be sent to hearing for non-cooperation? Yes No or N/A
If yes or no, please describe.

54. Are you able to conclude that there were no issues noted regarding the peer reviewer and his/her performance on this review that should be highlighted for the RAB, or future technical reviewers? Did you identify one or more reviewer performance deficiencies or findings? Yes No
If reviewer performance deficiencies or findings are noted, reviewer performance feedback should be recommended to the ~~report acceptance body~~ RAB even if the answer to 5 is “yes.”

65. Did you identify reviewer performance deficiencies or a pattern of reviewer performance findings? In assessing whether a pattern of performance findings is present, the technical reviewer should consider previous performance feedback issued to the reviewer on the AICPA’s web-based platform. Yes No The Peer Review Committee should be notified when such situations are identified so that appropriate action can be taken.

If yes, please describe.

76. Does the review meet ~~all of all~~ the criteria to be included on the consent agenda? -Yes No or N/A

Should the review be included on the consent agenda? Yes No or N/A

~~If yes, describe the reasons why you believe the review should be included on the consent agenda. For example, the prior review resulted in a pass rating, firm does not perform any must-select engagements, reviewer was oversighted in the past year without any comments, etc.~~

If no, describe the reasons why you believe the review should not be included on the consent agenda. For example, the prior review resulted in a pass with deficiency(ies) or fail rating, firm performs several must-select engagements, reviewer has a pattern of poor performance, etc.



Attachment 1

SYSTEM REVIEW COMPLETION INFORMATION

INFORMATION TO BE COMPLETED BY THE TECHNICAL REVIEWER

~~1. Review number~~ _____

~~2. Reviewed firm name~~ _____

~~3. Number of offices~~ _____

~~4. Number of partners~~ _____

~~5. Number of personnel (including partners)~~ _____

~~6. Major report code (Table 1)~~ _____

~~7. Minor report codes (Table 2)~~ _____

~~8. Report with scope limitation?~~ Yes No

~~9. Review classification (Table 3)~~ _____

~~10. Review period covered~~ _____
From _____ To _____

~~11. Range of audits and examinations under SSAEs (Table 4)~~ _____

~~12. Does the firm perform: (Y/N)~~

Reviews Yes No

Compilations with disclosures Yes No

TABLE 1 MAJOR REPORT CODES	
1.	Pass
3.	Pass With Deficiencies
7.	Fail

TABLE 2 MINOR REPORT CODES	
350	Leadership Responsibilities for Quality Within the Firm (“the Tone at the Top”)
351	Relevant Ethical Requirements
352	Engagement Performance
353	Human Resources
354	Acceptance and Continuance of Client Relationships and Specific Engagements
355	Monitoring

TABLE 3 REVIEW CLASSIFICATION	
1.	Easy
2.	Moderate difficulty
3.	Difficult

~~Compilations without disclosures~~ ~~Yes~~ — ~~No~~

~~Preparations with disclosures~~ ~~Yes~~ — ~~No~~

~~Preparations without disclosures~~ ~~Yes~~ — ~~No~~

~~Engagements under the SSAEs,
—excluding examinations~~ ~~Yes~~ — ~~No~~

~~13. Number of MFCs~~ ~~=====~~

~~14. Number of FFCs~~ ~~=====~~

~~15. Technical reviewer's initials~~ ~~=====~~

~~16. Date technical review completed~~ ~~=====~~

TABLE 4 RANGE OF ENGAGEMENTS A. None B. 1-5 C. 6-9 D. 10 or more

Attachment ~~12~~

SINGLE AUDIT ENGAGEMENT(S)—REVIEW OF ENGAGEMENT PROFILE AND PART A, PRP-22100, SUPPLEMENTAL CHECKLIST FOR REVIEW OF SINGLE AUDIT ACT/A-133 ENGAGEMENTS, OR PART A-UG, PRP-22100, SUPPLEMENTAL CHECKLIST FOR REVIEW OF OMB SINGLE AUDIT ENGAGEMENTS

Name of Reviewed Firm

Review Number

Team Captain

Name of Technical Reviewer or Report Acceptance Body (RAB) Member completing this attachment:

SUGGESTED REVIEW PROCEDURES

	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Comments</i>
1. Did the firm complete the single audit data on the engagement profile(s)?				_____ _____
2. Review the single audit data on the engagement profile.				
<i>a.</i> Is the type A threshold computed correctly?				_____
<i>b.</i> If the auditee was considered low risk by the auditor, did the auditee meet the low risk auditee requirements?				_____ _____
<i>c.</i> Did the auditor meet the percentage of coverage?				_____
<i>d.</i> Review the look-back information. Have all type A programs been audited in the current or two prior years?				_____ _____
3. Review part A of the single audit checklist(s)				
<i>a.</i> Based on review of the engagement profile information, are the answers to the related part A questions appropriate?				_____ _____

Exhibit 2-3 — AICPA PEER REVIEW PROGRAM ENGAGEMENT REVIEW TECHNICAL REVIEWER’S CHECKLIST

Name of Reviewed Firm	Review Number
Review Captain	Date Report Submitted ^{fn 3}
Name of Technical Reviewer	Date of Technical Review
Rating of Firm’s Current Report	Current Year-End
<u>Number of MFCs</u>	<u>Number of FFCs</u>
Rating of Firm’s Prior Report	Prior Year-End

SUGGESTED REVIEW PROCEDURES

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Comments</u>
1. Scan the review captain summary:				
a. Does it appear all procedures were completed and that the review captain’s involvement was appropriate?				
b. If a copy of a referral or Required Corrective Action (RCA) letter relating to allegations or restrictions was sent to the re-				

^{fn 3} Date team captain submitted report if a peer review rating of pass or pass (with a scope limitation) or date the firm submitted the report and letter of response if a peer review rating of pass with deficiencies or fail.

56. Scan the review documents:

- a. Were the required questionnaires, checklists, and forms current, and do they appear to have been completed in a professional manner?
- b. Based on the summarized information showing the number of engagements and the nature of service provided, do the engagements selected for review conform to the standards?

67. Were there any Finding for Further Consideration (FFC) forms and/or Matter for Further Consideration (MFC) forms? (If “no”, skip to question 8) Review MFC forms, FFC forms (if any), and the Disposition of MFC (DMFC) form for completeness and, in light of the findings, the reviewed firm’s responses—*DMFC*

- a. ~~Are the dispositions appropriate, if applicable? Does the DMFC form provide a trail of the disposition of all MFCs, including appropriate explanations, if applicable?~~

Matters

- b. Do the reviewer’s conclusions on the matters appear proper?
- c. Do the matters appear to have been given appropriate consideration in the preparation of the report and FFCs?
- d. Is the MFC written such that specific reviewer, client, or firm names cannot be identified based on the descriptions provided? If not, request the MFC be revised.

e. ~~If the reviewed firm did not complete the MFC electronically,~~

- ~~was the hard copy submitted with the peer review working papers?~~

- ~~was the hard copy completed in its entirety and signed by an appropriate reviewed firm representative (managing partner or peer review contact)?~~
- ~~does the information on the hard copy MFC match the information entered into PRISM by the reviewer?~~

Findings

f. Do the firm's FFC responses appear appropriate and responsive? Do the responses include a description of the firm's actions taken or planned to remediate the findings, including timing of the remediation and additional procedures to ensure the finding is not repeated in the future?

g. Are any findings repeated from the firm's prior peer review(s) and, if so, is that fact properly noted?

h. If yes, is the firm's current response different from its prior response? If it is the same, consider recommending an implementation plan(s).

8. ~~Do you think the review should be considered for oversight?~~

79. ~~Have you completed, including ensuring~~ Are the major report codes and engagement statistics prepared by the review captain ~~are~~ correct? ~~If applicable, consult with the administrator to resolve discrepancies between the web-based platform and the peer review documentation prepared by the reviewer.~~

810. Does this review meet the criteria to be accepted by the technical reviewer or committee within 60 days of receipt of the working papers and report from the review captain?

9. Is prior reviewer feedback either nonexistent or inconsequential, based on information in

technical staff's reviewer performance files, including from other AEs on the AICPA's web-based platform? If no, explain, including the impact, if any, on this and other reviews.

10. Do you think the review should be considered for oversight?

RECOMMENDATION:

Consider the results of your review of the report, the LOR (if applicable), FFCs (if applicable), and other review documents.

1. Do you recommend that the report, LOR (if applicable), and FFCs (if applicable) be accepted as submitted? Yes No

If no, please briefly describe the reasons why you believe the documents should not be accepted, including any changes that are needed.

2. Do you recommend that the reviewed firm be asked to agree to certain corrective actions so that the committee can monitor the firm's progress in correcting the deficiencies or significant deficiencies noted in the report? Yes No N/A

If yes, please determine a timing that is feasible for the firm, and briefly describe the actions and appropriate due-date for you suggest the RAB consider.

3. Do you recommend that the reviewed firm be asked to complete an implementation plan in addition to or as an affirmation of the plan described in its response to the findings on the FFC forms?

If yes, please briefly describe the implementation plan you suggest the RAB consider.

4. If the current report rating will cause the reviewed firm to receive consecutive non-pass reports, do you recommend the reviewed firm be sent to hearing for non-cooperation? Yes No or N/A

If yes or no, please describe.

54. Are you able to conclude that there were no issues noted regarding the peer reviewer and his/her performance on this review that should be highlighted to the RAB, or future technical reviewers? Did you identify one or more reviewer performance deficiencies or findings? Yes No If reviewer performance deficiencies or findings are noted, reviewer performance feedback should be recommended to the ~~report acceptance body~~ RAB even if the answer to 5 is “yes.”

65. Did you identify reviewer performance deficiencies or a pattern of reviewer performance findings? In assessing whether a pattern of performance findings is present, the technical reviewer should consider previous performance feedback issued to the reviewer on the AICPA’s web-based platform. Yes No The Peer Review Committee should be notified when such situations are identified so that appropriate action can be taken.

If yes, please describe.

76. Does the review meet all of all the criteria to be included on the consent agenda? Yes No or N/A

Should the review be included on the consent agenda? Yes No

~~If yes, describe the reasons why you believe the review should be included on the consent agenda. For example, the prior review resulted in a pass rating, firm does not perform any must select engagements, reviewer was over sighted in the past year without any comments, etc.~~

If no, describe the reasons why you believe the review should not be included on the consent agenda. For example, the prior review resulted in a pass with deficiency(ies) or fail rating, ~~firm performs several must select engagements~~, reviewer has a pattern of poor performance, etc.

Attachment 1

ENGAGEMENT REVIEW COMPLETION INFORMATION

INFORMATION TO BE COMPLETED BY THE TECHNICAL REVIEWER

1. Review number _____

2. Reviewed firm name _____

3. Major report codes (Table 1) _____

4. Report with scope limitation? Yes No

5. Review classification (Table 2) _____

6. Review period covered _____
From To

7. Does the firm perform: (Y/N)

Reviews Yes No

Compilations with disclosures Yes No

Compilations without disclosures Yes No

Preparations with disclosures Yes No

Preparations without disclosures Yes No

Engagements under the SSAEs Yes No

8. Number of MFCs _____

9. Number of FFCs _____

10. Technical reviewer's initials _____

11. Date technical review completed _____

<p>TABLE 1 MAJOR REPORT CODES</p> <p>1. <i>Pass</i> 3. <i>Pass With Deficiencies</i> 7. <i>Fail</i></p>
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<p>TABLE 2 REVIEW CLASSIFICATIONS</p> <p>1. <i>Easy</i> 2. <i>Moderate difficulty</i> 3. <i>Difficult</i></p>
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Chapter 8

Reviewer Qualifications, Responsibilities, and Performance

II. Reviewer Qualifications

B. Process When a Reviewer Does Not Possess Reviewer Qualifications

~~4. Reviewer Performance Feedback Form~~

~~When a reviewer fails to maintain the required reviewer qualifications resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance finding. Consistent with the guidance in section IV of this chapter, a reviewer performance feedback form should be issued by staff to the reviewer documenting this matter.~~

C. Appeals to the Board ^{fn 17}

Reviewers who wish to appeal an ineligibility letter must request that a hearing panel be assembled. That request must be made in writing (via email or letter) to the board within 30 days of receipt of the ineligibility letter. The reviewer should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the ineligible status of the reviewer. Once the ineligibility letter has been issued, it may only be lifted if the reviewer submits to staff documented evidence that indicates that the reviewer possesses all the qualifications required of a reviewer, or the hearing panel determines that the reviewer possess all reviewer qualifications. A hearing panel is not necessary if the reviewer has submitted information or documents to the satisfaction of staff indicating that the reviewer possesses all reviewer qualifications.

See [section VI](#) of this chapter for [hearing and](#) appeal procedures per the *Rules of Procedure for Peer Reviewers*.

D. AE Considerations When a Reviewer Is Ineligible to Schedule or Perform Reviews

Because reviews performed by a reviewer may be in different stages of completion when the reviewer is determined to be ineligible to schedule or perform reviews, the following various scenarios should be considered by the committee when formalizing policies and procedures:

^{fn 17} Details of the hearings and appeal processes can be found in the AICPA Peer Review Board *Rules of Procedures for Reviewers* at www.aicpa.org.

1. *The scheduled review has not commenced.* Within five business days of the reviewer being notified by staff of being ineligible or by the commencement date of a scheduled review, if earlier, the reviewer must discuss the matter with the reviewed firm. The reviewer should either withdraw from or reschedule reviews, including planning procedures, pending the reviewer's ineligible status being lifted or a final board decision if the reviewer appeals. Reviewers should keep in mind that their ineligible status is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date.

If the reviewer fails to contact the reviewed firm, the AE may contact the reviewed firm to inform it that the reviewer will not be able to perform or continue to perform the firm's peer review. No details or explanation of the reason should be provided to the firm by the AE without the reviewer's consent. ~~Details should be discussed with the firm at the reviewer's discretion.~~ Contacting the firm may not be necessary if the firm's review is not scheduled to commence in the near future.

For example, if the reviewer is notified by staff of his or her disqualification on May 1, and a review originally scheduled to commence May 15 is not rescheduled by May 7, the AE may inform the firm that "its reviewer cannot perform the review at this time, and if further information is required, please contact your peer reviewer." The firm should be advised that it may need to hire a new reviewer in order to meet the firm's due date. However, if a review is scheduled to commence in September, it may not be necessary to contact the firm now.

If it is determined that a reviewer commenced a review after receiving the ineligibility letter and submitted the report and related working papers, the AE should contact the reviewer and inform him or her that the review cannot be presented to the RAB. In this situation, the AE should follow the egregious act guidance in [section IV](#) and the reviewer should contact the firm and advise the firm of the circumstances. This may cause the firm to have another peer review performed by an eligible reviewer.

III. Responsibility to Perform in a Timely and Professional Manner

B. Process When a Reviewer Fails to Perform in a Timely and Professional Manner

Situations, such as those previously indicated, may arise when the reviewer fails to perform in a timely and professional manner. This warrants communication with the reviewer by the AE, board, or staff. It may result in his or her potential suspension from scheduling or performing peer reviews. AEs should confirm that it is the reviewer, not the reviewed firm that is failing to perform in a timely and professional manner prior to starting the suspension procedures. In addition, it is important to determine if there is a disagreement among the reviewer, firm, or committee. If there is a disagreement, then the procedures for handling a disagreement should be followed (see [chapter 7](#)).

- For such matters as previously mentioned, the AEs should proceed as outlined in the subsequent list. (See section C for national suspension due to a reviewer not verifying resume information on a timely basis.)

- *Reminder letter one.* The AE should send the reviewer a reminder letter via email or regular mail after 14 days of the documents being due. The letter reminds the reviewer of the questions or requests for documents and requires the reviewer to submit those within 5 days from the date of the email or letter. It also asks the reviewer to inform the AE if he or she believes that the reviewed firm is causing the delays of such requested information. The reviewed firm should also receive a copy of the letter sent to the reviewer.
- *Contact reviewer.* If the reviewer does not respond, or the required documents are not received after 5 days of sending the letter, the AE should contact the reviewer by phone or email (using the telephone number or email address on the reviewer's résumé) to determine the reason for the failure to respond. The results of this call or electronic request should be documented. The AE should consider the reason for the failure to respond to requests when determining whether to suspend the reviewer from scheduling or performing peer reviews administered by that AE.

During this communication, the AE and reviewer may come to a mutually agreed upon due date of when the working papers will be received. If the reviewer fails to meet this due date, the reviewer should automatically be suspended.

It is the reviewer's responsibility to respond to requests communicated by letter, telephone call, or email. If the reason for not submitting documents is related to the reviewed firm delaying the process or a disagreement, the AE should not suspend the reviewer. In this situation, the AE should either send appropriate warning letters to the firm or adhere to the disagreement guidance (see [chapter 7](#)).

- *Reviewer suspension.* Once the preceding procedures are completed, and it is determined that warning letters should not be sent to the reviewed firm, the AE should suspend the reviewer from scheduling future reviews that it administers. A suspension letter should be mailed (with proof of delivery) to the reviewer notifying the reviewer that he or she is no longer permitted to schedule future reviews in the AE's jurisdiction.

In instances when the reviewer has not submitted appropriate documentation to support his or her résumé information, the AE should send a request to the board for a national suspension. See section C for board procedures for national suspension.

A suspension letter does not preclude AEs from issuing ~~unrelated~~ reviewer performance feedback; additional suspension warning letters related to another review; or other communications, if warranted. When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule or perform reviews, this is considered a reviewer performance finding. The AE should consider reviewer performance findings related to suspensions for failure to perform in a timely, professional manner when evaluating patterns of reviewer performance findings or considering whether to issue a performance deficiency letter. For example, a performance deficiency letter may be warranted when the committee notes significant tardiness in the submission of documents on reviews for which the reviewer served as team captain or review captain, resulting in a restriction in the ability to schedule reviews, and no improvement was noted after the suspension was lifted.

- *Request to suspend the reviewer nationally.* An AE or staff may refer the reviewer to the board for national suspension when a reviewer is sent the suspension letter. The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider this matter, a meeting via telephone conference should be scheduled, ordinarily within 60 days of the date on the letter. If not done within 60 days, this does not affect the actions of the panel.
- *Suspension removal letter.* The reviewer will remain suspended until he or she has answered questions or submits documents to the satisfaction of the AE related to the suspension.

If a reviewer fails to perform in a timely, professional manner multiple times, multiple suspension letters should be sent to the reviewer. The reviewer must address each suspension. Satisfying the outstanding items for one suspension does not lift all suspensions. If multiple suspensions are in place, the reviewer remains unable to schedule reviews until all outstanding situations have been resolved to the satisfaction of the AE, staff, or board. Once all suspensions are lifted, the reviewer will be able to schedule and perform peer reviews.

- ~~*Reviewer performance feedback form.* When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance finding. Consistent with the guidance in section IV of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.~~

C. Request to Suspend the Reviewer Nationally for Not Submitting Documentation to Support Experience Codes on Reviewer’s Résumé

Reviewer Performance Feedback Form

~~When a reviewer fails to perform in a timely, professional manner resulting in suspension of the reviewer’s ability to schedule and/or perform reviews, this is considered a reviewer performance finding. Consistent with the guidance in section IV of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.~~

E. AE Considerations When a Reviewer Is Suspended for Failing to Perform Reviews in a Timely and Professional Manner or Complete His or Her Résumé Verification

Suspension for Failing to Perform Reviews in a Timely and Professional Manner

If a reviewer has been suspended for not timely and professionally submitting documentation but has been scheduled and approved for other reviews at the time of the suspension, the reviewer will ordinarily be permitted to perform those previously scheduled reviews. Late submission of documents on one review would not ordinarily create the need for oversight or disallow a reviewer from performing already approved and scheduled reviews.

~~When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance finding. Late submission of documents on one review would not ordinarily create the need for oversight or disallow a reviewer from performing already approved and scheduled reviews. However, consistent with the guidance in section IV of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.~~

Nothing precludes the AE from issuing multiple suspensions if the reviewer is not timely and professionally responding to the submission of documents on reviews subsequently performed by the reviewer. In instances when the reviewer is continuously late, leading to multiple suspensions, the AE, board, or staff should consider issuing a performance deficiency letter (see [section IV](#)).

Suspension for Failing to Submit Documentation for Résumé Verification

If a reviewer is suspended for not verifying his or her résumé information, this may create the need for oversight at the reviewer's expense. For reviews that have been accepted within 120 days, the committee should review the facts and circumstances of each review. Based on that conclusion, the committee may determine that oversight is necessary.

If the results of the oversight indicate that the reviewer had performance issues, the results should be discussed with the reviewer. If the reviewer is unable to justify his or her conclusions by citing professional standards, this may indicate reviewer performance deficiencies or findings. If there is concern about the reviewer's performance, and the acceptance letter has been issued, the AE should contact staff to discuss the situation. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation. See [chapter 3](#) of the *Report Acceptance Body Handbook* for guidance on recall of peer review documents when a reviewer was not qualified to perform the review.

~~When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a performance finding. Consistent with the guidance in [section IV](#) of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter. In instances when the reviewer is suspended multiple times, the AE, board, or staff should consider issuing a performance deficiency letter.~~

IV. Reviewer Performance

A. Deficiencies or Findings in Reviewer Performance

During the review acceptance process, the committee evaluates the reviewer's performance. In addition to the committee's evaluation, the board and staff may also evaluate and monitor the reviewer's performance through other means, such as oversight. The committee should determine the severity of any identified reviewer performance deficiencies or findings.

If a pattern of reviewer performance findings by a particular reviewer is noted, then the board or committee should issue a performance deficiency letter requiring the reviewer to complete one or

more corrective actions or recommend to the board that the reviewer be prohibited from performing reviews in the future. If more than one reviewer performance deficiency is noted (regardless of whether a pattern is present), then the board or committee should either issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future (standards sec. 1000 [par. .148](#)). However, if the reviewer’s performance on a review is considered egregious, the board or committee may require the reviewer to complete one or more corrective actions or [the committee should](#) recommend to the board that the reviewer be prohibited from performing peer reviews in the future based on a single instance of a reviewer performance deficiency.

The following sections outline various degrees of reviewer performance deficiencies or findings and the guidance for handling such matters.

B. Reviewer Performance Feedback Forms

Reviewer performance feedback forms document reviewer performance deficiencies or findings on individual reviews. Committees should use reviewer performance feedback forms when performance deficiencies or findings are noted during the review acceptance process or through other means such as oversight. ~~Reviewer performance feedback forms should also be issued when a reviewer fails to perform in a timely, professional manner or maintain required reviewer qualifications resulting in suspension.~~

The purpose of issuing a reviewer performance feedback form is to document specific areas of needed improvement. Reviewer performance feedback forms also help the AE and staff monitor the performance of the reviewer, including whether there is a pattern of reviewer performance findings. Deficiencies or findings noted on reviewer performance feedback forms should be substantiated by peer review guidance. Completion of the explanation section of the reviewer performance feedback form or other written correspondence with the reviewer (which is retained with the reviewer performance feedback form) is required to ensure that the reviewer understands the reviewer performance deficiencies or findings.

The reviewer performance feedback form is designed to give reviewers feedback directly from the committee or board. The reviewer performance feedback form should be signed (electronic or typed signature is acceptable) and dated by a member of the committee or board and may be remitted to the reviewer electronically or via mail. Technical reviewers and staff may make recommendations for reviewer performance feedback to the committee or board but should not issue or sign reviewer performance feedback forms.

When the committee or board issues performance feedback to a team member, impact to the team captain should be considered. For example, if the team member receiving performance feedback did not identify the matters on the checklist which would have informed the team captain to consider the issues, then the team captain cannot bear that responsibility and should not receive performance feedback. However, if the team member identified significant “no” answers in the checklists but did not properly conclude on the engagement and the team captain did not question the conclusion, there is still a responsibility for properly supervising and fulfilling the

team captain role. The team captain should then receive performance feedback as well as the team member.

The AE should issue reviewer performance feedback timely to allow the reviewer an opportunity to correct performance weaknesses. This communication should take place no later than the notification to the reviewer that the underlying peer review has been accepted by the committee. If the reviewer performs reviews for other AEs, it is important that feedback be shared with those AEs. As such, the AICPA has developed a web-based platform to house all performance feedback forms issued by committees or the board. The AE issuing the feedback ~~is required~~ should to upload all ~~verify that the~~ reviewer performance feedback forms ~~to this platform~~ are available to staff and other AEs within ~~30~~ 14 days of issuance. This procedure enhances monitoring of reviewers' performance. Each AE should have formalized procedures in place to allow for periodic monitoring of reviewer performance feedback forms to determine whether there is a pattern of findings in a reviewer's performance.

Reviewer Performance Deficiencies

The following is a listing of reviewer performance deficiencies that would be documented on a reviewer performance feedback form:

- Engagement Selection and Review: The reviewer did not
 - appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects prior to technical review, oversight or RAB consideration and did not demonstrate sufficient knowledge and experience required to review the engagement and identify issues prior to technical review, oversight or RAB consideration (standards sec. 1000 System Reviews [par. .66–.67](#); Engagement Reviews [par. .109](#))
- Assessment and Disposition of Matters: The reviewer did not
 - appropriately aggregate or evaluate matters noted on the review (standards sec. 1000 System Reviews [par. .75–.86](#); Engagement Reviews [par. .111–.115](#)), such that the committee determined a deficiency was present when the reviewer did not elevate the matter beyond an MFC, or the committee determined a significant deficiency was present when the reviewer did not elevate the matter beyond an FFC.

Reviewer Performance Findings

The following is a listing of reviewer performance findings (not all inclusive) that would be documented on a reviewer performance feedback form:

- ~~Reviewer Cooperation and Qualifications: The reviewer did not~~
 - ~~perform in a timely, professional manner resulting in suspension of the reviewer's ability to schedule and/or perform reviews. (standards sec. 1000 [par. .147](#))~~

~~— maintain the required reviewer qualifications resulting in suspension of the reviewer’s ability to schedule and/or perform reviews. (standards sec. 1000 [par. .31](#) and [.34](#))~~

- Planning: The reviewer did not
 - obtain team member approval timely after determination that the review team or reviewer did not possess the proper qualifications or adequate experience to perform the review of an engagement in a particular practice area or industry. (standards sec. 1000 [par. .30](#))
 - obtain a sufficient understanding of the firm’s accounting and auditing practice or system of quality control when performing a peer review resulting in the need to perform additional work after the review working papers were submitted to the administering entity. This would also include failure to address significant differences between the background information provided to the administering entity during scheduling and the information that the firm provides to the reviewer. A significant difference is defined as one that would have affected peer review planning or procedures. (standards sec. 1000 [par. .41–.45](#))
 - adequately document a comprehensive risk assessment for the System Rreview, and additional clarification was necessary after peer review working papers were submitted to the administering entity. (standards sec. 1000 [par. .49–.50](#))
- Engagement Selection and Review: The reviewer
 - did not select a sufficient or appropriate scope of engagements for review in accordance with guidance. This includes selecting too many engagements on an engagement review. (standards sec. 1000 System Reviews [par. .53–.63](#); Engagement Reviews [par. .104–.109](#))
 - did not properly select the “surprise” engagement or did not provide sufficient documentation of reasoning for selection. (standards sec. 1000 [par. .61](#))
 - identified all significant issues in an engagement but did not appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects prior to technical review, oversight or RAB consideration. (standards sec. 1000 System Reviews [par. .66–.67](#); Engagement Reviews [par. .109](#))
- Assessment and Disposition of Matters: The reviewer did not
 - identify matters, findings, deficiencies, or significant deficiencies appropriately. (standards sec. 1000 System Reviews [par. .70](#); Engagement Reviews [par. .110](#))

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- appropriately dispose of matters noted on the review or properly complete the DMFC form. (standards sec. 1000 System Reviews [par. .72–.74](#); Engagement Reviews [par. .112–.114](#))
 - properly consider or document the need to expand scope to other engagements or functional areas. (standards sec. 1000 [par. .68](#) and [Interpretation No. 84-1](#))
 - appropriately aggregate or evaluate matters noted on the review. (standards sec. 1000 System Reviews [par. .75–.86](#); Engagement Reviews [par. .111–.115](#))
 - Completion of FFC Forms: The reviewer did not
 - systemically write findings in a System Review. (standards sec. 1000 [par. .83](#))
 - sufficiently complete or write FFC forms or evaluate the firm’s response. (System Reviews [sec. 4960](#); Engagement Reviews [sec. 6600](#))
 - properly identify a repeat finding. ([Interpretation No. 83-2](#))
 - Reporting: The reviewer did not
 - properly identify that a deficiency was a repeat. (standards sec. 1000 System Reviews [par. .96](#); Engagement Reviews [par. .122n](#))
 - provide sufficient peer review working papers or documentation to support the report rating. (standards sec. 1000 System Reviews [par. .87–.90](#); Engagement Reviews [par. .117–.119](#))
 - systemically write deficiencies in a system review report, and a revision was required. (standards sec. 1000 [par. .96m](#))
 - represent the report in standard form in accordance with peer review guidance, or significant revisions to the report were needed. (standards sec. 1000 System Reviews [par. .96](#); Engagement Reviews [par. .122](#))
 - properly review, evaluate, and comment on the reviewed firm’s letter of response when the reviewer received the letter prior to its submission to the administering entity. (standards sec. 1000 System Reviews [par. .97](#); Engagement Reviews [par. .123](#))
 - Completion and Submission of Working Papers: The reviewer did not
 - comprehensively complete peer review documentation, or the documentation that was submitted required revisions. (standards sec. 1000 [par. .24](#))
 - properly report engagement statistics or did not properly discuss in other peer review practice aids when it was determined that the engagement was not performed or reported on in conformity with professional standards in all material re-

spects. This also includes consideration of the reviewed firm's response to such an engagement in accordance with professional standards. ([Interpretation No. 66-1](#))

- Other departures from Standards for Performing and Reporting on Peer Reviews or other authoritative program guidance.

A reviewer performance feedback form should not be issued for inconsequential matters (see section C), nor should a reviewer performance feedback form be used when a reviewer commits an egregious act. If acts by the reviewer is deemed by the committee to be egregious, the AE should consider issuing a removal letter to the board after following guidance in [section I](#).

Regardless of whether the reviewer cooperated in revising documents requested by the technical reviewer or committee, a reviewer performance feedback form is required to be issued whenever one or more of the above reviewer performance deficiencies or findings are noted during oversight, technical review, or the RAB acceptance process. When there are multiple findings on one review, the AE should consider whether a deficiency letter should be issued.

The proper communication should be made regardless of the status of the reviewer. This includes reviewers currently suspended or subjected to other corrective actions, suspension, or restriction.

D. Performance Deficiency Letters

Issuance of a Deficiency Letter for Reviewer Performance Findings

If a pattern of reviewer performance findings by a particular reviewer is noted, then the board or committee should issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future.

Issuance of a Deficiency Letter for Reviewer Performance Deficiencies

If more than one reviewer performance deficiency is noted (regardless of whether a pattern is present), then the board or committee should either issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future (standards sec. 1000 [par. .148](#)). However, if the reviewer's performance on a review is considered egregious, the board or committee may require the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future based on a single instance of reviewer performance deficiency.

Determining whether there is a pattern of reviewer performance findings is a matter of professional judgment. In assessing whether a pattern of performance findings is present, the committee or board should consider the recentness, nature and pervasiveness of the performance findings, taking note of the volume of reviews performed by the reviewer.

For example, if a low-volume reviewer performs three reviews each peer review cycle and reviewer performance findings were noted for all three, the committee or board may consider this a

pattern of performance findings. However, if a high-volume reviewer performs over 100 reviews each peer review cycle, and reviewer performance findings were noted on three of them, the committee or board may determine that a pattern of performance findings is not present.

If the reviewer performs reviews for multiple AEs, more than one AE will be monitoring the performance of the reviewer. If an AE, including the technical reviewer, identifies a reviewer performance finding for a particular reviewer, the AE should consider additional performance feedback issued to the reviewer on ~~search~~ the AICPA's web-based platform ~~for additional performance feedback forms which were issued to that reviewer~~ in assessing whether a pattern of performance findings is present. If an AE has a review submitted to the committee that has similar reviewer performance findings to those identified in reviewer performance feedback forms issued by another AE, and the AE determines a pattern of performance findings is present, the AE should issue a performance deficiency letter, as provided in this guidance.

In situations in which one or more corrective actions are required, the administering entity must inform staff ~~and all administering entities where the reviewer has performed reviews during the 12 months preceding the date of the letter~~, and such actions will be recognized by all other administering entities. Any corrective action required of a reviewer will apply to the individual's participation in the performance of any peer review unless the condition is specific to the individual's service as only a team captain, review captain, team member or QCM reviewer.

Process for Issuing the Performance Deficiency Letter

~~Before a decision is made to impose corrective actions or restrictions on the reviewer, the committee should ensure that the reviewer is knowledgeable of the evidence supporting the need for such corrective actions or restrictions. The AE issuing a performance deficiency letter should communicate (through email) with the reviewer. This communication should include the various reviewer performance feedback forms, results of oversight, or a description of the reviewer performance deficiencies found in a particular review.~~

~~If the committee concludes, after considering the results of communications with the reviewer, it is determined that~~ corrective action or restriction is appropriate, the AE should issue the performance deficiency letter.

The performance deficiency letter should

- a. state that improvements are needed in the performance of the reviewer.
- b. include an explanation of the performance deficiencies.
- c. indicate that the individual must agree to comply with one or more actions in order to continue performing reviews, such as, but not limited to, the following:
 - i. Oversight (at the reviewer's expense) until evidence of completion of a future reviewer's training or accounting or auditing course(s) is received or performance improves.

- ii. Have committee oversight on the next peer review(s) performed by the reviewer at the expense of the reviewer's firm (including out-of-pocket expenses, such as cost of travel).
 - iii. Consult with the AE to discuss the planning and performance of the next review.
 - iv. Complete all reviews to the satisfaction of the committee, including submitting all reports and appropriate documentation on all outstanding peer reviews before scheduling or performing another review, thus limiting the number of reviews that the reviewer may schedule or have open at one time.
 - v. Have pre-issuance review(s) of the report and peer review documentation on future peer reviews by an individual acceptable to the committee Chair or designee who has experience in performing peer reviews.
 - vi. Remove or revise the résumé code until appropriate proof of experience and knowledge have been provided to the satisfaction of the committee.
 - vii. Other corrective action(s) that would assist the reviewer in his or her performance of future reviews.
- d. indicate that other AEs ~~should~~ will impose the preceding action or restriction on the reviewer.
 - e. indicate that the committee may request the board to remove the individual's name from the list of qualified reviewers if improvements are not noted in the performance of the reviewer on subsequent reviews, or the reviewer refuses to cooperate, such as by failing to return a signed acknowledgement copy of the letter within 30 days from ~~receipt of~~ the date of the letter, ~~or both~~.
 - f. give the reviewer an opportunity to appeal the decision before a hearing panel of the board, via telephone conference or in writing.
 - g. indicate that a request for appeal must be made within 30 days of receipt of the letter and that the actions or restrictions outlined in the letter will remain in effect for all reviews that the reviewer commences, pending the appeal results.
 - h. be copied and sent to the managing partner of the reviewer's firm if the reviewer is not a sole practitioner and all AE's where the reviewer is scheduled to perform reviews or has performed a review in the past year.

The committee should ensure that the reviewer is fully knowledgeable about the evidence supporting the issuance of a performance deficiency letter. The AE issuing a performance deficiency letter should communicate (either through discussion or e-mail) with the reviewer the various reviewer performance findings such as suspensions for failure to perform in a timely, professional manner, reviewer performance feedback forms, perfor-

mance deficiency letters, and results of oversight. This communication must be documented.

H. Reviewer Removal Letters

The committee should issue a removal letter to the board recommending that a reviewer be prohibited from performing peer reviews in the future when the reviewer

- Refuses to cooperate with the committee or board (for example, not signing the performance deficiency letter within 30 days);
- Fails to correct performance deficiencies or findings after a corrective action has been required; or
- Has committed an egregious act in the performance of a peer review.

~~A reviewer who fails to comply with peer review standards and guidance such that reviewer performance deficiencies are noted may also be referred to the board for removal.~~

A reviewer may also be referred to the board for removal when the reviewer:

- Fails to comply with peer review standards and guidance such that reviewer performance deficiencies or a pattern of reviewer performance findings are noted;
- Fails to submit documentation to support the experience codes reflected on the reviewer's resume;
- Fails to perform in a timely and professional manner ~~that have resulted~~resulting in suspension.

~~It is not necessary to issue a performance deficiency letter prior to the issuance of a removal letter.~~ Any AE where the reviewer performs reviews may request the board to remove the reviewer from the list of qualified reviewers. Reviewers should not be referred for removal if reviewer performance deficiencies have been noted by the committee, corrective actions have been imposed on the reviewer and the reviewer has not had sufficient time and opportunity to correct the performance deficiencies.

When an AE requests the board to remove the reviewer, it should submit the removal letter and include all supporting documentation. Such a referral should be based on an affirmative vote of not less than a majority of the AE's peer review committee. A copy of the request should be submitted to the reviewer. The board will consider the need to remove the reviewer's name from the list of qualified reviewers or some other action(s) based on the facts and circumstances presented in the documents and evidence.

The committee should ensure that the reviewer is fully knowledgeable about the evidence supporting the issuance of a removal letter. The AE issuing a removal letter should communicate (either through discussion or email) with the reviewer the various reviewer performance feedback forms, performance deficiency letters, and results of oversight. This communication must

be documented. One of the objectives of the communication is to determine if there may be a disagreement between the reviewer and AE. If there is a disagreement, then the committee should follow the guidance in [chapter 7](#) of this handbook.

The committee should issue a removal letter (with proof of delivery) indicating that

1. the reviewer refuses to cooperate with the committee or board, failed to correct performance deficiencies [or findings](#) after a corrective action has been imposed, failed to comply with peer review standards and guidance such that [significant](#) reviewer performance deficiencies were noted, or committed egregious acts in the performance of a review.
2. the board is requested to consider whether the reviewer should be prohibited from performing reviews or whether some other action should be taken.
3. the board is also requested to suspend the reviewer's ability to schedule future reviews until this matter is resolved.

Submission of a reviewer for removal from the list of qualified reviewers must include, as applicable, supporting documentation, such as, but not limited to, reviewer performance feedback forms issued; deficiency letters; information of other communications, whether verbal or written; notes from committee meetings; and a timeline outlining the various communications.

Upon receipt of the removal letter and supporting documentation, the reviewer and AEs will be notified that a hearing panel will review the matter.

See [section VI](#) of this chapter for hearing panel procedures per the *Rules of Procedure for Peer Reviewers*.

Issuance of Removal Letters by the Oversight Task Force

If staff become aware that a reviewer refuses to cooperate with the committee or board, failed to correct performance deficiencies [or findings](#) after a corrective action has been imposed, failed to comply with peer review standards and guidance such that reviewer performance deficiencies [or a pattern of reviewer performance findings](#) are noted, or committed egregious acts in the performance of a review, staff will consult with the affected AEs to determine whether a removal letter is being drafted. If no removal letter is being drafted or will be drafted by the AE, staff may refer the matter to the Oversight Task Force (OTF) of the board which will consider the need to issue a removal letter. The process for issuing the removal letter will be consistent with the process at the AE level.

I. Egregious Acts by a Reviewer

Upon notification and evidence of egregious acts, the board or committee should consider restrictions against the reviewer. After reviewing evidence, facts, and circumstances related to an egregious act by a reviewer, the committee should consider issuing a removal letter requesting the board to take action against the reviewer. The committee should ensure the reviewer is fully knowledgeable about the evidence supporting the issuance of a removal letter. The administering entity issuing a removal letter should communicate (either through discussion or email) with the

reviewer the evidence supporting the allegation. It is not necessary to issue other deficiency letters prior to the issuance of a removal letter. Depending on the facts and circumstances, some examples of egregious acts by a reviewer include, but are not limited to, the following:

- Signing false documents.
- Failure to perform a peer review board directive resulting from a hearing or review panel in a timely and professional manner.
- Continuing to schedule or perform reviews after receipt of a Required Corrective Action letter or Settlement Agreement from AICPA Professional Ethics which indicate the reviewer is restricted from performing reviews.
- Failure to notify an AE when there has been a restriction placed by a regulatory, a monitoring, or an enforcement body on the reviewer's ability to perform audit and attest engagements, and the reviewer continues to perform peer reviews.
- Knowingly providing advice to a firm that is contradictory to the standards, such as informing the firm that it may distribute the peer review report prior to committee acceptance or omitting engagements from the scope of the review without the appropriate scope limitations or approvals in compliance with the guidance.
- Reviewers used confidential material obtained during the peer review to enhance their own firm (such as a that is, client listing).
- Failure to maintain qualifications or otherwise cooperate with the program (for example, not meeting licensure or regulatory requirements) leading the AE or firm to find another reviewer to complete the review and causing the firm harm.

The evidence, facts, and circumstances and any other documentation supporting the egregious act should be sent to the board. Upon receipt of the removal letter and supporting documentation, the reviewer and AEs will be notified that a hearing panel will review the matter. See [section VI](#) of this chapter for hearing panel procedures per the *Rules of Procedure for Peer Reviewers*.

J. AE Considerations When a Reviewer Is Removed from the List of Qualified Reviewers

Because reviews performed by a reviewer may be in different stages of completion when the reviewer is notified that the board has removed him or her from the list of qualified reviewers, the following various scenarios should be considered by the committee when formalizing policies and procedures:

1. *The scheduled review has not commenced.* Within five business days of the reviewer being notified by the board or by the commencement date of a scheduled review, whichever is earlier, the reviewer must ~~discuss the matter with the reviewed firm. The reviewer must~~ withdraw from the scheduled review. Reviewers should keep in mind that their restriction is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date.

If the reviewer fails to contact the reviewed firm within five business days, the AE may contact the reviewed firm to inform it that the reviewer will not be able to perform the firm's review. No details or explanation of the reason should be provided to the firm by the AE. ~~Details should be discussed with the firm at the reviewer's discretion. This should be left to the reviewer's discretion to discuss with the firm if he or she chooses.~~

V. Reviewer Qualifications—Allegations, Investigations, or Limitations or Restrictions

E. Appeals to the Board ^{fn 21}

Reviewers and reviewing firms who wish to appeal an allegation letter must request that a hearing panel be assembled. That request must be made in writing (via email or letter) to the board within 30 days of receipt of the allegation letter. The reviewer or reviewing firm should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the action outlined in the allegation letter. Once the allegation letter has been issued, the action will remain in effect until the reviewer or reviewing firm has proven that the allegation or investigation has no merit or is closed, or the hearing panel determines that the action should be removed or revised, whichever occurs earlier.

See [section VI](#) of this chapter for [hearing and](#) appeal procedures per the *Rules of Procedure for Peer Reviewers*.

F. Initial Considerations by the Board When a Reviewer and Reviewing Firm Have a Limitation or Restriction

Temporary Suspension Letter Due to a Limitation or Restriction

Upon receipt of notification of a limitation or restriction placed upon a reviewer and reviewing firm, the AICPA must promptly notify the reviewer and firm that in accordance with the standards, beginning with the date the reviewer or reviewing firm received notification from a government or regulatory authority of the limitation or restriction, they are not qualified to perform peer reviews. Additionally, the board will temporarily suspended the reviewer or reviewing firm from performing peer reviews until the board's further evaluation of the limitation or restriction. This evaluation will include the status of any reviews that the reviewer and firm is or was associated with since the date of notification by a government or regulatory authority. All AEs where the reviewer has performed or is scheduled to be performing peer reviews will be copied on the letter.

Staff will contact the reviewer and firm on a timely basis to discuss the limitation or restriction, related suspension, and effect on reviews that the reviewer and firm is associated with, beginning

^{fn 21} See [footnote 17](#).

with the date of notification of the limitation or restriction from the government or regulatory authority. Discussions should include how each review will be treated or approached; the possible ramifications for the existence of a peer review report issued by an unqualified reviewer; and a suggestion that the reviewer and firm consult with their legal counsel and that if the reviewer and firm deem it appropriate, they should consider withdrawal of their peer review report(s). A representative of the affected AE should consider participating in these discussions. This communication with the reviewer should be documented.

G. Final Considerations by the Board When a Reviewer and Reviewing Firm Has a Limitation or Restriction Related to an Audit, Accounting, or Attest Practice

Reviewer Performance Feedback Form

~~When a reviewer fails to maintain the required reviewer qualifications resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance finding. Consistent with the guidance in section IV of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.~~

VI. AICPA Peer Review Board Hearing Panel and Ad Hoc Committee Procedures

B. Ad Hoc Committee Procedures^{fn 25}

Ad hoc committees are formed when a reviewer or an AE requests a review of the hearing panel's decision. The board Chair or the Chair's designee shall appoint three members to the ad hoc committee. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that the matter should be referred to a review panel and must provide support for the request by submitting evidence.

The other party will be notified of the request, sent a copy of the evidence submitted, and informed of the ad hoc committee meeting date. The other party may submit additional evidence supporting the decision of the hearing panel to the ad hoc committee not later than 14 days prior to the meeting date.

The ad hoc committee will meet in an executive session. At the discretion of the committee, AICPA staff may participate in the meeting to provide guidance related to peer review standards. The administering entit(y/ies), the reviewer, and ~~legal general~~ counsel shall not be present during the meeting. No transcript will be prepared based on the meeting. The ad hoc committee will decide whether such request for review by a review panel shall be granted. A decision by the ad hoc committee denying a request for review is final and not subject to further review.

^{fn 25} See [footnote 17](#).

If the ad hoc committee decides that the matter should be referred to a review panel, the reviewer and administering entity will receive notification of the date and time that a review panel will meet to review the matter.

Revisions Related to SSAE No. 18

Why is this on the Agenda?

With the issuance of SSAE No. 18 (the ASB's clarity redraft of the attestation standards that went into effect May 1, 2017) changes are being proposed to simplify Interpretation No. 7-2, which lists the types of engagements that require a firm to undergo a system review versus those that only require a firm to undergo an engagement review.

Currently, this interpretation references specific AT sections for attestation engagements. No other part of this interpretation references specific sections of accounting or auditing guidance. With the issuance of SSAE No. 18, AT sections have been replaced by AT-C sections.

The proposed wording changes outlined in agenda item 1.3A do not represent a guidance change, but rather a clarification of existing guidance. Under both the existing language and the new proposed language:

- examination engagements require system reviews, and
- review and agreed-upon procedure engagements require engagement reviews.

Additionally, changes to Interpretation No. 31b-6 are being proposed to clarify that reviewers should consider the specific level of service they perform within the attestation standards when they consider whether they are currently involved in supervising the same types of accounting or auditing engagements they plan on reviewing.

- For example, a reviewer that only performs agreed-upon procedure engagements ordinarily would not be qualified to review examination engagements.

Communications Plan

A Reviewer Alert article will be drafted and published informing the peer review community of the change.

Manual Production Cycle (estimated)

September 2017

Effective Date

Upon approval

Board Consideration

Review and approve the proposed changes outlined in Agenda Item 1.3A

PRP Section 2000

PEER REVIEW STANDARDS INTERPRETATIONS

Engagements Under Peer Review

7-2

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

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

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	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>		
Examinations Engagements performed under AT section 101, Attest Engagements (AICPA, Professional Standards)	X	
Reviews Engagements performed under AT section 101		X
Agreed-Upon Procedures Engagements performed under AT section 201, Agreed-		X

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
<i>Upon Procedures Engagements (AICPA, Professional Standards)</i>		
Examinations of prospective financial statements performed under <u>AT section 301, Financial Forecasts and Projections (AICPA, Professional Standards)</u>	X	
Compilations of prospective financial statements and application of agreed-upon procedures to prospective financial statements performed under <u>AT section 301</u>		X
Examinations performed under <u>AT section 401, Reporting on Pro Forma Financial Information (AICPA, Professional Standards)</u>	X	
Reviews performed under <u>AT section 401</u>		X
Examinations performed under <u>AT section 501, An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements (AICPA, Professional Standards)</u>	X	
Examinations performed under <u>AT section 601, Compliance Attestation (AICPA, Professional Standards)</u>	X	
Agreed-upon procedures performed under <u>AT section 601</u>		X
Examinations performed under <u>AT section 701, Management's Discussion and Analysis (AICPA, Professional Standards)</u>	X	
Reviews performed under <u>AT section 701</u>		X
Examinations performed under <u>AT section 801, Reporting on Controls at a Service Organization (AICPA, Professional Standards)</u>	X	
PCAOB Standards		
Audits of non-SEC issuers	X	
Attestation of non-SEC issuers	X	
Statements on Standards for Accounting and Review Services (SSARSs)		
Reviews of <u>financial s</u> tatements		X

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
Compilations Engagements of financial statements with disclosures		X
Compilations of financial statements without disclosures		X
Compilations performed when the compiled financial statements are not expected to be used by a third party (management use only), when no compilation report is issued^{fn 4}		X
Preparation of Financial Statement eEngagements of financial statements with disclosures		X
Preparation engagements of financial statements without disclosures		X

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

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

^{fn 4} ~~Refer to [Interpretations 6-1 to 6-6](#).~~

Qualifying for Service as a Peer Reviewer

31b-6

Question—Paragraph .31(b) of the standards states that CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise. What factors should a reviewer consider when determining whether their day-to-day involvement is sufficiently comprehensive?

Interpretation—The reviewer should consider whether he or she is currently involved in supervising (or carrying out a quality control function on) the same [levels of service types](#) of accounting or auditing engagements they will review. For example,

- a) a reviewer of auditing engagements should be presently involved in supervising (or carrying out a quality control function on) a firm's auditing engagements;
- b) a reviewer of [examination](#) engagements performed under Statements on Standards for Attestation Engagements (SSAE) should be presently involved in supervising (or carrying out a quality control function on) a firm's [SSAE examination](#) engagements; and
- c) a reviewer of compilation or preparation engagements with disclosures should be presently involved in supervising (or carrying out a quality control function on) engagements with disclosures.

A reviewer that only currently supervises (or carrying out a quality control function on) compilation or preparation engagements should not review audit, [SSAE attestation](#), or review engagements.

If a peer reviewer does not meet the preceding qualifications, but believes they possess current knowledge of professional standards applicable to the kind of practice to be reviewed, the peer reviewer may contact the firm's administering entity to justify their qualification, see Interpretation 31d-1. Acceptable proof of qualification may include, but is not limited to, CPE certifications, training courses, and evidence of on-the-job training. Reviewer qualifications applicable to industries that have a significant public interest would ordinarily be excluded from this provision.

Rules of Procedures for the Termination of a Firm with No AICPA Members

Why is this on the Agenda?

In September 2016, the AICPA Peer Review Board (Board) voted to allow firms with no AICPA members to enroll in the AICPA Peer Review Program (the Program) effective January 2017. Enrolling firms with no AICPA members requires that fair procedures be extended to include those firms. Fair procedures exist to protect the rights of firms charged with noncooperation with the Program. The rules included in these materials are designed specifically to provide those firms with fair procedures similar to those provided to firms with AICPA members. The key differences are:

- Appeal mechanism – If a firm’s enrollment in the Program is terminated, a firm with AICPA members may appeal to the AICPA Joint Trial Board, while a firm with no AICPA members may appeal to an independent appeal panel of the Board; and
- Publication of terminations – If the firm has AICPA members, firm termination information is published as provided for in AICPA Bylaw Section 7.6 and the implementing resolution. If enrollment is terminated for a firm with no AICPA members, the state board of accountancy issuing the firm’s permit or license to practice shall be notified. Also, the termination will be reflected in the records maintained by the AICPA so that individuals making inquiries about the firm may be so advised in accordance with the *Standards for Performing and Reporting on Peer Reviews*.

For clarity, the proposed Rules of Procedures included at Agenda Item 1.4A are in track changes format showing the differences between the current Rules of Procedures for the Termination of a Firm (with AICPA members) and the new document. Additions are in various colored single underlined text and deletions are in various colored strikethrough text. Text that was merely moved from one place in the document to another is shown in green double-underline text at insertion and green double-strikethrough text at deletion.

A summary of the differences between the Rules applicable to firms with AICPA members and the proposed Rules applicable to firms with no AICPA members follows. As is often the case, drafting this document provided opportunity to clarify and simplify language in both documents. Accordingly, the table below has a column to indicate whether the change noted should be made as a conforming change to the Rules of Procedures for the Termination of a Firm with AICPA Members:

Change	Document page number	Impacts Rules for Firms with Members
Title changes and effective date	Title	No
Removes reference to AICPA members	1	No
Revises wording to be more concise, consistent	1-2	Yes
Revises wording to be more concise, consistent	5-13	Yes
Introduces appeal mechanism (“appeal panel”) for firms with no AICPA members	6	No
Introduces disclosure of termination and removes publication for firms with no AICPA members	8	No
Appeal panel replaces AICPA Joint Trial Board	9, 10, 11	No

Change	Document page number	Impacts Rules for Firms with Members
Indicates notification to state boards of accountancy, and removes publication for firms with no AICPA members	10	No
Clarifies peer review committee members may be witnesses	11	Yes
Removes hearing panel decisions for firms with no AICPA members from open session Board meetings	12	No
Relocates Burden of Proof section	15	Yes
Creates Appeals in separate section	15	Yes
Refers to reenrollment guidance	15	Yes
Details Appeal mechanism (<i>Note: For firms with AICPA members, this is addressed in the Joint Trial Board Rules of Procedures instead of the Board's</i>)	15-16	No

Feedback Received

Internal counsel has reviewed this document and revisions suggested by them are reflected in the document presented.

AE Impact

None.

Communications Plan

After the effective date (see below), the Rules of Procedures for the Termination of a Firm with No AICPA Members will be posted on the aicpa.org website for public access and provided to each firm subject to such a hearing proceeding.

Manual Production Cycle (estimated)

N/A

Effective Date

Staff recommends that the effective date for these Rules be delayed until January 2018 to allow time for pending changes related to re-enrollment guidance and any changes necessary to the Rules. The Rules would be effective for notices of hearing proceedings communicated after this effective date.

Board Consideration

The Board is asked to:

- 1) Consider and approve the draft Rules of Procedures in Agenda Item 1.4A.
- 2) Consider and approve the conforming changes noted in table above that impact the Rules of Procedures for the Termination of Firms with AICPA Members.



Peer Review Program

AICPA Peer Review Board

**Rules of Procedures for the
Termination of a Firm with No AICPA Members**

Effective Date – January 1, 2018~~January 13, 2016~~

FOREWORD

Quality in the performance of accounting and auditing engagements ~~by AICPA members~~ is the goal of the AICPA Peer Review Program. The program seeks to achieve its goal through education and remedial, corrective actions. Firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board (~~the board~~ “Board”) in all matters related to the peer review, including taking remedial, corrective actions or implementing Findings for Further Consideration (“FFC”) plans as needed. Instances of non-cooperation by a reviewed firm would include, but are not limited to:

- ~~• Failure to correct deficiencies or significant deficiencies.~~
- ~~Performance failure~~ Instances in which the firm is found to be so seriously deficient ~~in its performance~~ that education and remedial, corrective actions or implementation plans are not adequate.
- ~~• Receive peer reviews with recurring deficiencies or significant deficiencies that are not corrected.~~
- Failure to correct deficiencies or significant deficiencies in a single peer review after consecutive corrective actions requested by a Report Acceptance Body (RAB)
- Failure to receive a report with a rating of pass after (1) receiving a peer review report with a peer review rating of *pass with deficiencies* and/or *fail* ⁺AND (2) receiving notification ~~via certified mail~~ that a consecutive failure to receive a report with a peer review rating of *pass* may be considered a failure to cooperate with the administering entity.

In addition, a ~~AICPA Peer Review~~ Board Resolution states;

A firm is deemed as failing to cooperate by actions including but not limited to:

- Not responding to inquiries once the peer review has commenced;
- Withholding information significant to the peer review, for instance but not limited to:
 1. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies;
 - 2.- omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements];
- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas;

⁺ ~~Formerly known as modified and/or adverse reports~~

- Not responding to Matters for Further Consideration (“MFCs”) or Findings for Further Consideration (“FFCs”) timely;
- Limiting access to offices, personnel or other once the review has commenced;
- Not facilitating the arrangement for the exit conference on a timely basis;
- Failing to timely file the report, and the response thereto related to its peer review, if applicable;
- Failing to cooperate during oversight; or
- Failing to timely acknowledge and complete required corrective actions or implementation plans.

If 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 or corrective actions are not suitable adequate, the ~~AICPA Peer Review~~ Board may take actions leading to the termination of the firm’s enrollment ~~or participation~~ in the AICPA Peer Review Program.

These rules of procedures have been prepared for the use of the ~~AICPA Peer Review~~ Board in connection with proceedings related to the termination of a firm’s enrollment in the AICPA Peer Review Program. These procedures have also been prepared for ~~the information of~~ those firms that may be a party to such a proceeding.

Hearings conducted under these procedures are informal in nature. Accordingly, the rules of evidence do not apply and any evidence, whether written or oral, will be considered ~~by a hearing panel~~ if relevant to the case at hand in accordance with these procedures set forth.

The overriding objectives of these procedures are to provide for an orderly proceeding, achieve a fair result, and adequately safeguard the rights of firms and individuals that may become party to a proceeding.

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1. GENERAL

1.1 Authority to Conduct Proceedings

The Board of Directors of the AICPA has authorized the AICPA Peer Review Board (the “Board”) to terminate a firm’s enrollment in the AICPA Peer Review Program (“Program”), or otherwise sanction a firm after due notice and a fair hearing. Pursuant to this grant of authority, the Board hereby establishes the following procedures, which will govern the adjudication of all matters that may lead to the termination of a firm’s enrollment in the Program or other sanctions. Other committees, such as administering entity’s peer review committees or subcommittees or task forces established by the Board to consider peer review reports, may not terminate a firm’s enrollment in the Program.

1.2 Applicability of Rules of Procedures

The Board has authorized the ~~Technical~~ Director of the Program or ~~a his~~ designee to determine if a hearing is appropriate. The rules of procedures set forth herein become applicable when the Director of the Program or ~~a his~~ designee decides that a hearing to consider whether to terminate a firm’s enrollment in the Program or impose other sanctions should be conducted. Once these rules of procedures become applicable to a proceeding, they are to be applied until a decision to terminate a firm’s enrollment or impose other sanctions becomes effective or the matter is otherwise disposed of.

1.3 Hearings

Hearings are held to adjudicate matters that may lead to the termination of a firm’s enrollment ~~or participation~~ in the Program. Firms affected will be advised that they may participate by telephone in the hearing to challenge or contest the charges or recommendations being made.

1.4 Nature of Hearings

Hearings are designed both (a) to assist the ~~Board hearing panel~~ in assessing the facts on which to base a decision as to whether or not to terminate a firm from the AICPA Peer Review Program or impose other sanctions and (b) to provide procedural fairness thus providing firms the ability to defend themselves. Hearing procedures are informal to afford all parties maximum flexibility in presenting every side of an issue. Firms may be represented by counsel. Hearings ~~before a hearing panel~~ shall not be open to the public (see section 3.7).

1.5 **Hearing Panel**

~~The Board does not sit in its entirety but conducts hearings throughby appointing hearing panels.~~ The hearing panel determines whether or not to terminate a firm's enrollment in the Program. The Board Chair or designee shall appoint five members to the hearing panel, however, action may be taken by the hearing panel as long as a quorum is present ~~as defined below.~~ A majority of the hearing panel constitutes a quorum. The hearing panel will be drawn from either current Board members or other members of the AICPA appointed at the sole discretion of the Chair of the Board or the Chair's designee. One member of the hearing panel will be appointed as the presiding officer by the Chair or the Chair's designee. The Chair, or designee, may appoint himself or herself as a member of a hearing panel or as its presiding officer. ~~A majority of the hearing panel constitutes a quorum.~~

If a decision is made by the hearing panel not to terminate a firm's enrollment in the Program, the hearing panel may determine whether and what remedial actions should be required of the firm to remain enrolled in the Program. The hearing panel has the authority to affirm, modify or reverse all or any part of the decision regarding actions previously required by the administering entity that administered the review.

If the hearing panel decides to terminate a firm's enrollment in the Program, ~~the firms with no AICPA members~~ has the right to appeal to ~~the AICPA Joint Trial Board~~ an independent appeal panel of the AICPA Peer Review Board (see section 6.1). ~~The Trial Board has the authority to affirm, modify or reverse all or any part of the Board's decision, but it does not have the authority to increase the severity.~~

1.6 **Parties to the Proceeding**

Only the affected firm and the AICPA peer review staff are parties to the proceeding. ~~Participation~~Intervention by third parties in proceedings shall not be permitted, except other parties may be present as provided in paragraph 3.7. The designated staff of the AICPA or other individuals with responsibility for presenting the charges to the hearing panel and the representative(s) of or on behalf of the affected firm may present evidence, call and question witnesses, and make arguments, including rebuttal arguments. AICPA's Office of General Counsel acts as counsel to the panel to advise on practice and procedures and may be present at the hearing and during any executive sessions.

2. THE RIGHTS OF PARTIES

2.1 **Right to Participate via Conference Call**

A party to a proceeding has the right to participate and be heard at a hearing which is conducted by conference call. In order to secure its right to participate, the firm

is required to notify AICPA staff at least 14 days prior to the hearing date of its desire to participate. Upon notification that the firm ~~does~~ wants to participate, the Board may reschedule the hearing to a day and time convenient to the panel, which may be fewer than 30 days from the originally scheduled date. If rescheduled, the firm will be notified as described in paragraph 3.3.

A firm may be represented by counsel, other representatives, or both. A hearing panel is empowered to conduct a hearing in the absence of a representative of the firm, provided a Notice of Hearing pursuant to section 3.3 has been properly served, and there is no compelling reason, in the view of the presiding officer of the hearing panel, not to proceed.

2.2 **Right to Present Evidence and to Cross Examine**

A party to a proceeding has the following rights in a hearing-

- a. To present evidence.
- b. To present arguments on issues relevant to the subject of the proceeding.
- c. To cross-examine witnesses at the hearing.

2.3 **Right to Copy of Transcript**

A firm that is a party to a proceeding who has participated by phone may request a copy of the transcript of the hearing when a transcript is prepared in accordance with section 4.3. The request must be made at the time of the hearing. Such a request does not stay the effective date of the decision.

3. *BASIC PRINCIPLES*

3.1 **Purpose of Rules of Procedures**

Although hearings conducted by a hearing panel are informal, these rules of procedures have been adopted to insure fairness and an orderly disposition of such proceedings.

3.2 **Rules of Evidence**

In hearings or appeal panels governed by these rules of procedures, the formal rules of evidence applicable to proceedings at law or in equity do not apply, and evidence that would be inadmissible in a court of law may be received so long as it is relevant in the discretion of the presiding officer. The hearing panel shall determine the weight to be given to any evidence.

3.3 Notification of Proceeding

Within a reasonable period of time after the Director of the Program or designee decides that it will conduct a hearing, ~~the staff of the Board~~ AICPA staff shall mail to the firm at least 30 days prior to the proposed hearing date, a “Notice of Hearing” containing a description of the charges against the firm, the time and date the hearing panel will hear the matter, and indicating that the firm has a right to participate by telephone as long as the firm advises the Director of the Program or designee at least 14 days prior to the hearing date of its desire to do so. Upon notification that the firm elects to participate, the Board may reschedule the hearing to a day and time convenient to the panel, which may be fewer than 30 days from the originally scheduled date. If rescheduled, AICPA ~~the staff of the Board~~ will notify the firm by mail of the new hearing date within five days of the firm’s notification of their wish to participate. The notice of hearing shall also advise the firm that it may answer the charges in writing as set forth in paragraph 3.4.

AICPA ~~The staff to the Board~~ shall present the hearing panel with a hearing memorandum containing the charges against the firm and the material upon which it intends to rely upon at the hearing. Copies of this hearing memorandum and related material shall be furnished to the firm at the time of the mailing of the Notice of Hearing. Such Notice, when mailed by registered or certified mail (postage prepaid), return receipt requested, or other means of delivery providing proof of delivery, addressed to the managing partner, shareholder, or sole owner (chief executive officer) of the firm at its last known address as reflected in Program’s enrollment records shall be deemed to be properly served.

The firm has the right to acknowledge the charges that are contained in the hearing memorandum. The firm would indicate that it acknowledges the charges against the firm by signing a statement included on the Notice of Hearing and returning it to the Director of the Program or his designee at least 14 days prior to the date on the Notice of Hearing. By acknowledging the charges, the firm waives its rights to a hearing, accepts the sanctions proposed by the charging authority and consents to disclosure per section 3.9 ~~publication as provided in AICPA Bylaw Section 7.6.~~

A copy of these rules of procedures shall accompany the Notice of Hearing to the firm.

3.4 Answer to Notice of Hearing

It is in the best interests of the firm to provide the hearing panel with an answer in writing to the charges and hearing memorandum enclosed with the Notice of Hearing, and the firm is requested to do so. In order for any such answer to be considered it must be timely filed with ~~the AICPA staff of the Board~~ as follows. To be timely filed, the answer must be received by ~~the AICPA staff to the Board~~ via registered or certified mail (postage prepaid), return receipt requested, or other means of delivery providing proof of delivery, or by electronic delivery with

confirmation of delivery (the firm has proof that the email was opened) at least 14 days prior to the date of the hearing. The answer may contain a denial of some or all of the charges, an explanation of some or all of the facts described in the hearing memorandum, any defenses being asserted, and any other information deemed relevant by the enrolled firm. No written or electronic submissions will be considered by the hearing panel after this period except in extraordinary circumstances and at the sole discretion of the presiding officer. The answer may be in the form of a reply memorandum to the memorandum and material accompanying the Notice of Hearing. In all cases, however, the firm is required to notify the AICPA staff at least 14 days prior to the date of the hearing whether the firm will participate in the hearing by conference call, the identity and affiliation of the individual(s) who will represent the firm, and who will participate on behalf of the firm at the hearing. See also Section 2.1

3.5 **Postponements**

A firm may request a postponement of a hearing for good cause. To be considered, any request for postponement must be received by the Director of the Program or his designee at least fourteen (14) days prior to the date scheduled for a hearing. Prior to the hearing, the presiding officer of the hearing panel, or Chair of the Board, if no presiding officer has been appointed, shall have sole discretion regarding the granting of a postponement. Only in extraordinary circumstances may a postponement be granted less than fourteen (14) days prior to the hearing date. Within a reasonable period of time from the date the postponement is granted, the presiding officer shall reschedule the hearing. A postponement is not a matter of right and will be granted only upon the showing of good cause.

A hearing panel, when in session for the purpose of hearing a case, may postpone or adjourn the hearing and designate a new date upon a showing of good cause. Such action shall be taken by a majority vote of the hearing panel in executive session.

Denial of a firm's request for postponement does not prevent the firm ~~whose request is denied~~ from reasserting the substance of its request as a basis for an appeal of a hearing panel's decision on the merits of the case to an appeal panel~~the AICPA Joint Trial Board~~.

3.6 **Witnesses**

Both the representatives of the firm and the staff or other individuals with responsibility for presenting the charges to a hearing panel may produce such witnesses as they deem appropriate. Witnesses will normally be excluded from a hearing except during such time as they are actually giving testimony. Since it is assumed they will testify truthfully, witnesses at a hearing will not be sworn.

3.7 **Confidentiality of Proceedings**

No hearing before a hearing panel shall be open to the public. However, relevant staff of the AICPA, and Board members may observe a hearing. Briefs, memoranda, documentary evidence introduced at hearings and stenographic transcripts of hearings, except as otherwise provided in Section 4.2, shall be available to the following on a confidential basis:

- a. The parties to the proceeding, observers to the proceeding as set out in the preamble above, and their consultants, advisors or representatives.
- b. The ~~AICPA Joint Trial Board~~ appeal panel (see section 1.5), if the firm appeals the decision by the hearing panel, members of the hearing panel, staff, and parties to the proceeding. ~~In addition, a firm's state board of accountancy, if such firm holds a permit or license to practice issued by a state board, shall be notified of any expulsions- firm enrollment terminations from the peer review program if the hearing panel decides, by majority vote, it is appropriate, and such decision is upheld by an ad hoc committee if appealed.~~
- c. Members of the AICPA Peer Review Board and hearing panel members.

3.8 **Decisions**

Once a hearing panel is convened to hear a case, every effort will be made to reach a decision while it is convened. Thus, all parties shall be prepared to present their full case at that time.

3.9 **Public Disclosure of Terminations**

If a firm's enrollment in the Program is terminated, the state board of accountancy issuing the firm's permit or license to practice shall be notified that fact shall be published as provided for in AICPA Bylaw Section 7.6 and the implementing resolution. ~~Also, the termination will be reflected in the records maintained by the AICPA so that individuals making inquiries about the firm may be so advised in accordance with the Standards for Performing and Reporting on Peer Reviews.~~

Information contained in the files of the AICPA or the administering entity regarding pending proceeding(s) and matters that may result in the initiation of a proceeding, are to be held in confidence but may be produced if legally required.

3.10 **Disqualification from Participating in a Proceeding**

The following preclude a person from participating in any part of a proceeding on behalf of the Board, ~~or~~ or serving on a hearing panel, or serving on an appeal panel:

- a. The individual's firm has performed a peer review in the last two peer review cycles of the affected enrolled firm's accounting and auditing practice.
- b. The individual has served on the review team that performed a peer review in the last two peer review cycles of the affected enrolled firm.
- c. The individual's firm is the subject of the proceeding.
- d. The individual serves on the board of accountancy of the state in which any office of the firm is located or where the firm has a license to practice public accounting.
- e. The individual serves on the peer review committee of the administering entity that administered the review.
- f. The individual serves in any enforcement capacity at the AICPA, state CPA society (including any professional ethics committee), state board, or on the AICPA Joint Trial Board.
- g. The individual believes he or she could not be impartial and objective with respect to the charges or has a conflict of interest.

Notwithstanding the foregoing, subject to confidentiality (see Section 3.7), peer review committee members may serve as a witness if requested by the peer review charging authority.

3.11 **Effective Date**

A decision by the hearing panel to terminate a firm's enrollment in the Program or to impose other sanctions shall become effective 30 calendar days after the decision is made, unless, with respect to a termination, an appeal has been filed by the affected firm to the appeal panel~~Joint Trial Board~~. A decision by the appeal panel~~Joint Trial Board~~ shall be effective immediately.

4. CONDUCTING A HEARING

4.1 **Responsibilities of the Presiding Officer**

The Chair of the Board or the Chair's designee shall appoint a member of the Board to serve as the presiding officer. The Chair can also appoint himself or herself as the presiding officer.

The presiding officer is to take action necessary to maintain order; rule on motions and procedural questions arising during the hearing; call recesses or adjourn the

hearing; examine witnesses (along with other members of the hearing panel); determine the admissibility of evidence; and take such reasonable actions as may be necessary to provide for a fair and orderly hearing.

4.2 **Panel Conferences When Firm Does Not Participate**

If a firm does not advise the AICPA staff that it will participate in the hearing as set forth in section 2.1, the hearing may be conducted by conference call of the panel members, the date of which shall be contained in the Notice of Hearing, as provided in paragraph 3.3, without further notice to the firm. During the conference call, the presiding officer calls the roll of the members of the hearing panel by firm name and announces whether a quorum (~~(see section 1.5)~~ is present. ~~-(A quorum is a majority of those members appointed to the hearing panel including the presiding officer.)~~ Thereafter, the panel members may discuss the hearing memorandum, any submissions by the firm, and any other matters they deem relevant to their decision. Only hearing panel members, relevant AICPA staff, and other Board members may listen in the telephone conference call. The hearing panel decides in executive session, without the presence of AICPA or the other observers, except the representative, if any, of the AICPA Office of the General Counsel may also be present at the executive session to advise the panel as to the appropriate rules of procedures. The hearing panel decides the case by polling all participating members, including the presiding officer (see section 5). A decision of the hearing panel requires the affirmative vote of a majority of the participating members. ~~In the event that~~ If the hearing panel is unable to reach a decision during the executive session, it may adjourn the hearing to such later date as it shall determine. When the firm is not participating, no transcript of the ~~-~~conference call hearing will be prepared. The firm shall be notified of the decision by letter via certified mail (postage prepaid, return receipt requested, or other means of delivery providing proof of delivery) within a reasonable period of time after the decision. ~~The decision of the hearing panel will also be read into the open and/or closed session minutes of the next meeting of the Board.~~

4.3 **Order of Proceedings**

If a firm advises that it will participate in the hearing as set forth in section 2.1 and 3.4, the hearing shall be conducted in accordance with the following rules:

- a. The presiding officer calls the session to order, identifies a representative of the office of General Counsel, if present, who will serve as legal counsel to the panel, identifies the case by firm name and firm number, and determines that a reporter is present and prepared to make a transcript of the hearing.
- b. The presiding officer requests that the representatives of the enrolled firm and counsel, if any, identify themselves for the record.

- c. If no representatives of the firm are present, the presiding officer may proceed if he or she determines on the record that it is appropriate to do so.
- d. He or she calls the roll of the members of the hearing panel. The presiding officer asks all those present to identify themselves for the record. The presiding officer announces for the record whether a quorum is present. (A quorum is a majority of those members appointed to the hearing panel, including the presiding officer.)
- e. The presiding officer states for the record a brief summary of the subject of the hearing and the authority for holding it.
- f. The presiding officer states that the hearing will be conducted under these rules of procedures, noting in particular the informal nature of the hearing, especially as it relates to rules of evidence, and the need to maintain confidentiality.
- g. The presiding officer allows the parties to the proceeding to state for the record any objection they have to any prehearing proceeding, such as service of the Notice of Hearing, and to make any prehearing motions they have, such as request for postponement (see Section 3.5).
- h. The presiding officer requests the parties to the proceeding to identify their witnesses for the record.
- i. The presiding officer requests the staff or other individuals with the responsibility for presenting the charges to the hearing panel to present the evidence against the firm. In the course of this presentation, which may include taking testimony from witnesses, any exhibits to be introduced as evidence are passed to the representative of the firm for inspection. They are then passed to the presiding officer, who indicates orally whether they are to be admitted. The presiding officer should see that all documentary and physical evidence is marked for identification and that a list is kept that describes the exhibit and its identification.
- j. The presiding officer permits the following individuals to question witnesses called on behalf of the Board upon completion of their testimony:
 - i) The representatives of the enrolled firm, or counsel.
 - ii) Members of the hearing panel and the representative from the Office of the General Counsel, if present.
- k. The presiding officer requests the representatives of the firm, or counsel, to present any evidence in the firm's defense, following the same procedures in (i) above.

- l. The presiding officer permits the following individuals to question witnesses called on behalf of the firm upon completion of their testimony:
 - i) The staff or other individuals with responsibility for presenting the charges to the hearing panel.
 - ii) Members of the hearing panel and the representative from the Office of the General Counsel, if present.
- m. The presiding officer permits the individual(s) with the responsibility for presenting evidence against the firm to offer rebuttal evidence.
- n. The presiding officer permits the representatives of the firm, or counsel, to make a closing statement that is then followed by the closing statement of the individual(s) with responsibility for presenting evidence against the firm.
- o. The presiding officer requests that all individuals other than the members of the hearing panel and its counsel, if any, disconnect from the conference call. (If for any reason the members of the hearing panel desire to speak with any other individual after this point, the representatives of the enrolled firm including its counsel, if any, shall be recalled to observe the discussion.)
- p. In the executive session, the hearing panel discusses and decides its disposition of the case by polling all participating members, including the presiding officer (see section 5). A decision of the hearing panel requires the affirmative vote of a majority of the participating members. In the event that the hearing panel is unable to reach a decision during the executive session, it may adjourn the executive session to such later date as it shall determine or it may agree to reach its final decision by telephone.
- q. If a decision is reached on the day of the hearing, all persons present prior to executive session and the reporter are recalled (assuming they are still available) for the purpose of recording the decision. If a decision cannot be reached on the day of the hearing, the parties to the proceeding shall be informed of the decision by letter, which is to be mailed within a reasonable period of time after the decision in the same manner as a Notice of Hearing (see section 3.3).

5. THE HEARING PANEL'S DECISION

5.1 Decisions to be Made

All hearing panels must make the following determinations based on the evidence presented at the hearing.

- a. Whether the facts, as determined, support the charges brought against the firm.
- b. Whether the charges brought are a violation of the *Standards for Performing and Reporting on Peer Reviews* established by the Board.
- c. Whether the firm's enrollment in the Program should be terminated.
- d. Whether and what remedial actions should be required of the firm if its enrollment is not terminated.

A hearing panel will not reconsider a prior decision when a firm corrects the matter causing the hearing after the hearing is held. The completion of required actions after a decision has been made to terminate the firm's enrollment does not negate the fact that the firm has failed to cooperate and the firm is not deemed to be in compliance with the requirements of the Program.

However, this does not preclude the Board's Chair from deciding that a hearing panel (but not necessarily the same hearing panel that decided the matter initially) should reconsider a prior decision when there is new evidence, that was not available to the hearing panel and which is likely to have made a difference in the hearing panel's decision. The procedures to be used in such instances shall be at the discretion of the Chair. Firms ~~that completed required actions after termination~~ may request reenrollment into the program in accordance with guidance governing reenrollment. ~~However, notice of the termination shall be published as required by Bylaw Section 7.6 and the implementing resolution.~~

~~5.23~~ Burden of Proof

A determination that the facts support the charges brought against the firm must be based on the preponderance of the evidence and the charging authority has the burden of proof as to the charges it brings.

6. APPEALS

~~65.12~~ Appeal of Hearing Panel Decisions

As noted in section 1.5, a firm enrolled in the Program will have the right to appeal a decision of a hearing panel to terminate the firm's enrollment to the AICPA Joint Trial Board and an independent appeal panel. However, the firm will not have the right to appeal a panel's decision when the hearing panel has imposed sanctions other than termination.

In order for a request for appeal to be considered, it must be sent via registered or certified mail (postage prepaid), return receipt requested, or other means of delivery providing proof of delivery, or by electronic delivery with confirmation of delivery (the firm has proof that the email was opened) and received by AICPA staff. Such request must be received within 30 calendar days of the date of the notice of the decision. The request must be made within the 30-day time limit without regard to the date on which the transcript becomes available.

The firm requesting the appeal has the burden of proof to convince the appeal panel that the decision of the hearing panel should be changed. The appeal request, be in writing, mailed in accordance with 3.3 and shall set forth the petitioner's reasons why the decision of the Board should be modified or set aside. The request may be supplemented by any relevant material, including material not submitted at the hearing before the hearing panel, provided such supplementary material is filed with AICPA staff within 15 days after the expiration of the 30-day period for requesting review. If no reasons for requesting the review appeal are given or no additional relevant material is provided within the prescribed time limits, the request for review appeal will be deemed invalid.

Upon receipt of a request for appeal of a decision, an independent appeal panel consisting of least three members of the Board, who did not participate in the prior proceedings in the case, will be appointed to act on the request. One member of the panel will be appointed as the presiding officer by the Chair or the Chair's designee. Members of the appeal panel ad hoc committee will be precluded from participation in a proceeding if any of the disqualifying conditions (see section 3.10) are identified.

Appeal panels will be conducted by telephonic conference. Petitioners and their counsel, if any, may participate by telephone. Staff of the Board will provide the petitioner will be provided at least 30-days' notice of the time of the telephonic conference for the appeal. provided to

The appeal panel reviews will be provided the stenographic transcript of the hearing before the hearing panel (if applicable), copies of all exhibits filed with the hearing panel, and all papers/documents filed in connection with the request for review appeal. The record on the appeal may be supplemented by any additional matter which the review appeal panel ad hoc committee considers to be relevant (See section 3.2) and of sufficient importance to merit consideration on review. The firm requesting the appeal has the burden of proof to convince the ad hoc committee that the decision of the hearing panel should be changed. The appeal panel ad hoc

committee has the authority to affirm, modify, or reverse any part of the hearing panel's decision but does not have the authority to increase severity.

The appeal panel decision is final.

~~However, the firm will not have the right to appeal a panel's decision when they have imposed sanctions other than termination.~~

~~5.3~~ **Burden of Proof**

~~A determination that the facts support the charges brought against the firm must be based on the preponderance of the evidence and the charging authority has the burden of proof as to the charges it brings.~~

Approval of Guidance Changes Related to Annual Submission of Peer Review Information (PRI)

Why is this on the Agenda?

As noted during its meeting on May 12, 2017, the Peer Review Board (PRB) intends to collect information annually by requiring firms to complete a Peer Review Information (PRI) submission each year.

Therefore, AICPA Staff is proposing guidance changes to require the annual submission of PRI and to revise the must-cover definition related to concentrations of A&A hours in System Reviews.

Required Annual Submission

As recommended by the PRB and to allow for an adequate transition period, annual PRI submissions will be optional upon initial programming in PRIMA. Noncooperation procedures will be followed to require annual PRI submissions beginning the year following a firm's peer review year ending after May 1, 2018.

The timing of annual PRI requests will coincide with a firm's peer review year. The examples below outline the timing of when PRI submissions will be required based on the peer review year end.

Firm with a peer review year end of December 31, 2017:

Period Covered by PRI	Requirement
01.01.2018 – 12.31.2018	Optional
01.01.2019 – 12.31.2019	Optional
01.01.2020 – 12.31.2020	Peer Review Year – Required for scheduling
01.01.2021 – 12.31.2021	Required

Firm with a peer review year end of May 31, 2018:

Period Covered by PRI	Requirement
06.01.2018 – 05.31.2019	Peer Review Year – Required for scheduling
06.01.2019 – 05.31.2020	Required

Revised Practice Area and Industry Codes and Must-Cover Definition

The revisions to the list of practice area and industry codes were developed by a PRB task force after considering which codes should be aggregated (or disaggregated) to capture an appropriate level of detail to determine specific industry concentrations that would require certain experience of the peer reviewer.

Changes developed by the PRB task force include:

- Some nomenclature changes and grouping of codes most closely associated with current Audit and Attest (A&A) Guides, and where applicable, categories will be included to note the most current A&A guides.
- School districts will be removed from the must-cover definition and included as an 'Other Practice Area or Industry'.

-
- The “Top 3” requirement to determine must-cover concentrations in system reviews will be eliminated, which was applicable when firms did not have any practice areas and industries that consisted of 10% or greater of total A&A hours.

Feedback Received

Members of the Standards Task Force (STF) proposed the revisions to interpretation 5h-1 to indicate timely submissions are required, and for School Districts to be removed from the must-cover definition, but retained as an “Other Industry or Practice Area”.

PRIMA Impact

Planned changes to programming will be effective May 1, 2018.

AE Impact

In addition to PRI submissions to schedule a firm’s peer review, AEs will approve PRI submissions in the intervening years.

Communications Plan

A Reviewer Alert article will be developed upon PRB approval, with subsequent reminders.

Manual Production Cycle (estimated)

April 2018

Effective Date

May 1, 2018.

Board Consideration

Based on the changes to guidance outlined in the attachments, please consider:

1. Agenda Item 1.5A for approval of changes to Interpretation 5h-1 to allow for dropping firms from the program for failure to timely represent their A&A practices annually.
2. Agenda Item 1.5B for approval of changes to Interpretation 63-3 to remove school districts from the list of must-cover engagements, and to remove the requirement for firms to indicate the top three industries when none exceed 10% of total A&A hours.
3. Agenda Item 1.5C for approval of conforming changes to PRP 4100.
4. Approval of conforming changes to remove industry code lists from the following locations in the Peer Review Program Manual since these lists will be maintained within the PRIMA system:
 - a. PRP 4113
 - b. PRP 4806
 - c. PRP 6110

Proposed Peer Review Program Manual Revision to Interpretation 5h-1

The purpose of the changes proposed below is to require annual submissions of Peer Review Information (PRI) through noncooperation procedures, which would drop firms from the Peer Review Program when failing to submit in a timely manner. See proposed guidance changes below in Track Changes.

PRP Section 2000, Interpretation 5h-1

Question—Paragraph .05(h) of the standards notes that firms enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm’s enrollment in the program, including arranging, scheduling, and completing the review and taking remedial, corrective actions as needed (paragraph .143 of the standards). Under what circumstances will a firm be not cooperating, and what actions can be taken by the board for noncooperation?

Interpretation—The board has issued a resolution regarding dropping a firm’s enrollment from the program that is as follows:

AICPA Peer Review Board Resolution (Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, January 30, 2014, September 30, 2014 , and September 27, 2016)

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required to have a peer review once every three years performed in conformity with the AICPA Standards for Performing and Reporting on Peer Reviews; and

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required under the AICPA Standards for Performing and Reporting on Peer Reviews to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board in all matters related to the review, that could impact the firm’s enrollment in the program;

NOW, THEREFORE, BE IT RESOLVED: A firm’s enrollment in the AICPA Peer Review Program will be dropped by the AICPA Peer Review Board, without a hearing, thirty days after the AICPA Peer Review Program notifies the firm by certified mail, or other delivery method providing proof of receipt that the firm has failed to:

(1) ~~Timely file submit requested required annual peer review~~ information ~~with the entity administering the firm’s peer review concerning the arrangement or and additional information necessary to schedule a peer review scheduling of that peer review~~, prior to the commencement of the peer review,

(2) Timely submit requested information to the reviewer necessary to plan or perform the firm’s peer review, prior to the commencement of the peer review,

(3) Have a peer review by the required date,

(4) Accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, after notifying its administering entity that it does not perform engagements that require the firm to have a peer review,

(5) Timely pay in full the fees and expenses of the review team formed by an administering entity, or

(6) Timely pay all fees related to the administration of the program that have been authorized by the governing body of an administering entity and the AICPA.

The AICPA Peer Review Board may at its discretion decide to hold a hearing. Whether a hearing is held or not, firms with AICPA members enrolled in the AICPA Peer Review Program have the right to appeal to the AICPA Joint Trial Board and firms without AICPA members have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of being notified that the firm's enrollment has been dropped.

If a firm's enrollment is dropped for not accurately representing its accounting and auditing practice as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, or subsequent failure to submit a peer review by a required due date, the matter may result in an investigation of a possible violation by an appropriate regulatory, monitoring, or enforcement body. If a firm's enrollment is dropped for such an omission or misrepresentation, re-enrollment will be subject to approval by a hearing panel.

Proposed Peer Review Program Manual Revision to Interpretation 63-3

The purpose of the proposed changes is remove school districts from the list of must-covers, and to remove the “Top 3” requirement from Interpretation 63-3. See proposed guidance changes below in Track Changes.

PRP Section 2000, Interpretation 63-3

Question—Paragraph .63 of the standards requires that specific types or number of engagements must be selected in a System Review as well as specific audit areas. What is the difference between a must select and a must cover engagement?

Interpretation—Must select engagements must be included in the sample of engagements selected for review. A must cover industry does not have to be selected for review, however, either the team captain or a team member must have at least recent experience in the industry to aid in the risk assessment process and determination of whether an engagement from the must cover industry should be selected for review.

The Board periodically assesses engagements to determine which may have the most significant public interest of the moment. These engagements are deemed to be must cover engagements. Currently, the list includes ~~school districts, and~~ state and local governments. These engagements, in addition to the must select engagements (as described in Interpretation No. 63-1), are must cover engagements for all firms. A firm may have additional must cover industries based on the concentration of its practice that subjects it to a System Review (as described in paragraph .07 of the standards). Industries in which a firm’s practice that subjects it to a System Review has a 10 percent or more concentration ~~or the firm’s three largest industry concentrations (if none represent more than 10 percent)~~ are also considered must cover engagements.

A team member must have recent experience in and knowledge about rules and regulations appropriate to the level of service applicable to the industries of the engagements the individual will be reviewing, regardless of whether the engagement is a must select or must cover.

Proposed Conforming Changes to the Peer Review Program Manual (PRPM)

The purpose of the proposed change below is to reflect current the practice areas and industries as a result of revisions to Interpretation 63-3 (See Agenda Item 1.5B). The excerpt below from PRP Section 4100 shows where school districts have been removed. Other conforming changes to remove mention of school districts as a must-cover will be made as necessary.

PRP Section 4100, Instructions for Firms Having a System Review

PRP Section 4110 – Question 9:

On the schedule of engagements, peer review must select and must cover engagements should be listed separately (Interpretations 63-1 and 63-3), including: audits of employee benefit plans subject to ERISA, engagements performed under Government Auditing Standards (including single audits), audits of depository institutions with \$500 million or more in total assets, carrying broker-dealers and examinations of service organizations (SOC 1 and SOC 2 engagements), ~~school-districts~~ and state and local governments. If multiple engagements are performed for the same client, they should be identified separately. In addition, engagements that involve other offices of the firm or that were performed with other firms' assistance should be identified.

Proposed Revisions to the RAB Handbook – Limited Restrictions on Reviewers

Why is this on the Agenda?

The RAB Handbook currently states that an individual may not serve as a peer reviewer, a technical reviewer, a committee member or a RAB member if his or her ability to perform peer reviews has been limited or restricted.

Staff recommends revising Chapters 1, 2 and 8 of the RAB Handbook so that individuals who have a limited restriction (e.g. volume, industry, etc.) placed on their ability to schedule and perform peer reviews by an enforcement body may, with the approval of OTF, continue to perform peer reviews, QCM reviews and technical reviews and serve as peer review committee members or RAB members. Generally, any restrictions on an individual's ability to practice public accounting or perform peer reviews will remain blanket restrictions preventing an individual from filling such roles. However, OTF will review the details supporting a limited restriction (such as those imposed by Ethics). This process gives OTF opportunity to accept the limited restriction or, if applicable, override the limited restriction and impose a full restriction. See Agenda Items 1.6A, 1.6B, and 1.6C for recommended changes.

Reason for the Requested Change

Administering entities have expressed concern that the blanket restrictions currently imposed on peer reviewers as a result of an Ethics investigation are burdensome when such restrictions are placed on high-volume reviewers or committee members. If the results of an investigation performed by an enforcement body such as Ethics indicate a limited peer review risk, then the resulting peer review restriction should also be limited.

In the opening investigation letter, Ethics asks respondents to waive their right to confidentiality related to their firm's peer review information. Most respondents provide that waiver. Once the waiver is obtained and upon request from Ethics, peer review staff may provide any objective information about the respondent's last and, if applicable, current peer review.

If the respondent is also a peer reviewer, peer review staff can provide additional peer reviewer information, such as:

1. Number of reviews performed during the last twelve months
2. Number of reviews currently scheduled to be performed
3. Number of reviews currently scheduled that include the specific industry under investigation
4. Copies of feedback forms or deficiency letters
5. If the respondent serves on a peer review committee

Once the investigation is completed, Ethics issues a Required Corrective Action (RCA) letter or settlement agreement (SA) which outlines the actions required of the respondent. Based on the severity of the findings, results of the investigation and the above reviewer information, the Technical Standards Subcommittee may:

1. Place a complete restriction on the respondent which does not permit them to schedule or perform peer reviews or act as committee/RAB members or technical reviewers (as current guidance indicates), or

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2. Place a limited restriction on the respondent which restricts them from reviewing any engagements in the specific industry under investigation.

Imposing a limited peer review restriction from Ethics is not consistent with the current guidance in Chapter 8 of the RAB Handbook.

Staff believes that allowing reviewers to continue performing peer reviews while being subject to a limited restriction imposed by Ethics is similar to current reviewer performance guidance that allows reviewers to continue performing reviews while being subject to corrective actions such as industry or volume restrictions imposed via performance deficiency letters.

Feedback Received

Administering entities have asked that Ethics consider imposing, when appropriate, a limited peer review restriction versus the current practice of imposing a complete restriction.

PRIMA Impact

Reviewer monitoring codes in PRIMA will have to be revised to include limited restrictions. Until those revisions are made, the relevant industry codes will be removed from the reviewer's resume in PRIMA.

AE Impact

AEs will have to assess the impact of limited restrictions on committee members, RAB members and technical reviewers. AEs may need to consider and consult with staff for assistance when making such assessments.

Communications Plan

Staff expects to inform administering entities of the changes during an AE bi-weekly call. In addition, staff will contact each administering entity affected by these changes until PRIMA is programmed to allow limited restrictions.

Manual Production Cycle (estimated)

Revisions to the RAB Handbook will be made in the first manual production cycle following the Board's approval of the changes.

Effective Date

Immediately upon Board approval.

Board Consideration

The Board is asked to review and approve proposed revisions to Chapters 1, 2, and 8 of the RAB Handbook (as shown in Agenda Items 1.6A, 1.6B, and 1.6C) to allow, when appropriate, peer reviewers with a limited peer review restriction to perform peer reviews, serve on peer review committees, serve as RAB members, and perform technical reviews.

PRP Section 3300

AICPA Peer Review Program Report Acceptance Body Handbook

Chapter 1

Formation, Qualifications, and Responsibilities of ~~T~~he Administering Entity Peer Review Committee and Report Acceptance Bodies

II. Qualifications of Committee or RAB Members

Members of a committee or a RAB must meet minimum qualification requirements as prescribed in the standards and interpretations.

A. Committee Members

A majority of the peer review committee members and the chairperson charged with the overall responsibility for administering the program at the administering entity should possess the qualifications required of a team captain in a System Review. (See B.4 in the following text.) (Interpretation No. 132-1 of [par. .132](#) in PRP sec. 1000, *Standards for Performing and Reporting on Peer Reviews* [PRP sec. 2000]).

All committee members must be AICPA members in good standing, whether conducting committee member duties for firms with or without AICPA members. A committee member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed.

If a committee member's ability to perform peer reviews has been restricted as a result of an investigation performed by a regulatory agency such as AICPA's Professional Ethics Team ("Ethics") the extent of the restriction will determine whether the committee member meets the qualifications to be a committee member. If the restriction imposed is a total restriction, the individual no longer meets the qualifications and may not serve as a committee member.

If the restriction imposed by the regulatory agency, such as Ethics, is limited to a specific industry or engagement type (e.g. employee benefit plans or audits), an assessment should be done by the administering entity. The assessment should determine the effect of the limited restriction on the individual's ability to serve as a committee member. The assessment includes, but is not limited to understanding the nature of the investigation that led to the limited restriction and the conclusions of the investigation.

Reinstatement as a committee member would be at the discretion of the administering entity (AE) or committee.

B. RAB Members

1. Each member of an administering entity's report acceptance body charged with the responsibility for acceptance of peer reviews must ([Interpretation No. 132-1](#))
 - a. be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a report acceptance body member should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements ([Interpretation No. 132-1a](#)).
 - b. be associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last three years and six months ([Interpretation No. 132-1b](#)).

If a committee member's firm's most recent review was an ~~engagement report~~ review, then the member is not eligible to be charged with the responsibility for acceptance of a peer review (sec. 1000 par. .31c, [footnote 7](#)).

- c. if the member is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of QCM and is required to have a QCM review under the standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of *pass* for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.
- d. demonstrate proficiency in the standards, interpretations, and guidance of the program by completing training that meets the team captain training requirements established by the board within 12 months prior to serving on the committee or during the first year of service on the committee.^{fn 1} The peer review training and

^{fn 1} [See Interpretation No. 33-1.](#)

the criteria for demonstrating proficiency in the standards, interpretations, and guidance of the program is established from time to time by the board. Those criteria are located on the Peer Review page of the AICPA website. ([Interpretation No. 132-1c](#)).

- e. be an AICPA member in good standing, whether conducting report acceptance body member duties for firms with or without AICPA members. ([Interpretation No. 132-1d](#)).
 - g. at least one member of the RAB considering a peer review that includes (1) engagements performed under *Government Auditing Standards* (GAS, also known as the Yellow Book) including engagements performed subject to the Single Audit Act (also known as Single Audits), (2) audits of employee benefit plans conducted pursuant to the Employee Retirement Income Security Act of 1974 (ERISA), (3) audits of a federally insured depository institution (FDICIA) having total assets of \$500 million or greater at the beginning of its fiscal year, (4) audits of carrying broker-dealers or (5) examinations of service organizations (SOC 1 and SOC 2 engagements) must have **current** experience in such engagements or a national RAB consultant with the applicable experience may be utilized.
2. The committee and RABs should have broad industry knowledge in the specialized industries served by firms whose reviews are under consideration. However, it is unnecessary for all committee or RAB members considering such firms' reviews to have knowledge in these specialized industries.
 3. A majority of the RAB members and the chairperson charged with the responsibility for acceptance of System Reviews should possess the qualifications required of a System Review team captain. ([Interpretation No. 132-1](#)).

A RAB member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. If an individual's ability to perform peer reviews has been restricted as a result of an investigation performed by a regulatory agency such as Ethics the extent of the restriction will determine whether the individual may or may not serve as a RAB member. If the restriction imposed is a total restriction, the individual no longer meets the qualifications and may not serve as a RAB member

If the restriction imposed by the regulatory agency, such as Ethics, is limited to a specific industry or engagement type (e.g. employee benefit

plans or audits) an assessment should be done by the administering entity. The assessment should determine the impact of the individual to serve as a RAB member. The assessment includes, but is not limited to understanding the nature of the investigation that led to the limited restriction and the conclusions of the investigation.

Reinstatement as a RAB member would be at the discretion of the AE or committee.

In addition to adhering to the general requirements to be a peer reviewer, a System Review team captain must (1) be a partner, (2) complete the initial training requirements for a team captain, and (3) maintain qualifications by meeting the ongoing training requirements for a team captain.

PRP Section 3300

AICPA Peer Review Program Report Acceptance Body Handbook

Chapter 8

Reviewer Qualifications, Responsibilities, and Performance

II. Reviewer Qualifications

A. Eligibility to Schedule and Perform Peer Reviews

The standards (sec. 1000 [par. .31](#) and [.34](#)) discuss the minimum requirements that an individual must meet and maintain in order to fulfill reviewer qualifications. Those qualifications must be continually maintained in order to schedule and perform reviews. Situations may arise in which the AE, board, or staff determines that the reviewer currently may not longer possess one or more of the qualifications. Such situations may include, but are not limited to, the following:

- AICPA membership is no longer active or is suspended.
- Failure to maintain valid license(s) to practice as a CPA.
- Failure to be currently active in public practice as a partner of the firm or as a manager or person with equivalent supervisory responsibilities.
- Not presently involved in the accounting or auditing practice of a firm supervising one or more accounting or auditing engagements or carrying out a quality control function on a firm's accounting or auditing engagements.
- No longer associated with an enrolled firm (unless the reviewer has transitioned to a new firm and meets the requirements of [Interpretation No. 31b-1](#)).
- The reviewer's firm's peer review was not accepted timely, ordinarily within the last three years and six months. If a valid extension is approved by the AE, the review working papers and report should be submitted by the approved extended due date. In other words, there is an expectation that the working papers would be received by the AE within six months after the reviewer's firm's peer review year-end (see [Interpretation No. 31c-1](#)).

- The reviewer’s firm’s most recent peer review resulted in a report rating of *pass with deficiencies* or *fail*.
- The reviewer has received communications from regulatory, monitoring, or enforcement bodies relating to limitations or restrictions on the reviewer or the reviewer’s firm’s right to practice or perform peer reviews.

When an individual does not possess all of the qualifications required by the standards, he or she would no longer be eligible to schedule or perform peer reviews in any AE. This includes being a team captain, review captain, team member, QCM reviewer, committee member, or RAB member. Once it is established that the qualification requirements are not met, the reviewer must not commence, continue to perform, or participate in a peer review until it has been determined that he or she possesses the qualifications.

V. Reviewer Qualifications—Allegations, Investigations, or Limitations or Restrictions

B. Notifications Relating to Limitations or Restrictions

The Responsibility of the Reviewer and Reviewing Firms

The reviewer and reviewing firm should notify the AICPA technical staff ~~and then~~ all relevant AEs of any limitations or restrictions on the reviewer’s or reviewing firm’s ability to practice or perform peer reviews. For these purposes, a *limitation or restriction* is a corrective or disciplinary action or sanction imposed on a reviewer or reviewing firm by a regulatory body. Examples include constraint of scope or volume of accounting and auditing engagements, required periodic reporting to the regulatory body, pre-issuance reviews of engagements, or additional peer review or professional education requirements.

The notification should occur prior to the reviewer or reviewing firm being engaged to perform a review or immediately if approved or currently performing a review. The objective of the reviewer or reviewing firm informing the AICPA technical staff then relevant AEs of such limitations or restrictions is to enhance the program’s oversight process, which includes ensuring that reviewers and reviewing firms are appropriately qualified to perform reviews.

An individual may not serve as a reviewer if his or her ability to practice public accounting or perform peer reviews has been ~~limited or~~ restricted ~~in any way (including any specific industry restrictions)~~ by a regulatory, a monitoring, or an enforcement body, beginning on the date that he or she is notified ~~by the regulatory or enforcement body~~ of the ~~limitation or~~ restriction and ending on the date that the ~~limitation or~~ restriction has been removed.

If a reviewer’s ability to perform peer reviews has a limited restriction as a result of an investigation performed by a regulatory agency such as the AICPA’s Professional Ethics Team (“Ethics”), the extent of the restriction will determine

whether the reviewer still meets the qualifications. The Oversight Task Force (OTF) will assess whether the reviewer is qualified to perform any peer reviews or if the reviewer is restricted from reviewing specific industry or engagement types (e.g. employee benefit plans or audits).

Administering entities should refer to Section V. I. in this chapter and assess the effects of a limited restriction on active reviews assigned to a reviewer.

If the limitation or restriction has been placed on the reviewer's firm or one or more of its offices, then the ~~OTF~~board will consider and investigate the specific circumstances, including how the limitation or restriction relates to the firm's accounting and auditing practice and personnel, to determine whether any of the individuals associated with the firm may serve as reviewers.

F. Initial Considerations by the Board When a Reviewer ~~or and~~ Reviewing Firm Has ~~ve~~ a Limitation or Complete Restriction

Temporary Suspension Letter Due to a Limitation or Restriction

Upon receipt of notification of a complete restriction placed upon a reviewer's ~~or and~~ reviewing firm's accounting and auditing practice or ability to perform peer reviews, the AICPA must promptly notify the reviewer and firm that in accordance with the standards, beginning with the date the reviewer or reviewing firm received notification from a government or regulatory authority of the ~~limitation or~~ restriction, they are not qualified to perform peer reviews.

Additionally, in the case of a limitation on a reviewer's or reviewing firm's ability to practice, the Oversight Task Force (OTF) will evaluate whether the reviewer is qualified to perform any peer reviews or if the reviewer is restricted from reviewing specific industry or engagement types (e.g. employee benefit plans or audits). ~~board will temporarily suspended the reviewer or reviewing firm from performing peer reviews until the board's further evaluation of the limitation or restriction.~~ This evaluation will include the status of any reviews that the reviewer and firm is or was associated with since the date of notification by a government or regulatory authority. All AEs where the reviewer has performed or is scheduled to be performing peer reviews will be copied on the letter.

Staff will contact the reviewer and firm on a timely basis to discuss the limitation or restriction, related suspension, and effect on reviews that the reviewer and firm is associated with, beginning with the date of notification of the limitation or restriction from the government or regulatory authority. Discussions should include how each review will be treated or approached; the possible ramifications for the existence of a peer review report issued by an unqualified reviewer; and a suggestion that the reviewer and firm consult with their legal counsel and that if the reviewer and firm deem it appropriate, they should consider withdrawal of their peer review report(s). A representative of the affected AE should consider

participating in these discussions. This communication with the reviewer should be documented.

G. Final Considerations by the Board When a Reviewer ~~or and~~ Reviewing Firm Has a Limitation or Complete Restriction ~~Related to an Audit, Accounting, or Attest Practice~~

The board will delegate this responsibility to its Oversight Task Force (OTF) (or one of its other task forces, such as the NPRC for reviews administered by the NPRC^{fn 22}) under the board's direction. Staff, the OTF, the NPRC, and the board will work together to ensure that there is a timely response in accord with the particular matter.

The reviewer, reviewing firm, or AICPA technical staff may receive notification or knowledge of a limitation or restriction on a reviewer ~~or a and-reviewing~~ firm when a review is in different stages. In these circumstances, the board will consider various factors in determining if the review should be rescheduled or oversights, other additional procedures should be performed, or a new review should be performed (see [Interpretation No. 34](#)).

A limitation or restriction may be imposed by a regulator for a set time period or permanently and may be related to a reviewer's and firm's performance over a period of time or a particular incident. Ordinarily, the board will consider whether to, at a minimum, suspend or disqualify a reviewer and firm for the same period of the limitation or restriction imposed by the regulator. Thus, if the reviewer and firm is permanently limited or restricted, then the reviewer and firm is permanently disqualified from performing reviews. Similarly, if the reviewer and firm is limited or restricted for a calendar year, then the reviewer and firm is disqualified from performing reviews during that calendar year. The board may determine, based on the circumstances, to suspend a reviewer and firm for a longer period of time or request the performance of remedial actions in addition to the disqualification.

The board's evaluation will include the analysis of the status of any reviews that the reviewer and firm are or were associated with since the date of notification by a government or regulatory authority, regardless of their status.

The standards indicate that a reviewer and firm are not qualified to perform reviews if they have been limited or restricted. The board will make final

^{fn 22} The National Peer Review Committee (NPRC) possesses a unique knowledge base of the firms that it administers, a fair number of which have Securities and Exchange Commission clients or are larger sized, in turn making it more appropriate for it to address limitation or restriction issues within those firms under the oversight of the board, which will ensure the NPRC's consistency with the principles of this guidance.

determinations when the AICPA technical staff receives notification or knowledge of the limitation or restriction. This includes determinations regarding the scope, applicability, and time frame of the disqualification and the effect on reviews scheduled to occur or that have occurred during the limitation or restriction period or reviews that have not yet been accepted, completed, and had their working paper retention period expire. The board should read the full communication relating to the limitation or restriction; understand the scope, applicability, and time frame of the limitation or restriction; and consider and discuss the circumstances to determine its final decision on the matter. Factors that the board will consider include, but are not limited to, the following:

1. The type of peer review and the role of the peer reviewer for each preceding review
2. The date of notification to the reviewer and reviewing firm by a government or regulatory authority of the limitation or restriction in comparison with the date of notification from the reviewer and firm to the AICPA technical staff
3. Whether the reviewer and firm appropriately and timely notified the AICPA technical staff of the limitation or restriction, in compliance with the standards
4. Whether the reviewer and firm scheduled reviews without notifying the AICPA technical staff of such limitations or restrictions
5. Whether the limitation or restriction is related to a particular type of service (tax versus audit and attest or audits, reviews, or compilations); industry oversight; regulatory oversight, such as engagements falling under the purview of a particular regulator (for example, [PCAOB]); or state board of accountancy oversight
6. Whether the limitation or restriction is permanent or indefinite in duration (that is, restricted from performing audits until the firm complies with some requirement, but the firm has chosen to no longer perform audits, so the limitation or restriction will always be there)
7. Whether the limitation or restriction is temporary
8. The history of qualification, performance, and noncooperation matters and any other information relevant to these matters.
9. In the case of a limited peer review restriction imposed by Ethics, when assessing whether a limited restriction is appropriate, OTF will consider the Ethics agreement that describes the violations of professional standards as well as the reviewer's peer review history.

Some of these factors may weigh more heavily in the board's consideration than others, depending on the circumstances. For instance, if the PCAOB sanctioned a peer reviewer relating to his or her performance on various generally accepted auditing procedures on all of his firm's Securities and Exchange Commission (SEC) engagements, it would weigh more heavily than if the sanction related to accounting for one item only typically seen on SEC engagements. Similarly, if a state board of accountancy restricted a licensee's (reviewer's) ability to perform audits in his or her state for one year, it would weigh more heavily than if it had suspended him or her from performing compilations until he or she obtained the appropriate individual or firm license to perform such engagements in that state. Lastly, if the reviewer and firm did not appropriately and timely notify the AICPA technical staff of the limitation or restriction, in compliance with the standards, this will weigh heavily on the board's decision because non-notification could demonstrate noncooperation with the program.

The board may decide, based on the preceding factors, that the suspension or permanent disqualification may apply to the role of the peer reviewer on the team (team captain or team member to review only a particular engagement or industry); to a particular type of service (for example, just audits) or industry(ies); or another type of work or peer review—system or engagement.

The board's final decision about the effect of the limitation or restriction on the reviewer's and firm's qualifications must be made ordinarily within three weeks of the initial notification or communication to ensure a prompt response to the issue. The reviewer and firm will be notified of the details of the final decision, including, if applicable, its scope, applicability and time frame. The reviewer and firm will be notified that the final decision will apply to reviews administered by all AEs and that the reviewer and firm may appeal the decision by writing to the board explaining why they believe that the actions are unwarranted.

Based on the evidence submitted to the board, the board may decide, with or without committee recommendation, pursuant to guidance that it has established, to consider whether the reviewer and firm should be prohibited from performing reviews or whether some other action should be taken. If it is determined that the reviewer and firm should be restricted, the reviewer and firm will be sent a restriction letter.

It is the affected AE's responsibility to follow through on the actions placed upon the reviewer and firm, which are outlined in the restriction letter.

Restriction Letter

The restriction letter

1. notifies the reviewer and firm that in accordance with the standards, beginning with the date of notification by a government or regulatory

authority of the limitation or restriction, they were no longer qualified to schedule and perform peer reviews

2. notifies the reviewer and firm that the board has suspended him, her, or it from scheduling or performing peer reviews, or depending on the severity and timing of notification, the board may consider other actions that should be taken based upon the specific circumstances. These actions may include, but are not limited to, on-site oversight at the reviewer's expense; permanent removal from the list of qualified peer reviewers; and depending upon the circumstances, referral to the AICPA's Professional Ethics Division for violating the *Code of Professional Conduct* (see [Interpretation No. 34-2](#)).
3. will copy all affected AEs, and the reviewer and firm will be suspended in the peer review system until further notice.
4. notifies the reviewer and firm that the final decision will apply to reviews administered by all AEs and that the reviewer and firm may appeal the decision by writing to the board explaining why they believe that the actions are unwarranted.
5. offers the reviewer and firm the right to appeal this decision by writing to the board within 30 days of the date of the letter.

Reviewer Performance Feedback Form

When a reviewer fails to maintain the required reviewer qualifications resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance finding. Consistent with the guidance in [section IV](#) of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.

H. Appeal to the Board^{fn 23}

Reviewers and reviewing firms who wish to appeal a restriction letter must request that a hearing panel be assembled. That request must be made in writing (via email or letter) to the board within 30 days of receipt of the restriction letter. The reviewer or reviewing firm should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the action outlined in the restriction letter. Once the restriction letter has been issued, the action will remain in effect

^{fn 23} See [footnote 17](#).

until the reviewer has proven that the action is unwarranted, or the hearing panel determines that the action should be removed or revised, whichever occurs earlier.

See [section VI](#) of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

I. AE Considerations When a Reviewer and Firm Have a Restriction and Limitation

Because reviews performed by a reviewer and firm may be in different stages of completion when the reviewer and firm become restricted or limited, the following various scenarios should be considered by the committee when formalizing policies and procedures:

1. *The scheduled review has not commenced.* Within five business days of the reviewer and firm being notified by the AICPA of the temporary suspension or restriction letter or by the commencement date of a scheduled review, if earlier, the reviewer and firm must discuss the matter with the reviewed firm. The reviewer should either withdraw from the scheduled review or reschedule the commencement, including planning procedures, pending final board decision. Reviewers should keep in mind that their restriction or limitation is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date. If the reviewer fails to contact the reviewed firm, the AE may contact the reviewed firm to inform it that the reviewer will not be able to perform or continue to perform the firm's review. No details or explanation of the reason should be provided to the firm. This should be left to the reviewer's discretion to discuss with the firm if he or she chooses. Contacting the firm may not be necessary if the firm's review is not scheduled to commence in the near future, and it is possible that the reviewer may no longer be restricted.

For instance, if the reviewer and firm is notified by the AICPA of their disqualification on May 1, and a review originally scheduled to commence May 15 is not rescheduled by May 7, the AE may inform the firm that "its reviewer cannot perform the review at this time, and if further information is required, please contact your peer reviewer." The firm should be advised that it may need to hire a new reviewer and firm in order to meet the firm's due date.

In the case of a limited peer review restriction imposed by a regulatory body such as Ethics, the AE should reset the review to scheduling and the review team should be reconfigured to comply with the requirements of the limited restriction. For example, if a reviewer is restricted from reviewing employee benefit plans and the reviewed firm has such an engagement a team member with appropriate qualifications should be added to review that engagement.

2. *The scheduled review has commenced and is in process, in house, or accepted*

- a. *but the fieldwork is not complete.* The committee should consider on-site or off-site oversight performed by a committee member, technical staff, or another qualified peer reviewer, possibly at the reviewer's and firm's expense.
- b. *and fieldwork is complete, but working papers have not been received, or the review is in-house awaiting technical review.* The committee should consider on-site or off-site oversight performed by a committee member, technical staff, or another qualified reviewer, possibly at the reviewer's and firm's expense. Although the review would have already been performed, the oversight can still be performed afterward with the cooperation of the reviewed firm in either providing or forwarding requested items to the person(s) performing the oversight.

If oversight is not performed, the committee should consider if the technical staff should perform a full technical review of all working papers related to the peer review. Technical staff should be aware of the limitation or restriction and its scope, applicability, and time frame and should perform their review with a higher degree of skepticism than with other reviews. They should carefully consider the effect of the limitation or restriction on the reviewer's and firm's ability to perform and report on the peer review and whether, based on their procedures and any other procedures performed, including oversight, they were able to overcome concerns over the reviewer's and firm's qualifications, considering the limitation or restriction. Technical staff should fully report on these procedures to the committee.

- c. *and the review has been submitted for committee consideration.* The committee should consider deferring the review until the technical staff has performed the procedures previously described in (b). Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
- d. *and the review is accepted, but the acceptance letter has not been sent to the firm.* The AE should discuss the matter with the Chair of the RAB or the committee Chair and consider whether the acceptance letter should be delayed and the review deferred until the procedures previously described in (b) are performed. Those

procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

3. *The review is accepted, and the firm has been sent acceptance letter, and*
 - a. *it is within the working paper retention period.* The procedures previously described in (b) should be considered by the committee. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
 - b. *it is outside of the working paper retention period.* The AE should contact staff to discuss the impact of the limitation or restriction. If it is apparent that the reviewer performed the review when he or she did not possess the qualifications, staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

PRP Section 3300

AICPA Peer Review Program Report Acceptance Body Handbook

Chapter 2

Technical Reviewer Qualifications and Responsibilities

I. Technical Reviewer Qualifications

- A. Technical reviewers must meet minimum qualification requirements (sec. 1000 [par. .136](#)).
1. Demonstrate proficiency in the standards, interpretations, and guidance of the program by completing within the 12 month period preceding the commencement of the technical review 1 or more training courses that are applicable to the type of peer review being evaluated and that meet the requirements of the team captain or review captain training requirements established by the board ([Interpretation No. 132-1a](#)).
 - The peer review training and the criteria for demonstrating proficiency in the standards, interpretations, and guidance of the program is established from time to time by the board. Those criteria are located on the Peer Review page of the AICPA website.

In order to maintain qualifications of a team captain or review captain, individuals should meet the ongoing training requirements. Training courses that meet such requirements are available on the Peer Review page of the AICPA website.

2. Demonstrate proficiency in the standards, interpretations, and guidance of the program by completing an introductory technical reviewer training course developed by the AICPA ordinarily within 12 months prior to serving as a technical reviewer. Additionally, all technical reviewers should complete or attend one of the following options in every calendar year thereafter:
 - a technical reviewer update training course developed by the AICPA
 - the annual Peer Review Conference

These educational offerings are designed to cover the responsibilities of technical reviewers and address frequently asked questions and issues

encountered by experienced technical reviewers. They will also address how recent changes in peer review guidance impact the technical review process. ([Interpretation No. 132-1a](#)).

3. Be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members ([Interpretation No. 132-1d](#)).
4. Participate in at least one peer review each year, which may include participation in an on-site oversight of a System Review ([Interpretation No. 132-1b](#)). The goal of this requirement is for technical reviewers who do not perform reviews to gain hands-on experience on how peer reviewers and reviewed firms solve practical problems, and to aid in identifying issues while performing technical reviews. Technical reviewer participation should not add any additional cost to the reviewed firm's peer review. The administering entity will decide whether the technical reviewer has met the participation requirements which, at a minimum, should include the following:
 - Review and discuss the planning and scope of the peer review
 - Review the engagement checklists completed by the review team
 - Attend meetings or participate in conference calls between the team captain and reviewed firm to discuss issues encountered during the peer review
 - Attend the exit conference or participate in a pre-exit conference call with the team captain to discuss aggregation and evaluation of matters identified and the type of report to issue

Participation may be off-site as long as the technical reviewer is actively involved in the review. This involvement should include discussion of various planning and scope issues, issues encountered during the review (including discussion regarding the matters, findings, deficiencies, and significant deficiencies noted, as applicable), and the exit conference.

The technical reviewer does not meet the participation requirement by performing a post-issuance review of the report, checklists, or other peer review documentation.

The technical reviewer must participate in a peer review that is equivalent to the highest level of technical review he or she performs.

5. Have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. Such knowledge may be obtained from on-the-job training, training courses, or a combination of both. Technical reviewers must obtain a minimum amount of continuing

professional education (CPE) in order to maintain the appropriate level of accounting and auditing knowledge (Interpretation No. 132-1c).

If a technical reviewer does not have such knowledge and experience, the technical reviewer may be called upon to justify why he or she should be permitted to perform technical reviews or oversights. The administering entity has the authority to decide whether a technical reviewer's knowledge and experience is sufficient and whether he or she has the capability to perform a particular technical review or oversight whether there are high-risk engagements involved or other factors ([Interpretation No. 132-1c](#)).

In order to maintain current knowledge of accounting, auditing, and quality control standards, technical reviewers should obtain at least 40 percent of the AICPA required CPE in subjects relating to accounting, auditing, and quality control. Technical reviewers should obtain at least 8 hours in any 1 year and 48 hours every 3 years in subjects relating to accounting, auditing, and quality control ([Interpretation No. 132-1c](#)).

Technical reviewers have the responsibility of documenting compliance with the CPE requirement and should maintain detailed records of CPE completed in the event they are requested to verify compliance. The reporting period will be the same as that maintained for the AICPA ([Interpretation No. 132-1c](#)). When the report acceptance body (RAB) has delegated the review of a single audit engagement(s) to the technical reviewer, he or she must complete eight hours of CPE related to single audits every two years.

A technical reviewer who also is a peer reviewer and is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed.

However, if an individual's ability to perform peer reviews has been restricted as a result of an investigation performed by a regulatory agency such as AICPA's Professional Ethics Team ("Ethics") the extent of the restriction will determine whether the individual still meets the qualifications to be a technical reviewer. If the restriction imposed is a total restriction, the individual no longer meets the qualifications and may not serve as a technical reviewer.

If the restriction imposed by the regulatory agency, such as Ethics, is limited to a specific industry or engagement type (e.g. employee benefit plans or audits), an assessment should be done by the administering entity. The assessment should determine the effect of the limited restriction on the individual's ability to serve as a technical reviewer. The assessment includes, but is not limited to understanding the nature of the investigation that led to the limited restriction and the conclusions of the investigation,

Agenda Item 1.6C

Reinstatement as a technical reviewer would be at the discretion of the administering entity or committee.

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 as a way to garner feedback and input 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:

- Approved revisions to the Technical Reviewer's Checklists for system and engagement reviews
- Approved revisions related to SSAE No. 18
- Approved Rules of Procedures for Nonmembers
- Approved revisions to the Peer Review Information Form
- Discussed proposed revisions to QCM review standards and interpretations
- Created a sub task force to address areas of guidance that could be approved to assist reviewers in identifying nonconforming engagements more consistently, projected proposed guidance revisions in early 2018.
- Discussed Rules of Procedures for disagreement review panels; proposed guidance to be presented at the August 2017 STF meeting
- Discussed incorporating the AICPA's Certificate Programs into peer review guidance; proposed guidance changes to be presented at the August 2017 STF meeting
- Prioritized future agenda items
- Discussed clarity redraft of the peer review standards, including
 - Inventory of peer review guidance
 - Process map of the project
 - Next step to brainstorm potential framework

Upcoming tasks:

- Focus on clarity redraft of the peer review standards
- Continued consideration of QCM review guidance revisions
- Consider familiarity threat examples in response to the Evolution of Peer Review Administration
- Further evaluation of nonconforming engagement criteria
- Guidance needed in response to the implementation of PRIMA;
 - Reinstatement after hearing
 - Risk Assessment Toolkit in narrative form
- Consider Cybersecurity advisory service implications; such as must-select industry

Education and Communication Task Force

Accomplished since last PRB meeting:

- Planned and prepared for the 2017 Peer Review Conference, including general session agenda, conference cases, and concurrent session materials
- Reviewed and approved a group of proposed Conference Cases

-
- Discussed ways to improve the content included on the Peer Review website.
 - Offered alternative training sessions at the
 - Engage Conference – June 2017
 - Not-for-Profit Industry Conference – June 22nd 2017

Upcoming tasks:

- Assess feedback received from the 2017 AICPA Peer Review Program conference and begin to plan for the 2018 conference
- Analyze the peer reviewer pool by state, including must-select reviewers
- Continue to identify and implement improvements to the Peer Review website
- Update the various on-demand training offerings.

Oversight Task Force

Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- Reviewed responses from Administering Entities (AE) to RAB observation reports
- Discussed AE plans of administration
- Monitored the Enhanced Oversight results
- Reviewed sample of Enhanced Oversight reports for consistency
- Discussed type of feedback issued by AEs as a result of the Enhanced Oversight
- Approved revisions to the RAB Handbook related to limited peer review restrictions on peer reviewers
- Approved minor revisions to the Peer Review Administration Change Form
- Approved revisions to exhibits related to AE oversight visits in the Oversight Handbook

Upcoming tasks:

- OTF members will conduct AE oversight visits
- Monitor results of Enhanced Oversight
- Approve RAB observation reports
- Monitor open reviews
- Monitor reviewer performance

Firm and Engagement Tracking “Population Completeness”

Objective

Research publicly available data to verify that all firms that should be enrolled in peer review are enrolled and to verify that all engagements that are within peer review scope are included in the population subject to peer review. Firms without AICPA members are also included in the scope of the project.

DOL Completeness Project

Goal: Identify firms performing Employee Benefit Plan (EBP) audits via the Department of Labor (DOL) database and assess whether the firms are in compliance with peer review requirements.

Status: Staff has performed research of the 2014 and 2015 DOL databases to identify firms potentially not in compliance with peer review requirements. Total unique firms initially identified as having performed EBP audits were:

Enrolled	6,030
Potentially Not Enrolled	510
Total	6,540

Staff estimates the overall noncompliance rate of the total population (enrolled and not enrolled firms) will be between 5-8% as compared to our prior project comparing the 2011 DOL database noncompliance rate of 17%.

Enrolled Firms: Of the more than 6,000 unique enrolled firms performing EBP audits which were identified, more than 5,800 (~97%) were in compliance with peer review standards. The ~3% noncompliance rate for the current project compares favorably to the ~8% noncompliance rate identified to the prior project (enrolled firms only).

Recall:

If an enrolled firm is identified as performing an EBP audit and issuing an audit report, but the firm’s most recently accepted peer review does not include an EBP audit, it is considered a material departure. The acceptance letter for the review will be recalled. If recalled, appropriate state boards of accountancy will be notified by the administering entity of the change in the date of acceptance and period covered by the firm’s most recently accepted peer review.

If a firm’s peer review report is recalled for omitting EBP audits, the firm will be subjected to a hearing panel. The hearing panel may terminate the firm’s enrollment in the peer review program or allow the firm a replacement review as well as other potential remedial action.

Potentially Not Enrolled Firms: AICPA staff performed initial investigations of firms identified as performing an EBP audit but do not appear to be enrolled in the peer review program. The status and outcomes of those investigations as of July 31, 2017, are as follows:

<u>Status of Potentially Not Enrolled Firms Researched</u>	<u>#</u>	<u>%</u>
In-progress (outreach to firms to verify enrollment)	150	29.4%
Ethics referrals (see status in next section)	137	26.9%
In compliance (firm merger or sold practice)	134	26.3%
In compliance (firm not required to have a peer review)	46	9.0%
In compliance (firms no longer performing EBP audits or enrolled prior to noncompliance)	23	4.5%
Other noncompliance (no longer licensed, deceased etc)	20	3.9%
Total potentially not enrolled	510	100%

Ethics Referrals Update on Not Enrolled Firms:

If a firm is performing EBP audits but is not enrolled in a practice monitoring program, when required by AICPA member bylaw or state regulation, the information is submitted to the AICPA Professional Ethics Division (Ethics) for investigation. Ethics will determine whether they have jurisdiction in the case prior to further analysis. Ethics has jurisdiction in two circumstances:

- The firm has any AICPA members and/or
- The firm is located in a state or territory which is a member of the Joint Ethics Enforcement Program (JEEP).

When a firm is not within the jurisdiction of Ethics, a letter is sent to the Board of Accountancy of the state in which the firm is located notifying them of the potential violation.

When a firm is within the jurisdiction of Ethics, an investigation is opened on the individual in charge of quality control within the firm, not the firm itself. The investigation begins with a review of the auditor’s report and financial statements of the EBP audit to identify deficiencies where the audit was not performed in conformity with all relevant professional standards, in all material respects. After a review of the financial statements, Ethics will send a letter to the individual informing them of alleged violations, which includes the peer review enrollment violation, deficiencies found in the review of the EBP financial statements (if applicable), and requesting additional information.

The investigations are expedited as quickly as possible. Some investigations can take up to 18 months prior to a resolution when there are instances of noncooperation by the individual. The status of the 2017 DOL Completeness Project cases referred to ethics as of July 31, 2017, is as follows:

<u>Ethics Referrals</u>	<u>#</u>
Financial statements analyzed, opening letter sent	36
Financial statement review in process, opening letter not yet sent	43
Total cases opened	79
No jurisdiction	58
Total ethics referrals	137

**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation
since April 2017**

Firm Number	Firm Name	State
900010128133	Franskoviak CPA P.C.	MI
900255226246	Plausible Professional Services	NC

Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program Since Reporting at the May 2017 Meeting

Failure to complete an implementation plan

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not complete an implementation plan designed to remediate findings identified in their most recent peer review.

Burkhalter & Ryan, P.C. – Nashville, TN

Noncooperation related to omission or misrepresentation of information

The AICPA Peer Review Program terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate. The firm either omitted or misrepresented information that should have been provided to their peer reviewer relating to its accounting and auditing practice.

Kamil El-Deiry & Associates, CPA, PLLC – Melville, NY
Kenneth Cookler, CPA, PC – Jericho, NY

Consecutive non-pass reports in system reviews

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate by failing to design a system of quality control, and/or sufficiently complying with such a system, that would provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Patrick H. Young, C.P.A. – Newhall, CA

Firm terminations are also published on our website at:

<http://www.aicpa.org/ForThePublic/PRFirmTerm/Pages/2017PeerReviewFirmTerminations.aspx>



Peer Review Program