



Peer Review
Program

Peer Review Board Open Session Materials

February 2, 2018

New Orleans, LA

**AICPA Peer Review Board
Open Session Agenda
Friday February 2, 2018
New Orleans, LA**

Date: Friday, February 2, 2018

Time: 10:15AM – 1:00PM Central Time

Meeting room: Acadia Suite

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 Report on the Planning Task Force**- Mr. Parry
- 1.3 Administering Entity Benchmarks and Related Guidance* - Mr. Bluhm
- 1.4 Approval of Guidance Changes Related to Reinstating Reviewer Eligibility* - Mr. Pope
- 1.5 Task Force Updates*
 - A. Oversight Task Force Report – Mr. Bluhm
 - B. Standards Task Force Report – Mr. Pope
 - C. Education and Communication Task Force Report – Ms. Kerber
- 1.6 Operations Director's Report** – Ms. Thoresen
- 1.7 Report from State CPA Society CEOs** – Ms. Birmingham
- 1.8 Update on National Peer Review Committee** – Mr. Fawley
- 1.9 Other Business** - Mr. Parry
- 1.10 For Informational Purposes*:
 - A. Report on Firms Whose Enrollment was Dropped or Terminated*
 - B. Approved 2018 Association Information Forms for Associations of CPA Firms*
 - C. Updates to the AICPA Peer Review Program Question & Answers*
- 1.11 Future Open Session Meetings**
 - A. May 2, 2018 Open session – Durham, NC
 - B. August 2, 2018 Open session – Minneapolis, MN
 - C. October 19, 2018 Open session – Teleconference
 - D. January 30, 2019 Open session – Scottsdale, AZ
 - E. May 3, 2019 Open session – Durham, NC

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

Administering Entity Benchmarks and Related Guidance

Why is this on the Agenda?

Background

The evolution of peer review administration is part of the AICPA's Enhancing Audit Quality (EAQ) initiative, with the objective to ultimately improve audit performance by increasing the consistency, efficiency and effectiveness of the AICPA Peer Review Program (Program) administration.

Beginning this year as part of evolution, administering entities (AEs) will be expected to meet the specific benchmarks during the pilot period, which will run from May 1 – September 30, 2018. During the pilot, AEs will self-monitor their performance against the benchmarks. In November, they will report results to the Oversight Task Force (OTF) with their Plans of Administration (POAs), including intended strategies to address any non-compliance. Benchmarks include qualitative, objective and measurable criteria which may be modified over time due to advances in technology and other factors. During the pilot, benchmarks and reporting requirements will be monitored to determine if modifications are needed, including the frequency and timing of reporting. During the pilot period, the OTF is looking for feedback on the benchmarks in Agenda Item 1.3B. All AEs are welcome to send feedback to prptechnical@aicpa.org.

Agenda Item 1.3B – Administering Entity Benchmarks

- AE benchmarks listed in this agenda item were derived from the final evolution paper released August 31, 2017 (agenda item 1.3A), the September 20, 2017 webcast presentation for AEs and from stakeholder feedback. These benchmarks have always been expected and implied.
- Benchmarks are separated based on the individual(s) with primary responsibility.

Agenda Item 1.3C – Evolution of Peer Review Administration Timeline

- Timeline represents key dates and milestones for the next three years.
- Pilot period begins May 1, 2018. Beginning with the pilot, AEs will self-monitor.
- All AEs will report on their compliance with benchmarks for the pilot period (with the 2019 POA general information and CPA on staff waiver request due November 1, 2018). The OTF will use this information and any other feedback from AEs to determine if revisions are necessary to the benchmarks and/or reporting process.
- The OTF is developing fair procedures regarding if an AE does not consistently meet benchmarks and anticipates presenting this guidance to the PRB for approval on August 2, 2018.
- Beginning in 2019, AEs will report on compliance with benchmarks on a quarterly basis.
- All AEs are required to have a CPA on staff by January 1, 2021, and waivers may be requested each year until then.

Agenda Item 1.3D – Administering Entity Benchmark Report

- Benchmarks are identical to those listed in agenda item 1.3B. This agenda item reflects AE reporting to OTF.
- Methods of monitoring each benchmark are as follows:
 - A – Plan of Administration (POA)

- Bifurcated with general information due in November and reporting on compliance with oversight requirements due in April.
 - B – RAB Observation
 - Performed by AICPA staff.
 - C – PRIMA Reports
 - The requirements for these reports were defined by the OTF, AE volunteers and staff and will be ready for testing this month. The reports are expected to be released in PRIMA by May 1, 2018. The name of the PRIMA report will be added to this column for each benchmark as applicable.
 - D – AE Oversight Visit
 - Biennial OTF member visit.
 - E – Other
 - Specific items as defined.
- AEs will indicate compliance with the benchmarks and provide an explanation including planned remediation and status of remediation if not in compliance. AEs may also include other comments or observations.
- AEs will provide required supporting documentation if monitoring for the benchmark indicates POA or PRIMA report.
- OTF will determine the best place to include this guidance.
- OTF will reevaluate benchmarks annually.

Agenda Item 1.3E – Example Familiarity Threat Policies and Procedures

- As part of evolution, AEs will be required to develop written policies and procedures describing how they will mitigate the familiarity threat that could exist among Committees/RABs, technical reviewers, peer reviewers and firms.
- The examples provided in this agenda item are designed to assist AEs with drafting their policies and procedures, are not all inclusive, and will vary by each AE based on individual committees.
- This document will be included as an exhibit in the RAB Handbook in the March production cycle of the manual.

Agenda Item 1.3F – RAB Handbook Revision

- Since AEs will be required to develop policies and procedures designed to mitigate the familiarity threat, OTF recommends removing the RAB rotation policy requirement from Chapter 3 of the RAB Handbook.
- This revision will be included in the March production cycle of the manual.

Related Items in Development

Related Items in Development	Anticipated Completion Date
• Training on benchmarks, which will include PRIMA reporting	April/May 2018
• Revise technical reviewer checklist to add a section with recommendations for RAB’s consideration to include delay acceptance, deferral and RAB consultation needed	May 2, 2018 PRB meeting
• Revisions to questions in the Summary Review Memorandum and Review Captain Summary checklists	May 2, 2018 PRB meeting

Related Items in Development	Anticipated Completion Date
for the reviewer to include feasible due dates for corrective actions and implementation plans recommended	
<ul style="list-style-type: none"> Confidentiality agreement and related guidance for all AE staff associated with peer review 	August 2, 2018 PRB meeting
<ul style="list-style-type: none"> Guidance for benchmark violations and fair procedures 	August 2, 2018 PRB meeting
<ul style="list-style-type: none"> Review RAB Handbook guidance related to criteria for delayed acceptance or deferral and clarify as needed 	August 2, 2018 PRB meeting
<ul style="list-style-type: none"> Revisions to other Oversight Handbook documents to monitor compliance with benchmarks in 2019 	Fall 2018

Feedback Received

Both the Administrator’s Advisory Task Force (AATF) and the Technical Reviewer’s Advisory Task Force (TRATF) provided feedback in addition to external stakeholders. Their feedback was discussed by the OTF and applicable revisions were made to these final versions.

PRIMA Impact

Reports to monitor compliance with certain benchmarks are in development. Testing should be completed in March and final reports should be available in PRIMA by May 1, 2018.

AE Impact

AEs are expected to begin compliance with benchmarks effective May 1, 2018. AEs will not be subject to fair procedures if they do not meet benchmarks during 2018.

Communications Plan

- Once approved by the PRB, disseminate final benchmarks to AEs with copy to SBOAs.
- Hold training webcast for AEs.
- Discuss on future bi-weekly AE calls and include in an administrative alert.

Manual Production Cycle (estimated)

RAB Handbook revisions as noted above will be included in the March production cycle of the manual.

Effective Date

Various dates as noted in agenda item 1.3C.

Board Consideration

The Board should discuss and approve AE benchmarks and related guidance, including delegating the authority to modify benchmarks solely to the OTF.

Administering Entity Benchmarks

Administrators	
Number	Benchmark
1	Perform action on cases (e.g. Peer Review Information, Scheduling) in PRIMA no later than 14 calendar days after receipt.
2	Send overdue letters and other communications as required.
3	Schedule RAB meetings at least 14 calendar days in advance in PRIMA.
4	Provide RAB materials electronically to RAB members at least seven calendar days before RAB meetings.
5	Enter committee decisions for all reviews (including when acceptance is delayed or a review is deferred) and send letters within 14 calendar days of RAB meeting.
6	Enter committee decisions for corrective actions and implementation plans accepted within 14 calendar days of acceptance.
7	Implement administrative recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.
8	Firm requests for waiver or replacement of corrective actions or implementation plans are acted on (waived, replaced, assigned to RAB) within 14 calendar days of the request. If granted, revised acceptance letters are sent within 14 calendar days of granting the request.
9	Respond to requests from OTF or AICPA staff by due date.

Technical Reviewers	
Number	Benchmark
1	Meet all qualifications of a technical reviewer at all times.
2	Perform the technical review in accordance with guidance, including applying appropriate levels of objectivity and skepticism to mitigate familiarity threat.
3	Complete technical reviews to meet the 120-day rule for initial presentation of reviews (60-day rule for engagement reviews with certain criteria). (Over time, an AE should have less than 10% of reviews not presented within this timeframe.)
4	Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. (Over time, an AE should have less than 10% of reviews deferred.)
5	Limit reviews with open items and missing relevant information from the RAB package unless RAB consultation is necessary.
6	Prepare reviewer performance feedback before RAB meeting to be included in the RAB materials.
7	Evaluate reviewer performance history and present to RAB.

Technical Reviewers

Number	Benchmark
8	Be available during RAB meetings in which his/her reviews are presented to answer questions to avoid deferrals or delays.
9	Recommend reviews or engagements for oversight when appropriate.
10	Implement technical reviewer recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.
11	Respond to requests from OTF or AICPA staff by due date.

Committee/RAB

Number	Benchmark
1	Meet all qualifications established in the RAB Handbook, including training requirements.
2	Read materials prior to the RAB meeting and come prepared to discuss all agenda items.
3	Assign corrective actions and implementation plans in accordance with guidance that will benefit the firm with feasible due dates.
4	Issue reviewer performance feedback when required.
5	Waive or replace corrective actions and implementation plans in accordance with guidance except in hardship situations.
6	Perform oversights on firms and reviewers (or review oversights performed by the technical reviewer(s)) in accordance with the Oversight Handbook and risk criteria included in policies and procedures.
7	Implement committee recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.
8	Perform administrative oversight in accordance with Oversight Handbook.
9	Respond to requests from OTF or AICPA staff by due date.

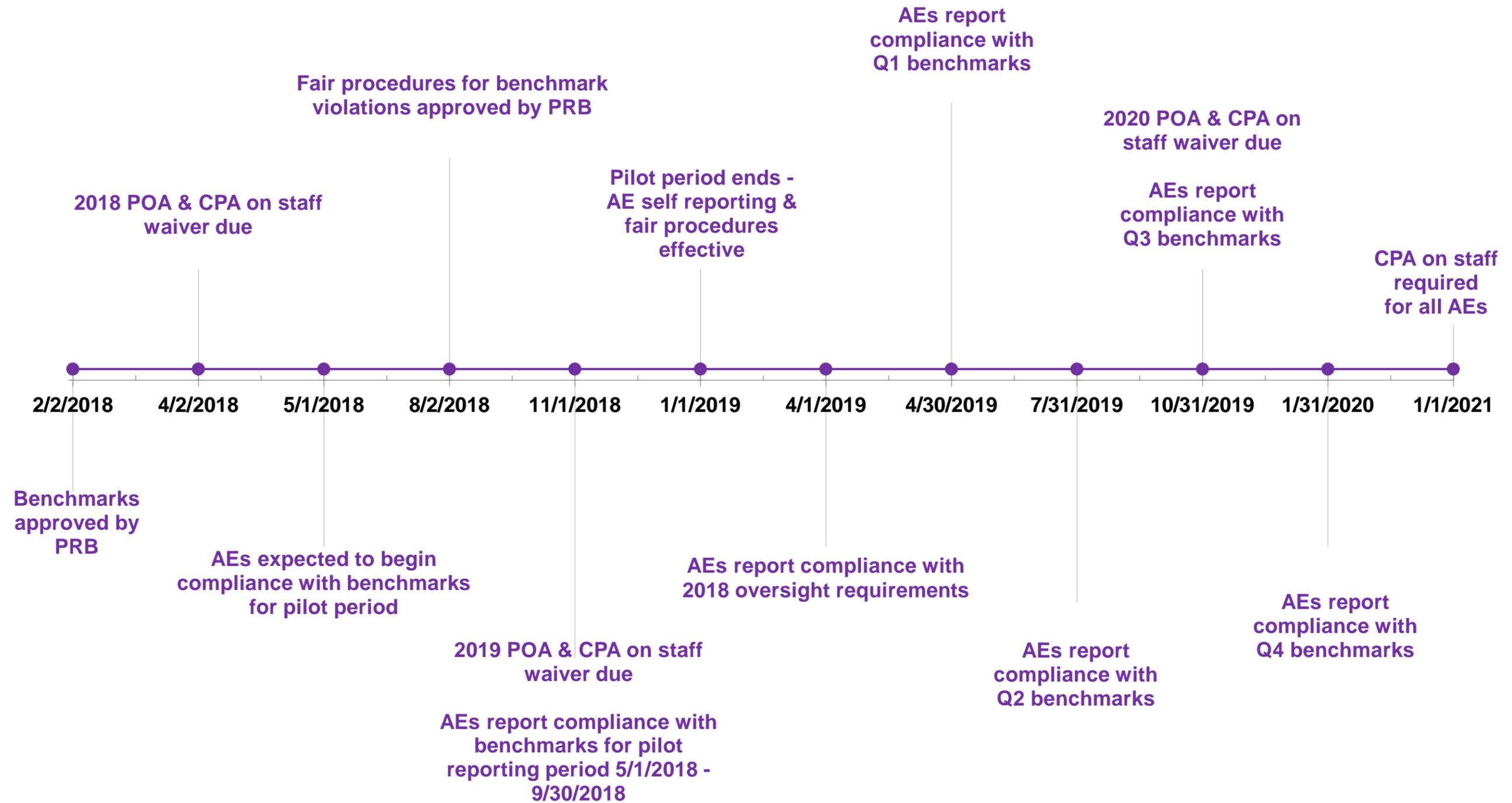
CPA on Staff

Number	Benchmark
1	Submit required benchmark reports signed by CEO to the committee and OTF by due date.
2	Obtain confidentiality agreements from all AE staff associated with peer review on an annual basis.

CPA on Staff

Number	Benchmark
3	Annual reviewer resume verification process is performed in accordance with the Oversight Handbook and include verification information in Plan of Administration.
4	Submit complete annual Plan of Administration including all AE oversight requirements by respective due dates.
5	Committee and RAB members meet all qualifications established in the RAB Handbook.
6	RAB member composition includes members with relevant industry experience regarding must-select engagements.
7	Establish policies and procedures designed to mitigate familiarity threat for committee and RAB composition within the Plan of Administration.
8	RAB meetings are conducted with enough frequency to meet the 120-day rule for presentation of reviews (60-day rule for engagement reviews with certain criteria).
9	Oversight procedures are approved by the Committee and in place by the due date.
10	Appropriate reviews are selected for oversight based on written criteria, which considers risks associated with both the reviewer and the firm and the minimum number of oversights are performed throughout the year.
11	A minimum of three RAB members evaluate every peer review for acceptance in accordance with the RAB Handbook.
12	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.
13	Scheduling error overrides are appropriate and approved in accordance with AE's policies and procedures.
14	System reviews performed offsite are approved in accordance with guidance and documented.
15	Implement recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.
16	Respond to requests from OTF or AICPA staff by due date.

Evolution of Peer Review Administration Timeline



Administering Entity Benchmark Report

Name of administering entity: _____

Reporting period: _____ to _____

Administrators						
Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
1	Perform action on cases (e.g. Peer Review Information, Scheduling) in PRIMA no later than 14 calendar days after receipt.		C	Select one		Select one
2	Send overdue letters and other communications as required.	Administrative Manual – Ch. 12	C (indirectly)	Select one		Select one
3	Schedule RAB meetings at least 14 calendar days in advance in PRIMA.		B & C	Select one		Select one

¹ Monitoring legend:
 A – Plan of Administration
 B – RAB observation
 C – PRIMA report
 D – AE oversight visit
 E – Other

² Provide an explanation including planned remediation and status of remediation if not in compliance with benchmark. Other comments or observations may be included.

³ Supporting documentation required if monitoring is A – Plan of Administration or C – PRIMA report.

Administrators

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
4	Provide RAB materials electronically to RAB members at least seven calendar days before RAB meetings.		B & D	Select one		Select one
5	Enter committee decisions for all reviews (including when acceptance is delayed or a review is deferred) and send letters within 14 calendar days of RAB meeting.	Administrative Manual – Ch. 12	B & C	Select one		Select one
6	Enter committee decisions for corrective actions and implementation plans accepted within 14 calendar days of acceptance.		C	Select one		Select one
7	Implement administrative recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.		B & D	Select one		Select one
8	Firm requests for waiver or replacement of corrective actions or implementation plans are acted on (waived, replaced, assigned to RAB) within 14 calendar days of the request. If granted, revised acceptance letters are sent within 14 calendar days of granting the request.	RAB Handbook – Ch. 6, Sec. III	C	Select one		Select one

Administrators

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
9	Respond to requests from OTF or AICPA staff by due date.		E – Letter or email	Select one		Select one

Technical Reviewers

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
1	Meet all qualifications of a technical reviewer at all times.	RAB Handbook – Ch. 2, Sec. I	A & D	Select one		Select one
2	Perform the technical review in accordance with guidance, including applying appropriate levels of objectivity and skepticism to mitigate familiarity threat.	RAB Handbook – Ch. 2, Sec. III-V	B & D	Select one		Select one

¹ Monitoring legend:

- A – Plan of Administration
- B – RAB observation
- C – PRIMA report
- D – AE oversight visit
- E – Other

² Provide an explanation including planned remediation and status of remediation if not in compliance with benchmark. Other comments or observations may be included.

³ Supporting documentation required if monitoring is A – Plan of Administration or C – PRIMA report.

Technical Reviewers

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
3	Complete technical reviews to meet the 120-day rule for initial presentation of reviews (60-day rule for engagement reviews with certain criteria). (Over time, an AE should have less than 10% of reviews not presented within this timeframe.)	RAB Handbook – Ch. 2, Sec. IV E. & Sec. V B. 3	B, C & D	Select one		Select one
4	Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. (Over time, an AE should have less than 10% of reviews deferred.)	RAB Handbook – Ch. 2, Sec. II A & Sec. III-V	B, C & D	Select one		Select one
5	Limit reviews with open items and missing relevant information from the RAB package unless RAB consultation is necessary.	RAB Handbook – Ch. 2, Sec. II A.	B & D	Select one		Select one
6	Prepare reviewer performance feedback before RAB meeting to be included in the RAB materials.	RAB Handbook – Ch. 2, Sec. II A.	B & D	Select one		Select one
7	Evaluate reviewer performance history and present to RAB.	RAB Handbook – Ch. 8, Sec. IV D.	B & D	Select one		Select one

Technical Reviewers

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
8	Be available during RAB meetings in which his/her reviews are presented to answer questions to avoid deferrals or delays.		B & D	Select one		Select one
9	Recommend reviews or engagements for oversight when appropriate.		B & D	Select one		Select one
10	Implement technical reviewer recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.		B & D	Select one		Select one
11	Respond to requests from OTF or AICPA staff by due date.		E – Letter or email	Select one		Select one

Committee/RAB

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
1	Meet all qualifications established in the RAB Handbook, including training requirements.	RAB Handbook – Ch. 1, Sec. II	A, B & D	Select one		Select one
2	Read materials prior to the RAB meeting and come prepared to discuss all agenda items.	RAB Handbook – Ch. 3, Sec. II A	B & D	Select one		Select one
3	Assign corrective actions and implementation plans in accordance with guidance that will benefit the firm with feasible due dates.	RAB Handbook – Ch. 3, Sec. III C, Ch. 4, Sec. V, Ch. 5, Sec. VI	B, C & D	Select one		Select one
4	Issue reviewer performance feedback when required.	RAB Handbook – Ch. 8, Sec. IV	B & D	Select one		Select one

¹ Monitoring legend:

- A – Plan of Administration
- B – RAB observation
- C – PRIMA report
- D – AE oversight visit
- E – Other

² Provide an explanation including planned remediation and status of remediation if not in compliance with benchmark. Other comments or observations may be included.

³ Supporting documentation required if monitoring is A – Plan of Administration or C – PRIMA report.

Committee/RAB

Number	Benchmark	Reference Source	Monitoring ¹	In compliance with benchmark?	Comments ²	Required supporting documentation attached? ³
5	Waive or replace corrective actions and implementation plans in accordance with guidance except in hardship situations.	RAB Handbook – Ch. 6, Sec. III	B, C & D	Select one		Select one
6	Perform oversights on firms and reviewers (or review oversights performed by technical reviewer(s)) in accordance with the Oversight Handbook and risk criteria included in policies and procedures.	Oversight Handbook – Ch. 2, Sec. IV C & Sec. V	A & D	Select one		Select one
7	Implement committee recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.		B & D	Select one		Select one
8	Perform administrative oversight in accordance with Oversight Handbook.	Oversight Handbook – Ch. 2, Sec. IV A	A & D	Select one		Select one
9	Respond to requests from OTF or AICPA staff by due date.		E – Letter or email	Select one		Select one

CPA on Staff

Number	Benchmark	Reference Source	Monitoring ⁴	In compliance with benchmark?	Comments ⁵	Required supporting documentation attached? ⁶
1	Submit required benchmark reports signed by CEO to the committee and OTF by due date.		D & E – Benchmark reporting package	Select one		Select one
2	Obtain confidentiality agreements from all AE staff associated with peer review on an annual basis.	Standards par. 146, Int. 146-1, 146-2 & 146-3	A & D	Select one		Select one
3	Annual reviewer resume verification process is performed in accordance with the Oversight Handbook and include verification information in Plan of Administration.	Oversight Handbook – Ch. 2, Sec. IV D	A & D	Select one		Select one
4	Submit complete annual Plan of Administration including all AE oversight requirements by respective due dates.	Standards par. 129	A	Select one		Select one
5	Committee and RAB members meet all qualifications established in the RAB Handbook.	RAB Handbook – Ch. 1, Sec. II	A, B & D	Select one		Select one

⁴ Monitoring legend:

- A – Plan of Administration
- B – RAB observation
- C – PRIMA report
- D – AE oversight visit
- E – Other

⁵ Provide an explanation including planned remediation and status of remediation if not in compliance with benchmark. Other comments or observations may be included.

⁶ Supporting documentation required if monitoring is A – Plan of Administration or C – PRIMA report.

CPA on Staff

Number	Benchmark	Reference Source	Monitoring ⁴	In compliance with benchmark?	Comments ⁵	Required supporting documentation attached? ⁶
6	RAB member composition includes members with relevant industry experience regarding must-select engagements.	RAB Handbook – Ch. 1, Sec. II B 1 g	B & D	Select one		Select one
7	Establish policies and procedures designed to mitigate familiarity threat for committee and RAB composition within the Plan of Administration.	TBD	A & D	Select one		Select one
8	RAB meetings are conducted with enough frequency to meet the 120-day rule for presentation of reviews (60-day rule for engagement reviews with certain criteria).	RAB Handbook – Ch. 1, Sec. III Report Acceptance Responsibilities A.	B, C & D	Select one		Select one
9	Oversight procedures are approved by the Committee and in place by the due date.	RAB Handbook – Ch. 1, Sec. III C & Oversight Handbook – Ch. 2, Sec. IV	A	Select one		Select one

CPA on Staff

Number	Benchmark	Reference Source	Monitoring ⁴	In compliance with benchmark?	Comments ⁵	Required supporting documentation attached? ⁶
10	Appropriate reviews are selected for oversight based on written criteria, which considers risks associated with both the reviewer and the firm and the minimum number of oversights are performed throughout the year.	Oversight Handbook – Ch. 2, Sec. IV C & Sec. V	A & D	Select one		Select one
11	A minimum of three RAB members evaluate every peer review for acceptance in accordance with the RAB Handbook.	RAB Handbook – Ch. 3, Sec. II C	B	Select one		Select one
12	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	PRIMA Knowledge Base – <i>Extension Considerations for Administering Entities</i> , Interpretation 18-1	B, C & D	Select one		Select one
13	Scheduling error overrides are appropriate and approved in accordance with AE's policies and procedures.		C	Select one		Select one

CPA on Staff

Number	Benchmark	Reference Source	Monitoring ⁴	In compliance with benchmark?	Comments ⁵	Required supporting documentation attached? ⁶
14	System reviews performed offsite are approved in accordance with guidance and documented.	Interpretation 8-1	B & D	Select one		Select one
15	Implement recommendations from RAB observations such that comments are not consistently repeated in subsequent observations.		B & D	Select one		Select one
16	Respond to requests from OTF or AICPA staff by due date.		E – Letter or email	Select one		Select one

Signature:

(Signature of CEO)

(Date)

(Print name)

Example Familiarity Threat Policies and Procedures

Familiarity Threat—the threat that due to a long-standing or close personal relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work (ET 1.000.010.12).

Objectivity—members should not allow bias, conflicts of interest or undue influence of others to override professional or business judgements.

Familiarity threats can exist among committees/RABS, technical reviewers, peer reviewers, and firms subject to peer review. AEs should identify familiarity threats, evaluate the significance, and apply safeguards to mitigate the threat.

Examples of familiarity threats and potential safeguards used to mitigate the threat are listed below. Please note these examples are not all inclusive. In some instances, a safeguard could mitigate more than one threat, although depending on the significance of the threat, more than one safeguard may be necessary to properly mitigate.

1. **Familiarity Threat**—The peer reviews of the technical reviewers' and committee/RAB members' firms are presented for acceptance.

Safeguards to mitigate the threat

- The technical reviewers' and committee/RAB members' peer reviews will be accepted by a different AE. We have partnered with AE "A" and have attached the agreement as addendum B.
- The AE is split in more than one district, for example, East and West. The committee/RAB accepts reviews from a district other than their own.
- The CPA on staff monitors the RAB process and reports preferential treatment or inconsistencies in the process.
- The AE will designate a committee member (or other qualified individual) as an observer of RAB meetings to monitor the RAB process and report preferential treatment or inconsistencies in the process.

2. **Familiarity Threat**—Overreliance on committee/RAB members, which leads to other members not reading the RAB package in its entirety.

Safeguards to mitigate the threat

- Arranging for RAB members from other AEs to participate in RABs
- Having multiple committee/RABs that change composition regularly
- Having RAB members acknowledge reading reviews before starting the meeting
- Having the CPA on staff evaluate committee/RAB member performance

3. **Familiarity Threat**—The committee/RAB members have a long-standing relationship with the technical reviewers, which leads to overreliance of the technical reviewer's

procedures and conclusions. For instance, it may not be apparent if an issue or a non-conforming engagement has been addressed, yet the committee/RAB decide not to investigate because they believe the technical reviewer would not have missed the issue.

Safeguards to mitigate the threat

- Engaging qualified individuals from another state to perform all technical reviews
- Arranging for RAB members from other AEs to participate in RABs
- Engaging a second technical reviewer to perform a selection of secondary technical reviews of high-risk reviewers, firms, and random samples

4. **Familiarity Threat**—The committee/RAB members have long-standing relationships with some reviewers, particularly those who perform a high volume of reviews.

Safeguards to mitigate the threat

- Arranging for another AE to accept an AE's high-volume reviewers' reviews
- Annually requesting committee/RAB members to identify conflicts of interest with reviewers and reviewed firms

5. **Familiarity Threat**—Technical reviewers have long-standing relationships with some reviewers, particularly those who perform a high volume of reviews.

Safeguards to mitigate the threat

- Engaging qualified individuals from another state to perform all technical reviews
- Arranging for another AE to accept reviews performed by a high-volume reviewer
- Annually requesting technical reviewers to identify conflicts of interest with reviewers and reviewed firms

6. **Familiarity Threat**—AEs are hesitant to provide feedback or consider deficiency letters for a variety of reasons including, but not limited to the following:

- RAB members know the reviewer
- Reviewer performs a high volume of reviews in the state and RAB is afraid to offend him/her
- Reviewer is a RAB member (current or former) or is a technical reviewer
- Reviewer teaches for the society or has some other society relationship which leads to a belief that the individual knows what they are doing

Safeguards to mitigate the threat

- Engaging qualified individuals from another state to perform all technical reviews
- Arranging for RAB members from other AEs to participate in RABs
- Annually requesting committee/RAB members to identify conflicts of interest with reviewers and reviewed firms

7. **Familiarity Threat**— Committee member given informal feedback on reviews they performed while a different reviewer is issued written feedback for the same issue.

Safeguards to mitigate the threat

- Arranging for RAB members from other AEs to participate in RABs
- The CPA employed on staff by the AE monitors the RAB process and reports preferential treatment or inconsistencies in the process.
- The AE will designate a committee member (or other qualified individual) as an observer of RAB meetings to monitor the RAB process and report preferential treatment or inconsistencies in the process.

8. **Familiarity Threat**— Following an Enhanced Oversight, the RAB has allowed the peer reviewer/firm to provide documentation not provided to the subject matter expert during the Enhanced Oversight (such documentation should be provided at that time). This gives the appearance that reviewers/firms familiar to the RAB are being allowed to create work papers.

Safeguards to mitigate the threat

- Arranging for specialists from other states to participate in RABs
- Arranging for RAB members from other AEs to participate in RABs
- The CPA employed on staff by the AE monitors the RAB process and reports preferential treatment or inconsistencies in the process.

9. **Familiarity Threat**— RAB members will mention a firm's reputation regarding a specific industry concentration when presented with issues (generally documentation and implying that since issues were not identified previously, it is unlikely issues exist now despite evidence to the contrary).

Safeguards to mitigate the threat

- Arranging for specialists from other states to participate in RABs

RAB Handbook Revision

PRP Section 3300***AICPA Peer Review Program Report Acceptance Body Handbook***

Chapter 3**The Report Acceptance Process****I. Introduction**

This chapter outlines the procedures that a committee or report acceptance body (RAB) would follow in the evaluation and acceptance of all reviews. Specific considerations concerning objectives of System and Engagement Reviews are covered in [chapter 4](#) and [chapter 5](#), respectively.

For purposes of this chapter, it is assumed that the committee has decided to delegate the report acceptance function to a RAB. If that is not the case, the references to RAB should be replaced with peer review committee. The process described, however, is unaffected.

II. Preparation for a RAB Meeting

- A. Ordinarily, a majority of meeting materials should be provided in advance to the date of the meeting, in order to allow every RAB member adequate time to read the documents and be prepared to discuss the reviews being considered for acceptance. All reviews must be presented at a meeting. The meetings must be conducted in person or via conference call. The following documents should be included in the package:
 1. Peer review report
 2. Letter of response, if applicable
 3. Prior review report; letter of response and Finding for Further Consideration (FFCs) forms, if applicable; firm representation letter and prior review's required corrective action(s) or implementation plans, if applicable
 4. Technical reviewer's checklist
 5. Summary Review Memorandum—System Reviews

6. Disposition of Matter for Further Consideration (DMFC) form , as applicable
7. For reviews that include single audit engagement(s), the engagement profile and [Section 22100—Part A, Supplemental Checklist for Review of Single Audit Act/A-133 Engagements](#), or [Section 22100—Part A—UG, Supplemental Checklist for Review of OMB Single Audit Engagements \(Uniform Guidance\)](#).* (See the following note.)
8. Review Captain Summary—Engagement Reviews
9. Matter for Further Consideration (MFC) forms, as applicable
10. Findings for Further Consideration (FFC) forms, as applicable
11. Firm’s representation letter
12. Oversight report, as applicable
13. Appendix A “Explanation of No Answers” for the PRPM Section 4500 or 4600 “Guidelines for Review of Quality Control Policies and Procedures” and 4550 or 4650 “Guidelines for Testing Compliance with Quality Control Policies and Procedures” —System Reviews

**Note:* The report acceptance body may delegate the completion of attachment 2 of the Technical Reviewer’s Checklist ([exhibit 2-2](#)) for a single audit engagement(s) to a technical reviewer(s) if the technical reviewer has completed eight hours of continuing professional education (CPE) related to single audits in the last two years.

- B. There may be circumstances in which a RAB member needs to contact the technical reviewer before the meeting to clarify an issue. Such discussions between the RAB member and technical reviewer should be disclosed during the meeting. When possible, the RAB member’s question and the technical reviewer’s response should be communicated or summarized by electronic mail; and the communication should be copied to all RAB members assigned to the review. It is important to remember to
 1. discuss or review the questions during the meeting because acceptance is a RAB decision, not the technical reviewer’s decision and,
 2. discuss other questions among the other RAB members to help to bring out points that may otherwise be overlooked.
- C. A minimum of three members should evaluate every peer review, its initial corrective action (if applicable), and implementation plan (if applicable) for acceptance. If a member or members of the RAB are excused from the discussions because of a lack of independence or conflicts of interest (see chapter

1, [section VI](#)), other committee members should be appointed to the RAB. As a result, the committee ordinarily should include a minimum of six members.

~~D. An appropriate rotation policy should be established for the RABs. This provides the opportunity to ensure consistency in review consideration but still allows for diversity of review.~~

D. A consent agenda may, but is not required to be used for the meeting when reviews meet specific criteria. All criteria listed below must be met for a review to be placed on the consent agenda:

System reviews:

1. Peer reviews with a report rating of *pass*.
2. Peer reviews with no FFCs.
3. Peer reviews with no MFCs.
4. Peer reviews without reviewer performance feedback.

Engagement reviews (outside the scope of [Interpretation No. 137-1](#)):

1. Peer reviews with a report rating of *pass*.
2. Peer reviews with no FFCs.
3. Peer reviews without reviewer performance feedback.

When a review meets the criteria above, technical reviewers should still apply professional skepticism during the technical review. Reasons a review may not be placed on a consent agenda include, but are not limited to, the prior review resulted in a *pass with deficiency(ies)* or *fail* rating, firm performs multiple must-select engagements, reviewer has a pattern of poor performance, etc.

All RAB members are expected to read the documents for reviews on the consent agenda being considered for acceptance. A consent agenda allows RAB members to vote on a group of reviews without discussion; however, any RAB member may extract a review from the consent agenda to discuss and vote on separately.

**Guidance for CPA on Staff Requirement
January 8, 2018**

The Administering Entity (AE) should have a CPA on staff to provide the professional credibility and experience for managing the program. The CPA should be fully committed to the objectives of the Program and its administration. In addition, he or she is expected to engage in a peer-to-peer relationship while overseeing the Committee and RAB acceptance process. The CPA should have the authority, sufficient skills and audit experience needed to lead the Program, including identifying and correcting inadequate performance of administrator(s) or technical reviewer(s).

If the CEO of the administering entity is a CPA, he or she could serve in the role as the CPA on staff as long as he or she meets all the qualifications and fulfills all responsibilities of the CEO and CPA on staff.

Qualifications of the CPA on staff

The CPA on staff should possess the following qualifications:

- Hold an active CPA license in good standing
- Knowledgeable about the program standards, administrative requirements and processes
- Relevant audit experience and current knowledge of professional standards applicable to the reviews being administered
- Understand the significance of technical issues and the impact on reviews
- Meet continuing education requirements of a team captain <http://www.aicpa.org/INTERESTAREAS/PEERREVIEW/CPEANDEVENTS/Pages/default.aspx>
- Proficiency with technology including the Peer Review Integrated Management Application (PRIMA)

Responsibilities of the CPA on staff

The responsibilities of the CPA on staff include, but are not limited to:

- Lead the program, including administration and ensure proficient and appropriate use of technology by staff
- Manage and evaluate performance of Administrator(s)
- Manage and evaluate performance of Technical Reviewer(s)
- Develop plan and ensure effectiveness of mitigation of familiarity threat
- Periodically observe report acceptance bodies (RAB) to ensure acceptance procedures are in compliance with standards and guidance
- Responsible for day to day operations of the program
- Ensure full commitment to the objectives of the Program and its administration by state CPA society or organization
- Understand state law peer review requirements regarding oversight, document submission, Facilitated State Board Access (FSBA) requirement, peer review oversight committees and Freedom of Information Act (FOIA) for all states administered.
- Identify and correct inadequate performance of administrator(s) or technical reviewer(s)

-
- Assist CEO and society nomination process in an ongoing evaluation of committee/RABs
 - Challenge committee/RABs, when necessary
 - Monitor the status of reviews and reviewer qualifications and performance to ensure peer review requirements are met.
 - Present CEO with results of monitoring and committee/RAB activities
 - Develop comprehensive backup plan for Program administration
 - Report and respond to Oversight Task Force (OTF) and PRB as required
 - Attend annual peer review conference (highly encouraged)

The CPA may also have additional duties unrelated to peer review. In this case, the CEO should evaluate the sufficiency of time spent by the CPA on peer review to ensure compliance with benchmarks.

Time commitment of CPA on staff

The CPA on staff should be engaged at a sufficient level to administer the program in compliance with program standards and applicable benchmarks. When the CPA on staff is engaged at less than a full-time commitment to that role, the AEs' plan of administration should address how it has evaluated that the time allocated to the role is adequate.

Waiver for non-CPA on staff

Ideally, the CPA would be on staff by May 1, 2018. However, in order to allow AEs that have been operating under the current structure additional time to transition, waivers will be granted for up to three years. The waiver request is due annually and will be approved by the OTF. To be granted the waiver, the administering entity must meet all significant benchmarks throughout the year. If it is determined that a significant benchmark is not met, the waiver may not be granted for the subsequent year.

The initial waiver request should be submitted by April 2, 2018. Since the benchmarks have not yet been finalized, all waiver requests will be approved the first year unless an AE has already been notified of a problem related to oversight results, or problematic RAB observation results, or does not have an approved POA.

Consulting CPA on Staff

By using the phrase "on staff," employment is implied. The CPA on staff will be responsible for managing the performance of the technical reviewers and the administrator. There are concerns with a contractor having the appropriate authority to manage these individuals, including addressing performance concerns when required. If an AE can demonstrate the contractor is engaged and has significant influence in any decisions regarding hiring, retention, promotion or termination of administrators and technical reviewers, the request will be considered.

However, potential legal concerns may exist when an individual is retained as an independent contractor. For example, in certain circumstances, the contracted individual could be deemed an employee, which could lead to a number of practical and legal consequences. As part of evaluating a request to use the services of a contractor as the CPA on staff, an AE is strongly recommended to seek legal advice regarding the advisability of such action.

Dual Role: CPA on staff and Technical Reviewer

Since the CPA on staff is responsible for managing and evaluating performance of the technical reviewer(s), this individual should not fill both roles. In limited circumstances, the CPA on staff may need to complete technical reviews on a short-term basis (e.g. technical reviewer(s) are out sick or high volume of reviews). This unexpected event, including safeguard(s) employed to ensure this self-review risk is properly mitigated, should be documented in the AE's plan of administration.

Releasing Reviewer Ineligibility

Why is this on the Agenda?

The process to release reviewer ineligibility can be more efficient if the Peer Review Board delegates certain steps to Peer Review staff.

Currently to reinstate an ineligible reviewer, the RAB Handbook requires that the reviewer submit evidence that they possess all qualifications. Staff is then required to send the evidence to three board members to review and to approve reinstating the reviewer.

While PRIMA currently prevents the scheduling of most reviewers that do not meet certain qualifications, some analysis and related actions have been manual. PRIMA Phase 2 programming is expected to more accurately identify reviewers who do not meet one or more of the reviewer qualifications. Staff anticipates that the automation of this process will result in a higher volume of cases that would require board approval for the release of ineligibility.

To reduce the burden on the board, staff recommends revising this process (see Agenda Item 1.4A) to allow staff to evaluate evidence and approve, when appropriate, reviewer reinstatement when the following ineligibility reasons have been cured:

1. The reviewer's AICPA membership has lapsed or has been suspended
2. The reviewer's firm's peer review was not accepted within the last three years and six months
3. The reviewer's firm's most recently accepted peer review resulted in a report rating of pass with deficiencies or fail

The cures for these ineligibility reasons are generally objective and readily obtainable by staff without additional submission by the reviewer.

Feedback Received

This topic was presented to STF on January 9, 2017. STF voted to approve staff's recommendations.

PRIMA Impact

PRIMA Phase 2 programming will include the automation of the ineligibility process. The programming requirements have been drafted and would be revised, if appropriate, to reflect the changes recommended in this agenda.

AE Impact

Reviewer ineligibility, and subsequent release of ineligibility would be communicated to reviewers and impacted AEs via PRIMA upon implementation.

Communications Plan

Staff anticipates that these changes will be included in a reviewer alert that communicates changes to the PRPM and to PRIMA.

Manual Production Cycle (estimated)

These changes would be reflected in the February 2018 PRPM.

Effective Date

Upon board approval

Board Consideration

The board is asked to approve staff's recommended revisions to the process for releasing reviewer ineligibility.

Changes to RAB Handbook – Releasing Reviewer Ineligibility

AICPA PRP Section 300

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 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 **ly accepted** 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.

B. Process When a Reviewer Does Not Possess Reviewer Qualifications

Reviewers have a responsibility to inform their administering entity when they no longer possess one or more qualification. In addition, staff will monitor certain of the preceding qualifications using PRIMA, public information, and communications from administering entities and others. If the reviewer does not possess one or more of the qualifications, the reviewer will be ineligible to schedule or perform reviews for all administering entities. (See [section V](#) for procedures when a reviewer has allegations or investigations outstanding against him or her or is limited or restricted by a regulatory, a monitoring, or an enforcement body.) Once the reviewer satisfactorily possesses all reviewer qualifications, he or she ~~will be allowed to~~ **may** continue to schedule and perform reviews ([see 3. Release of Ineligibility below](#)).

1. Staff to Contact Reviewer Before Issuance of Letter of Ineligibility

If a reviewer does not possess any of the qualifications required by the standards, staff will contact the reviewer by phone or email (using the telephone number or email address on the reviewer's resume). The purpose of contacting the reviewer is to validate the qualification(s) that the reviewer may no longer possess. The reviewer is expected to respond to such communication within five business days. The reviewer's failure to respond to staff regarding the reviewer's qualifications will not delay the issuance of a suspension letter. Such communication and the results thereof should be documented.

It is important that the reviewer respond promptly to the staff's communication because it may result in the reviewer being able to continue to schedule and perform reviews. There may be situations in

which the reviewer currently does not possess the qualifications but may be in the process of obtaining them. Staff will make this determination on a case-by-case basis.

For example, the reviewer's firm has not had its most recent peer review completed by the due date. If the peer review working papers have been submitted to the AE, and the peer review is scheduled to be presented for committee acceptance, it may be determined that the reviewer should not be suspended. However, using the same situation, if the reviewer's firm's peer review has not been scheduled and is past the due date, including valid extension, this would likely lead to the reviewer being suspended because the reviewer's firm does not possess the qualification to have its peer review accepted timely, ordinarily within the last three years and six months.

2. *Letter to Reviewer Indicating Ineligibility to Schedule or Perform Reviews*

After staff has communicated with the reviewer, and it has been confirmed that the reviewer does not currently possess all reviewer qualifications, staff will send an ineligibility letter to the reviewer.

Ineligibility Letter

Upon issuance of an ineligibility letter, the reviewer will be prohibited nationally from scheduling or performing reviews until the reviewer possesses all qualifications required for being a reviewer. The reviewer should either withdraw from or reschedule reviews that he or she was previously approved to perform. The reviewer will be instructed to contact any firm (or team captain, if applicable) for which a review is scheduled in the near future or for which the reviewer will not possess the qualifications by the commencement of the review. For such reviews, the reviewer should inform the firm (or team captain, if applicable) that it would need to find another qualified reviewer. This includes reviews which the reviewer was previously approved to participate, regardless of whether the review has commenced. It is at the reviewer's discretion to discuss with the firm the reason that he or she is not able to perform the firm's review. 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.

A copy of the ineligibility letter will be sent to all AEs where the reviewer has performed reviews during the past year or has reviews scheduled. For reviews that are scheduled in the near future or have commenced, the reviewer should contact the respective AE to discuss the resolution of each review. This should be done within five business days of receipt of the ineligibility letter.

The reviewer should submit evidence or contact the AE indicating that the firms have been notified that they need to find a new reviewer. If the reviewer fails to submit evidence or contact the AE within five business days of receipt of the ineligibility letter, the AE may contact the reviewed firms to inform them 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. This should be left to the reviewer's discretion to discuss with the firm if he or she chooses.

Once the reviewer has been deemed ineligible, the committee should establish policies and procedures for identifying and monitoring reviews of the ineligible reviewer, which may be in different stages of completion. The following section D. provides committees with considerations for establishing such policies and procedures.

3. *Release of Ineligibility*

~~In order to~~ To be reinstated to schedule and perform reviews, ~~the reviewer must submit to staff~~ staff must receive documented evidence that indicates that the reviewer possesses all the qualifications required of a reviewer. ~~Generally, Once staff receives~~ Generally, Once staff receives satisfactory evidence of compliance with the qualifications ~~has been submitted to staff~~, staff will send evidence to three board members requesting approval to allow the reviewer to continue performing reviews. However, board approval is not required and reviewers may be reinstated after staff reviews and approves the documented evidence that the following ineligibility reasons have been cured:

- The reviewer's AICPA membership ~~has~~was lapsed or ~~been~~ suspended
- The reviewer's firm's peer review was not accepted within the last three years and six months
- The reviewer's firm's most recently accepted peer review resulted in a report rating of pass with deficiencies or fail

If approved, the reviewer will be sent a letter indicating that the reviewer is able to schedule and perform reviews. A copy of the letter will be sent to all AEs where the reviewer has performed reviews during the past year or has reviews scheduled. Reinstatement as a committee member, RAB member, or technical reviewer would be at the AE's or committee's discretion.

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 gather feedback on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

Standards Task Force

Accomplished since last PRB meeting:

- Approved revisions to the conclusions section of system review audit checklists
- Approved revisions related to reviewer ineligibility reinstatement process
- Approved delay of the effective date of the annual requirement for firms to complete the Peer Review Information Form from May 2018 to May 2019, mandatory for all firms at that time.
- Considered if current standards related to enrollment and engagement selection are appropriate considering preparation services
- Began the planning phase of the clarity project to make peer review standards easier to read, understand, and apply

Upcoming tasks:

- Continued focus on the clarity project
- Continued consideration of QCM review guidance revisions
- A discussion of how the Data Analytics Guide impacts peer review
- A discussion of how peer review guidance should address Cybersecurity advisory services
- Assessment of guidance needed in response to the implementation of PRIMA;
 - Risk Assessment Toolkit in narrative form

Education and Communication Task Force

Accomplished since last PRB meeting:

- Have begun the analysis of the peer reviewer pool by state, including must-select reviewers
- Continued modifications and improvements to the Peer Review website
- In the process of updating content for various live seminar offerings including:
 - Peer Review Update for State Societies
 - Advanced Course
 - Becoming a Peer Review Team Captain/Review Captain
 - Are You Ready for Your Firm's Peer Review?
- In the process of finalizing content updates for the various on-demand offerings including:
 - Peer Review Update for Team/Review Captains
 - Must Select Update for EBP Reviewers
 - Must Select Update for Governmental Reviewers

- Initial Training Course for New RAB Members
- Initial Training Course for New Technical Reviewers
- Continue to issue communications on an as needed basis related to various Peer Review initiatives

Upcoming tasks:

- Continue to plan for the 2018 conference including:
 - Finalizing the general session agenda, including potential concurrent session topics
 - Finalizing all necessary session materials including:
 - Concurrent session presentations
 - Session presentation for each stakeholder group (for example, peer reviewers, committee members, technical reviewers)
 - Conference Cases
- Develop session materials for sessions at other AICPA Conferences including:
 - EBP Conference (satisfies the EBP must-select training requirement)
 - Engage (satisfies the Team/Review Captain ongoing training requirement)
 - NFP Industry Conference (satisfies the Gov't must-select training requirement)
- Implement various action items designed to improve the peer reviewer pool, including reviewers of must-select engagements.

Oversight Task Force

Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- OTF members conducted administering entity (AE) oversight visits
- Conditionally approved AEs to administer the Program until the 2018 plans of administration are completed
- 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
- Discussed and approved AE benchmarks, example familiarity threat policies and procedures and RAB Handbook revisions
- Monitored reviewer performance

Upcoming tasks:

- Approve RAB observation reports
- Approve responses from AEs to AE oversight visit reports
- Approve, conditionally approve or defer AE plans of administration for 2018
- Monitor results of Enhanced Oversight
- Develop guidance for AE benchmark violations and fair procedures
- Revisions to Oversight Handbook to include monitoring compliance with AE benchmarks
- Monitor open reviews
- Monitor reviewer performance

Oversight Task Force Report – Summary of RAB Observations

Why is this on the Agenda?

Comparative summary of RAB observations performed by staff with reports approved by the OTF during the years-ended December 31, 2017 and 2016.

Our goal was to perform approximately three RAB observations per AE per year.

Summary of RAB Observations

The chart below summarizes 2017 statistics for reviews performed by staff, including comparative data from 2016.

	Year-ended December 31, 2017	Year-ended December 31, 2016
RAB meetings	63	104
AEs	34	40
Peer Reviews	253	392
Peer Reviewers	195	287
<i>Based on observers' comments:</i>		
Acceptance delayed or deferred	43	135
Feedback forms issued	17	24
Monitoring Letter issued	-	1
OTF requested AE response due to results of RAB observation	7	8

Recurring comments in the RAB observation reports include:

Items not initially identified by the RAB:

- Potential issue regarding auditor compliance with independence requirements of *Government Auditing Standards* (Yellow Book).
- Reviewers' risk assessments were not comprehensive. Items not addressed include unique risks associated with employee benefit plan audits when the firm had multiple types.
- Firms' response on the FFC forms did not address all items listed.
- Systemic cause missing or did not appropriately address the underlying cause of the finding on FFC forms.
- MFC forms included specific reviewer, firm or client names.
- Firm representation letters not consistent with the illustration in Appendix B of the Standards.
- Report language was not consistent with current standards
- Reviewer did not expand scope in accordance with standards and guidance
- Firm letter of response and FFC responses did not appropriately address nonconforming engagements.
- Reviews included on the consent agenda or otherwise accepted without presentation and discussion did not comply with RAB Handbook guidance
- Reviewer performance feedback not initially recommended when:
 - Reviewers did not appropriately aggregate and evaluate matters

- Reviewers failed to identify non-conforming engagements
- Oversight resulted in issues not previously detected by the reviewer
- Reports and letters of response were not in compliance with standard

Other comments:

- Reviews are not consistently presented to the RAB free from open technical issues. This causes the RAB to spend extra time discussing reviews which ultimately leads to deferred or delayed acceptance.
- RAB members should review criteria for “delayed acceptance” and “deferral of a review” as set forth in the RAB Handbook.
- RAB members that performed or participated in a review did not recuse themselves from the meeting when their reviews were presented.
- RAB members did not meet the training requirements as established in the RAB Handbook.
- Technical reviewer, rather than committee member, signature on reviewer performance feedback form.

Administrative matters:

- Deferral letters not sent timely or at all.
- All required documents not included in the RAB package

Board Consideration

None. For informational purposes only.

Agenda Item 1.10A**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation
between November 1, 2017 and January 23, 2018**

Firm Name	Admin State	State	Letter Name
Charlotte Choc C. Schafer	CA	AK	PRI4
Philip E. Gable, CPA, PC	AL	AL	PRI4
Donald W. Bass PC	AL	AL	PRI4
Ruby E Cade, CPA	AL	AL	PRI4
Doug TerHark CPA, PLLC	CA	AZ	PRI4
Anthony J. Bruno, CPA, PLLC	CA	AZ	PRI4
Thomas P Friezen, CPA, PC	CA	AZ	PRI4
Amado & Associates, CPAs PC	CA	AZ	PRI4
Stanley E. Clark, CPA	CA	CA	NOON4
Byung J Jhun	CA	CA	NOON4
Jorge Perazzo CPA Accountancy Corp	CA	CA	PRI4
Mark R. Currier, CPA	CA	CA	PRI4
Ram R. Swamy	CA	CA	PRI4
Christopher J. Aasness	CA	CA	PRI4
Muennichow & Associates, LLP	CA	CA	PRI4
DeLuca Accountancy Corporation	CA	CA	PRI4
Jerome E. Sather CPA	CA	CA	PRI4
O'Donnell & Smiley	CA	CA	PRI4
Robert L. Castle	CA	CA	PRI4
Chiang, Hammon & Company	CA	CA	PRI4
Catherine M. March	CA	CA	PRI4
Elite Accounting & Tax Services Inc	CA	CA	PRI4
Robert Eichel & Associates	CA	CA	PRI4
Z. M. Norwood & Co., Inc.	CA	CA	PRI4
Kevin Jester	CA	CA	PRI4
Robert Louis Dufour	CA	CA	PRI4
Imtiaz Ahmad, CPA, Inc.	CA	CA	PRI4
Rahimi & Co.	CA	CA	PRI4
David Scully	CA	CA	PRI4
Wardell & Rall, A.C.	CA	CA	PRI4
Massi Hadaegh CPA Inc.	CA	CA	PRI4
R. H. Robinson	CA	CA	PRI4
Cacciamatta Accountancy Corporation	NPRC	CA	PRI4
Thomas J McAlister	CO	CO	PRI4
Chaz T Vaughan CPA PC	CO	CO	PRI4
Esolen & Associates, PC	CO	CO	PRI4
Alfano & Associates, PC	CO	CO	PRI4

Firm Name	Admin State	State	Letter Name
Ferrante & Associates P.C.	CO	CO	PRI4
Joseph A. Palsa, CPA & Co.	CT	CT	NOON4
John A Bryan Jr	CT	CT	PRI4
Chicoski, Skelly & Co.	CT	CT	PRI4
Castanho Financial Group, LLC	CT	CT	PRI4
Howard M. Levine, CPA	CT	CT	PRI4
John Anthony Letizia	CT	CT	PRI4
Ralph V. Ingriselli, CPA	CT	CT	PRI4
Joseph A. Palsa, CPA & Co.	CT	CT	PRI4
David E Buck P A	FL	FL	PRI4
Perez & Company, CPA's, P. A.	FL	FL	SCHED4
Givens CPA Group PL	FL	FL	SCHED4
James W. Rabold, CPA, LLC	GA	GA	PRI4
J. Michael Childress CPA, P. C.	GA	GA	PRI4
Navigator CPA Group, P.C.	GA	GA	PRI4
The Osborne CPA Firm, P.C.	GA	GA	PRI4
Post & Associates, LLC	GA	GA	PRI4
The Cone Company, Inc	GA	GA	PRI4
Neville W. Anderson Sr. CPA, PC	GA	GA	PRI4
Sculley, Ladson & Cooling, LLC	GA	GA	PRI4
Taylor & Harmon, LLC	GA	GA	PRI4
Cavanaugh & Co. LLC	GA	GA	PRI4
K. Mark Simons, P.C.	GA	GA	PRI4
William T. Uniack	NPRC	GA	PRI4
Susan D. DeCarrera	GA	GA	QRF1
Steppe & Giery, CPA, P.C.	GA	GA	QRF1
Clovis and Associates LLC	ID	ID	PRI4
Gregory S Hine, CPA	ID	ID	PRI4
Butler & Murphy CPA, LLP	ID	ID	PRI4
Richard L. Schultz	IL	IL	PRI4
Joyce & Associates LLC	IL	IL	PRI4
R. C. Hofmeier & Associates	IL	IL	PRI4
Business & Professional Consultants LTD CPA	IL	IL	PRI4
Jeffrey Lee & Associates	IL	IL	PRI4
Maurice Mel Crohn	IL	IL	PRI4
Melchior & Company CPA's Ltd.	IL	IL	PRI4
Katz LLC	IL	IL	PRI4
Lustigson & Fagan PC	IL	IL	PRI4
MAG & Associates LLC	IL	IL	PRI4
Gallegos and Associates	IL	IL	PRI4
Kenneth P. Rapoport CPA, Ltd.	IL	IL	SCHED4
Karen L. Schenk & Associates, LLC	IN	IN	PRI4

Firm Name	Admin State	State	Letter Name
Schultz & Associates, PLLC	KY	KY	PRI4
Richard R. Woods, CPA, PSC	KY	KY	PRI4
Shannon & Associates	MA	MA	PRI4
Martin Beaudin, CPA, MST	MA	MA	PRI4
James W. Lowe Jr.	MA	MA	PRI4
Roger A. Lucey	NEPR	MA	PRI4
T&S Associates, P.C.	MI	MI	PRI4
Graves & Company, P.C.	MI	MI	PRI4
Avis & Associates, P. C.	MI	MI	PRI4
Mao & Company, CPAs, Inc.	NPRC	MI	PRI4
Harold Buehler, LLC	MO	MO	NOON4
Bohlmann & Company LC	MO	MO	PRI4
David A. Shildmyer, CPA	MO	MO	SCHED4
Nieman & Associates, PC	MS	MS	PRI4
Turner & Persons CPAs, PC	MS	MS	SCHED4
Ronald Paul Foltz, CPA	MT	MT	PRI4
Faircloth, Chestnutt & Company, LLP	NC	NC	QRF1
Thibedeau & Company, P. C.	ND	ND	PRI4
Patrick L. Thomazin	NV	NE	PRI4
McDermott & Miller, P. C.	NV	NE	PRI4
Brendon Pierson Inc	NJ	NJ	NOON4
John S Kahvejian	NJ	NJ	PRI4
Matthew M. Pastore Jr.	NJ	NJ	PRI4
Jay Lesser CPA PC	NJ	NJ	PRI4
Henry V Dellaratta	NJ	NJ	PRI4
John Michael Cone CPA	NJ	NJ	PRI4
Ernest Agresto	NJ	NJ	PRI4
Shapiro Financial Security Group, Inc.	NJ	NJ	PRI4
John S. Pavlovsky, Jr., CPA	NJ	NJ	PRI4
Martha C Carroll CPA, LLC	NJ	NJ	PRI4
Wurdemann, Pinto & Co., LLC	NJ	NJ	SCHED4
Hale Duncan & Co., Inc.	CO	NM	PRI4
Lowell M. Black, CPA LLC	NV	NV	NOON4
Mark Bailey & Co., Ltd, DBA Excelsis Accounting Group	NPRC	NV	PRI4
Bardier and Adams, Ltd.	NV	NV	PRI4
Gino Mauriello & Company CPA LLC	NV	NV	PRI4
Premier Accounting and Financial Services	NV	NV	PRI4
Josephson & Dolinger CPAs P.C.	NY	NY	NOON4
Kathleen R Havel CPA, EA	NY	NY	NOON4
Merrill I. Rosen CPA, PC	NY	NY	PRI4
Singer & Singer, CPA, P.C.	NY	NY	PRI4
Cerullo & Co, CPA, PC	NY	NY	PRI4

Firm Name	Admin State	State	Letter Name
Korn Rosenbaum LLP	NY	NY	PRI4
Bonn, Dioguardi & Ray, LLP	NY	NY	PRI4
O'connor & O'connor	NY	NY	PRI4
Weindorf and Company CPAS LLP	NY	NY	PRI4
James Tsempelis, CPA, PLLC	NY	NY	SCHED4
Arvay and Associates	OH	OH	PRI4
Mary Ann Boyer CPA, Inc.	OH	OH	PRI4
Thomas D. Heldman CPA & Associates, Inc.	OH	OH	PRI4
David A. DeLaat CPA, Inc.	OH	OH	PRI4
James R. Goldman CPA Inc.	OH	OH	PRI4
Robert E. Scodova	OH	OH	PRI4
Francis X. Melly	PA	PA	PRI4
Howell and Company, Inc.	PA	PA	PRI4
Dennis L. Alderfer, CPA	PA	PA	PRI4
URSO & Co., Inc.	NEPR	RI	PRI4
Payton W. Warren	SC	SC	PRI4
The Roberts CPA Firm, PA	SC	SC	PRI4
LeBlanc Accounting & Tax Service	TN	TN	PRI4
Chris Combs, CPA	TN	TN	PRI4
Dorothy S. Foster	TN	TN	PRI4
Scott Looney CPA	TN	TN	QRF1
Jay M Wilson PC	TX	TX	NOON4
Shane P. Garbutt, PLLC	NPRC	TX	PRI4
Dunn & Dill CPA's, PC	TX	TX	PRI4
James E. Keller CPA	TX	TX	PRI4
Robinson Accountancy LLC	TX	TX	PRI4
Mary L. Needler PC	TX	TX	PRI4
Doug Proffitt P. C.	TX	TX	PRI4
Larry M Hicks	TX	TX	PRI4
John Steve Eppes CPA P.C.	TX	TX	PRI4
David O. Agbuduta, CPA	TX	TX	PRI4
Roya Dahesh, CPA	TX	TX	PRI4
Pinkston Accounting, A Profession Corp.	TX	TX	PRI4
Matthew Moo Park, CPA	TX	TX	PRI4
Karl Locker CPA PC	TX	TX	PRI4
Vickie H Baker CPA	TX	TX	PRI4
Dishongh, Jankowski & Eubank, P.C.	TX	TX	PRI4
Aaron W. Games, PLLC	TX	TX	PRI4
Snell, Levin & Co., LLP	TX	TX	PRI4
Richard P. Loughlin	TX	TX	PRI4
David E. Hamblin	TX	TX	PRI4
Clark & Cobb, P. C.	TX	TX	PRI4

Firm Name	Admin State	State	Letter Name
A John Doucette	TX	TX	PRI4
Pitts & Pitts	TX	TX	PRI4
Robert James Williams	TX	TX	PRI4
Knutson, Bedrich & Associates	TX	TX	PRI4
Tracy L Bolger CPA, PLLC	TX	TX	PRI4
CPWR, LLP	TX	TX	PRI4
J W. Robertson	TX	TX	PRI4
Udall CPA Group, PLLC	NV	UT	PRI4
Raelene Allred	NV	UT	PRI4
Michael R. Francis, CPA	NV	UT	PRI4
Munden & Associates, LLC	NV	UT	PRI4
Kevin R. Huntington & Associates, CPA, P. C.	NV	UT	PRI4
Hoffman & Company, CPA, LLC	WA	WA	PRI4
Donald Rodman	WA	WA	PRI4
David Austen, CPA	WA	WA	PRI4
S J Cook & Company PLLC dba Cook & Company PLLC	WA	WA	QRF1
The Neal Group, LLC	WI	WI	PRI4
Kersten LLC	WI	WI	PRI4
Medeta Watts	WV	WV	PRI4
John J. Kuska Jr.	WV	WV	SCHED4
CPA Network LLC	NV	WY	PRI4
Jeffrey Frank Jacobsen	NV	WY	PRI4

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

Failure to submit signed acknowledgement letter:

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firms did not complete corrective actions designed to remediate deficiencies identified in their most recent peer review.

Quinn/Benz, A Prof. Corp. – Pittsburgh, PA

Failing to Correct Deficiencies or Significant Deficiencies After Consecutive Corrective Actions:

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm failed to correct deficiencies or significant deficiencies after consecutive corrective actions required by the peer review committee on the same peer review.

Steven Hirshenson – Rockville, MD
J.A. Garrison & Co. – North Richland Hills, TX
Ronald B. Cutler – Salt Lake City, UT

Firm terminations are also published on our website at:

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

Approved 2018 Association Information Forms for Associations of CPA Firms

Why is this on the Agenda?

As of January 19, 2018, the Associations Task Force has accepted the 2018 Association Information Form (AIF) from 19 associations of CPA firms on behalf of the Board. One association requested permission to assist its members in forming review teams. An asterisk indicates that association below.

Association Name

AGN International - North America, Inc.
Allinial Global
Alliott Group
BDO Alliance USA
BKR International
CPA Associates International North America Inc.*
CPA Management Systems, Inc. T/A INPACT Americas
CPAConnect
CPAmerica International
CPA-USA Association
Enterprise Worldwide
Firm Foundation
HLB USA, Inc.
Integra International
Leading Edge Alliance, The / LEA Global
MSI Global Alliance
Nexia International
PrimeGlobal North America
RSM US Alliance

Feedback Received

N/A

PRIMA Impact

PRIMA was updated to reflect the approval of the 19 associations for 2018.

AE Impact

Administering entities were notified via email of the 19 associations that have been approved for 2018.

Communications Plan

N/A

Manual Production Cycle (estimated)

N/A

Effective Date

Upon ATF approval and notification of AEs.

Board Consideration

None. For informational purposes only.

Agenda Item 1.10C

2018 Update to the Peer Review Program Frequently Asked Questions Document

Please see the separate Word document labeled 'Agenda Item 1.10C – Peer Review FAQ 2018 Update.' It has not been included in the combined materials due to size considerations.



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Program