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**AICPA<sup>®</sup>**

Peer Review  
Program

**QUESTIONS AND ANSWERS ABOUT  
THE AICPA PEER REVIEW PROGRAM**

**Update No. 18 January 2018**

# QUESTIONS & ANSWERS ABOUT THE AICPA PEER REVIEW PROGRAM

## INTRODUCTION

This question and answer document provides information about the AICPA Peer Review Program. Included within this document are peer review questions commonly asked by current or potential reviewed firms. It will assist those firms to understand requirements related to peer review and provide other general information and resources about peer review.

In addition to this document and the resources mentioned, firms are invited to attend the following courses to better assist them with preparing for their peer reviews and understanding the peer review program and process:

### [Upcoming Peer Review: Is Your Firm Ready?](#)

This 8-hour course is designed specifically to prepare a firm for their peer review. It focuses on how to create a strong quality control environment, as well as how to prevent some of the most common significant deficiencies noted in peer reviews. It also provides information on selecting the proper peer reviewer/review team.

### [A Firm's System of Quality Control](#)

This course provides a comprehensive review of a firm's system of quality control and emphasizes tailoring a quality control system for your firm's accounting and auditing practice that is appropriate and effective. It includes creating an environment focused on quality and continuous improvement through quality control monitoring and reviews policies and procedures for each of the six elements of a quality control system. This course is also recommended for firms subject to corrective action.

### **PRIMA**

[This document contains many references to the Peer Review Integrated Management Application \(PRIMA\) system and parts of the peer review process that need to be completed in PRIMA. -The Knowledge Base in PRIMA contains an extensive catalog of instructional videos and articles that describe how to complete these processes within PRIMA. The Knowledge Base can be accessed by selecting the 'Help' link in the upper right-hand corner of the PRIMA Home Page.](#)

Additional information about these courses can be accessed through <http://www.aicpastore.com> or <http://www.aicpalearning.org>

E-versions of the Practice Aids [Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice](#), can be obtained on the AICPA's website at no charge.

Technical questions about the peer review program may also be directed to:  
AICPA Peer Review Program Hotline: (919) 402-4502  
AICPA Peer Review Program Technical Hotline E-mail Address: [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org)

Comments and suggestions may be addressed to:  
AICPA Peer Review Board  
Attention: Peer Review Team  
220 Leigh Farm Road  
Durham, NC 27707

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## PEER REVIEW ENROLLMENT REQUIREMENTS

### What is the AICPA's practice monitoring requirement?

In order to be admitted or to retain their membership in the AICPA, members of the AICPA who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as partners or employees of firms enrolled in an Institute approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice-monitoring Standards and the firm or individual issues reports purporting to be in accordance with AICPA professional standards. (Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as *shareholder*, *member*, or *proprietor*.)

A member can meet the requirement if his or her firm is enrolled in the AICPA Peer Review Program ([ProgramRP](#)).

Firms are required to have their review administered by the National [Peer Review Committee \(NPRC\)](#) if they meet any of the following criteria:

- a. ~~The firm performed or played a substantial role in (as used by the [Public Company Accounting Oversight Board \(PCAOB\)](#)) an engagement under PCAOB standards with a period-end during the peer review year. The firm is required to be registered with and subject to permanent inspection by the PCAOB.~~
- b. ~~The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews. The firm performs engagements under PCAOB standards.~~
- c. ~~The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews.~~

Firms that are not required to have their review administered by the National PRC may choose to do so. However, such firms are subject to the National PRC's administrative

fee structure and should familiarize themselves with that structure prior to making such a decision.

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### **How many firms are enrolled in the AICPA Peer Review Program?**

Approximately 27,000 firms are enrolled in the AICPA Peer Review Program and are required to have a review of their accounting and auditing practice at least once every three years.

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### **Does my firm have to enroll in a peer review program if it does not have an accounting and auditing practice?**

If a firm does not perform services that include issuing reports purporting to be in accordance with AICPA professional standards it is not required to enroll in a practice-monitoring program. Firms should consult with their State Board of Accountancy (SBOA) to determine if the State Board rules require enrollment in a practice monitoring program even if your firm does not perform services that include issuing reports.

For purposes of the *AICPA Peer Review Program Standards*, an accounting and auditing practice is defined as all of a CPA firm's engagements performed under the Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARS)\*, Statements on Standards for Attestation Engagements (SSAEs), Government Auditing Standards (the Yellow Book) issued by the U.S. Government Accountability Office (GAO) and engagements under PCAOB standards. Engagements covered in the scope of the program are those included in the firm's auditing and accounting practice that are not subject to PCAOB permanent inspection.

\* SSARS that provide an exemption from those standards in certain situations are excluded from the definition of an accounting and auditing practice for peer review purposes.

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### **Does my firm have to enroll in a peer review program if the only engagements it performs are engagements to prepare financial statements under AR-C section 70?**

For purposes of complying with AICPA membership requirements, a firm that only performs engagements to prepare financial statements under AR-C section 70 is not required to enroll in a peer review program. No, a firm that only performs engagements to prepare financial statements under AR-C section 70 is not required to enroll in a peer review program. For firms already enrolled in the AICPA Peer Review Program, engagements to prepare financial statements would fall within the scope of peer review. Independent of AICPA requirements, please note that some state boards of accountancy require firms that only perform these engagements to enroll in peer review as a licensing requirement. You should check with the state board(s) where you perform such

engagements to determine whether you need to enroll in peer review.

~~AR-C section 70, issued as part of SSARS No. 21, was effective for engagements to prepare financial statements for periods ending on or after December 15, 2015. Early implementation was permitted.~~

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## **Do individuals who are practicing outside of the U.S. have to enroll in a peer review program?**

Individuals practicing in firms outside of the United States or its territories are exempt from the AICPA practice monitoring program requirement until they return to the United States or its territories. Please check with your Board of Accountancy or other regulatory peer review requirements as some may require you to have a peer review in this circumstance.

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## **Who administers a CPA firm's peer review?**

The AICPA Peer Review Program is administered in cooperation with a state CPA society, group of state CPA societies, and the AICPA Peer Review Board's National ~~PRC~~~~Peer Review Committee (National PRC)~~ that elect to participate as administering entities (AEs).- When a CPA firm is enrolled in the AICPA Peer Review Program its peer review will be administered by the ~~AE~~~~administering entity~~ in the state in which the CPA firm's main office is located (or, if that state CPA society has elected not to participate, by another ~~AE~~~~administering entity~~) or the National PRC. The AICPA Peer Review Board (~~PRB~~~~Board~~) approves all ~~administering entities~~~~AEs~~.

Firms are required to have their review administered by the National PRC if they meet any of the following criteria:

- a. ~~The firm performed or played a substantial role in (as used by the PCAOB) an engagement under PCAOB standards with a period-end during the peer review year. The firm is required to be registered with and subject to permanent inspection by the PCAOB.~~
- b. ~~The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews. The firm performs engagements under PCAOB standards.~~
- c. ~~The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews.~~

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## **When should my firm enroll in the AICPA Peer Review Program?**

When an individual becomes an AICPA member, and the services provided by his or her firm (or individual) fall within the scope of the AICPA's practice-monitoring standards, and

the firm (or individual) issues reports purporting to be in accordance with AICPA Professional Standards, the firm should enroll in the program by the report date of the initial engagement.

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## How can my firm enroll in the AICPA Peer Review Program?

A firm should log in to ~~the Peer Review Integrated Management Application (PRIMA)~~ and submit their enrollment information. For information on how to log into PRIMA, see the [Getting Started in PRIMA](#) document on AICPA.org. By enrolling, a firm agrees to have a peer review of its accounting and auditing practice once every three years subsequent to its initial peer review. A firm's initial review is ordinarily due 18 months from the date it enrolled (or should have enrolled) in the program. A firm seeking to enroll in the peer review program should be in compliance with the Council resolution concerning form of organization (see AICPA, *Professional Standards*, ET Appendix B).

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## Once enrolled, when should my firm expect to have its first peer review?

A firm's due date for its initial peer review is ordinarily eighteen months from the date it enrolled in the Program, or should have enrolled, whichever date is earlier.

A firm's subsequent peer review ordinarily has a due date of three years and six months from the year-end of the previous review. Firms should also check with their state board of accountancy for any peer review requirements.

In determining the appropriate due date, the firm's ~~administering entity~~AE will consider the firm's (or individual's) practice, the year-ends of their engagements, when the engagements were performed, and the number and type of engagements to be encompassed in the review.

If a firm resigns from the program and subsequently performs an engagement that requires a peer review within three years and six months of its prior peer review year-end, the firm should reenroll in the program. The due date for the firm's current review is the later of the due date originally assigned or 90 days after reenrolling.

If a firm resigns from the program and subsequently performs an engagement that requires peer review after its next due date has passed, the firm's current peer review is due 18 months from the year-end of the engagement (for financial forecasts, ~~and~~ projections, and agreed upon procedures -18 months from the date of report).

~~A firm's subsequent peer review ordinarily has a due date of three years and six months from the year-end of the previous review. Firms should also check with their state board of accountancy for any peer review requirements.~~

~~An administering entity will consider the firm's (or individual's) practice, the year-ends of their engagements, when the engagements were performed, and the number and type of engagements to be encompassed in the review, in determining an appropriate due date.~~

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### **Can my firm change its peer review year-end?**

A firm is expected to maintain the same year-end on subsequent peer reviews. Circumstances may arise that may cause a firm to want to change its year-end. For instance, the nature of the firm's practice may ~~change~~change, or the firm may reevaluate their current year-end and determine that a different year-end is more practical. In such situations, a firm may change its year-end only with prior, written approval of the ~~administering entity~~AE.

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## **GENERAL INFORMATION**

### **What are the types of peer reviews?**

There are two types of peer reviews - System and Engagement. System Reviews focus on a firm's system of quality control, and Engagement Reviews focus on work performed on selected engagements.

Refer to Appendix A for a chart that illustrates which types of engagements require a firm to have a System Review instead of an Engagement Review.

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### **What is a System Review?**

~~A System Review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 8, in all material respects. is designed to provide a peer reviewer with a reasonable basis for expressing an opinion on whether, during the year under review:~~

- a. The reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and
- b. The reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

This type of review is for firms that perform engagements that are ~~not subject to PCAOB permanent inspection~~ under the Statement on Auditing Standards (SASs,) the Government Auditing Standards (Yellow Book), examinations under the Statement on

Standards for Attestation Engagements (SSAEs), or engagements under the PCAOB standards as their highest level of service.

~~The scope of the peer review does not encompass other segments of a CPA practice, such as tax services or management advisory services, except to the extent they are associated with financial statements, such as reviews of tax provisions and accruals contained in financial statements.~~

Example procedures in a System Review include, but are not limited to: the reviewer will study and evaluate a CPA firm's quality control policies and procedures that were in effect during the peer review year. This includes

- interviewing firm personnel,
- and examining other relevant supporting documentation such as CPE records,
- examining outside consultations regarding A&A matters,
- examining and independence representations. ~~To evaluate the effectiveness of the system and the degree of compliance with the system, the reviewer will~~
- testing a reasonable cross-section of the firm's engagements with a focus on high-risk engagements in addition to and significant risk areas.

~~where the possibility exists of engagements being performed and/or reported on that are not in accordance with professional standards in all material respects.~~ The majority of the procedures in a System Review should be performed at the reviewed firm's office, ~~unless the reviewer has requested and received prior approval from the administering entity.~~ A reviewer can request the administering entity's approval to perform the review at a location other than the reviewed firm's office if an on-site peer review is cost prohibitive or extremely difficult to arrange, or both.

The scope of the peer review does not encompass other segments of a CPA practice, such as tax services or management advisory services, except to the extent they are associated with financial statements, such as reviews of tax provisions and accruals contained in financial statements.

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## What is an Engagement Review?

~~An Engagement Review is for enrolled firms that are not required to have a System Review and only perform services under SSARS or services under the SSAEs that do not require a System Review as their highest level of service.~~ The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects.

Enrolled firms that only perform services under SSARSs or services under the SSAEs that do not require System Reviews are eligible to have Engagement Reviews.

An Engagement Review is for enrolled firms that are not required to have a System Review and only perform services under SSARS or services under the SSAEs that do not

~~require a System Review as their highest level of service.~~

An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with certain background information and representations and the applicable documentation required by professional standards.

~~An Engagement Review does not provide the review captain with a basis for expressing any form of assurance on the firm's system of quality control for its accounting practice. This type of review does not cover the firm's system of quality control, so the reviewer cannot express an opinion on the firm's compliance with its own quality control policies and procedures or compliance with AICPA quality control standards.~~ However, firms eligible to have an Engagement Review may elect to have a System Review.

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### ~~On what is a System Review or Engagement Review determination based?~~

~~The type of peer review is based on the highest level of service a firm has performed. Refer to [Appendix A](#) for a chart that illustrates which types of engagements require a firm to have a System Review instead of an Engagement Review.~~

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### **How can I find out more about the peer review process?**

The [AICPA Peer Review Website](#) contains links to resources for peer reviewers, CPA Firms, and the public.

In addition, several sections of the [AICPA Peer Review Manual](#) are available online at no charge.

Refer to [Appendix C](#) for links to available resources.

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### **Will information obtained and reported about my peer review be confidential?**

A peer review ~~should~~**must** be conducted in compliance with the confidentiality requirements set forth in the AICPA Code of Professional Conduct. Information concerning the reviewed firm or any of its clients or personnel that is obtained as a consequence of the review is confidential. Peer reviewers may not disclose such information to anyone who is not involved in performing the review or administering the peer review program, or use such information in any way not related to meeting the objectives of the program. Also, no reviewer(s) will have contact with clients of your firm.

The peer review standards provide for the following information to be disclosed about a firm's peer review:

- a. The firm's name and address
- b. The firm's enrollment in the program

- c. The date of acceptance and the period covered by the firm's most recently accepted peer review
- d. If applicable, whether the firm's enrollment in the program has been dropped or terminated

Neither the administering entity nor the AICPA shall make the results of the review available to the public, except as authorized or permitted by the firm under the following conditions:

- A firm may be a voluntary member of one of the AICPA's audit quality centers or sections that has a membership requirement [such](#) that certain peer review documents be open to public inspection.
- A firm may elect not to opt out of the program's process for voluntary disclosure of peer review results to state boards of accountancy where the firm's main office is located.
- A firm may voluntarily instruct their administering entity to make the peer review results available to certain other state boards of accountancy.

In such cases, the reviewed firm ~~can~~is required as a condition of its voluntary membership to make [allow](#) their peer review results or certain peer review documents to be made available to the public or to specific entities, [such as a state board of accountancy](#).

In certain instances, ~~These~~ these documents may be found in the AICPA's [Public File](#), which ~~that~~ also contains peer review documents of firms that are PCPS members or those that voluntarily request to have their peer review documents publicly available.

~~Unless a firm communicates their desire to "opt out" of Facilitated State Board Access (FSBA) (see next question for additional FSBA information), certain peer review information may be shared with the SBOA of the firm's home state. A firm may voluntarily instruct its administering entity to make the peer review results available to certain other SBOAs.~~

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### **What is Facilitated State Board Access and how might it affect access to information about my firm's peer review?**

FSBA is a process that the AICPA has created to help keep up with the evolving changes in the business and regulatory environments and to address the demand for greater peer review transparency. This process is intended to create a nationally uniform system through which CPA firms can satisfy state board or licensing body peer review information submission requirements, increase transparency, and retain control over their peer review results. The AICPA and CPA state societies are working together to allow this process to become the primary means by which all SBOAs obtain peer review results. Over time, this process will help to make submission of your firm's peer review information easier. Depending on your state's requirements, laws and regulations, your firm may have the option to opt out of this process. Contact your administering entity for information

regarding FSBA requirements and the submission process for your SBOA.

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## INFORMATION FOR FIRMS ENROLLED IN THE AICPA PEER REVIEW PROGRAM

### How do I schedule my peer review?

If your firm enrolls in peer review and indicates that it performs services and issues reports that are within the scope of the AICPA's practice-monitoring program, the firm's peer review contact will be notified~~administering entity will send an appropriate communication to the managing partner of the firm regarding~~ of the firm's due date for its peer review.

~~Your firm's managing partner will be contacted by your administering entity~~This notification will occur approximately ~~seven~~<sup>76</sup> months prior to your review's due date. ~~If the due date is sooner than 6 months, the administering entity will contact the managing partner as soon as reasonably possible.~~ At that time, each firm will be asked to complete their peer review information and scheduling forms within PRIMA. ~~These forms asks for~~ certain~~provide~~ background information of the firm, such as, but not limited to:

- ~~a. 1.~~ 1.—Whether the firm has an accounting, auditing or attestation practice as defined in the *Standards for Performing and Reporting on Peer Reviews (Standards)*.
- ~~1. 2.~~ 2.—Whether the review is to be performed by a team appointed by the administering entity, by an authorized association, or by a qualified firm.
- ~~1.~~ 3.—The areas in which the firm practices and any industries in which over ten percent of the firm's auditing practice hours are concentrated.
- ~~2.~~ 4.—Whether the firm performs any audits through a joint venture or partnership arrangement.
- ~~3.~~ 5.—The anticipated timing of the review.
- ~~4.~~ 6.—The reviewer(s) team captain/review captain selected to perform the review, if your firm chooses to select its own review team formed by qualifying firms.

The firm will be asked to provide this information ~~in in the Peer Review Integrated Management Application (PRIMA PRIMA)~~.

During the scheduling process, the team captain will be asked to provide information regarding the rest of the review team, if applicable. If the information regarding the review team members is not known at the time, the information can be provided at a later date but as soon as reasonably possible, to ensure that the chosen reviewers are qualified and are approved by the administering entity.

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## Can I have an Engagement Review if my firm has only one audit?

No. You must have a System Review even if your firm only performs one audit. The purpose of an audit is to give assurance to third parties. Because of that third-party reliance, state regulators allow these services to be performed by CPAs only. As such, the profession has a responsibility to ensure that a CPA firm that performs even one audit has an adequate system of quality control over its accounting and auditing practice. Such assurance can only be obtained by reviewing the system of quality control, your firm's compliance with that system, and by reviewing engagement working papers along with the report and financial statements. Refer to [Appendix A](#) for a chart that illustrates the engagements that require firms to have a System Review instead of an Engagement Review. Performance of even one of these services would subject your firm to the applicable type of peer review.

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## What happens when there is a change in my firm's practice regarding the types of engagements performed?

You should ~~notify the administering entity in writing of the change in your firm's practice so that the appropriate type (System or Engagement Review) and the timing of your next peer review can be determined~~update the firm's enrollment information within PRIMA so that the appropriate type (System or Engagement Review) and the timing of your next peer review can be determined. See [GENERAL INFORMATION](#) section of this document for the types of engagements or services applicable to System or Engagement Reviews. If your firm has been engaged to perform one or more audit engagements or other engagements that might prompt a System Review, you should include the number of engagements it has been engaged to perform. If your firm ceases to perform audit engagements, you should also ~~notify the administering entity.~~update the firm's enrollment within PRIMA

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## What is the impact on my firm's peer review when my firm completes its first audit engagement after the completion of my Engagement Review?

When a firm, subsequent to the year-end of its Engagement Review, performs an engagement that would have required the firm to have a System Review, the firm should (a) immediately notify the administering entity by updating their enrollment information within PRIMA and (b) undergo a System Review. Refer to [Appendix A](#) for a chart that illustrates which engagements require firms to have a System Review instead of an Engagement Review. Performance of even one of these services would subject your firm to the applicable type of peer review. In this situation, the System Review will ordinarily be due 18 months from the year-end of the engagement (for financial forecasts, projections and agreed upon procedures 18 months from the date of report) requiring a System Review or by the firm's next scheduled due date, whichever is earlier. However,

the administering entity will consider the firm's practice, the year-ends of engagements and when the procedures were performed, and the number of engagements to be encompassed in the review, as well ~~as use~~ its judgment, to determine the appropriate year-end and due date. Firms that fail to immediately inform the administering entity of the performance of such an engagement will be required to participate in a System Review with a peer review year-end that covers the engagement. A firm's subsequent peer review ordinarily will be due three years and six months from this peer review year-end.

The firm should consult with its administering entity and/or AICPA staff in the following situations to determine if the firm will be required to undergo a System Review:

- If the firm is scheduled for an Engagement Review that has not yet commenced and will issue a report that will make the firm subject to a System Review
- ~~If the firm is scheduled for an Engagement Review that includes engagements that were previously subject to an Engagement Review but are now subject to a System Review~~

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### **How much will my peer review cost?**

The direct cost of a System Review will vary depending on firm size/region, number of engagements/partners/offices and nature of your firm's accounting and auditing practice. Firms with audits in various specialized, complex or high-risk industries, such as banking, governmental, and employee benefit plans will normally pay more than a firm with the same number of audits that are all in one industry or in lower risk areas. There may be other factors that influence the cost of a System Review including the design of and compliance with the firm's quality control system.

There are also the indirect costs of getting ready for a review that vary based on the condition of your firm's existing system of quality control. Many firms are concerned about these non-chargeable hours. However, if the system of quality control is suitable for your firm's practice, the preparation cost should be minimal. If, on the other hand, your firm finds the opposite is true, it should consider the time well spent since making needed changes should result in your firm providing better services to its clients, and, in most cases, providing those services more efficiently.

The estimated cost of an Engagement Review will vary based on the size of the practice and the number of owners responsible for the issuance of review, compilation and attestation engagement reports as well as preparation engagements.

The cost also varies based on the type of peer review and peer review team selected to perform the review. In addition to the review costs that will be incurred every three years, firms may also pay an annual administrative fee to the administering entity to cover the costs of running the program and, in some states, in the review year, fees for scheduling the review and evaluating the results of the review. For additional cost information, contact your administering entity.

Finally, firms that are enrolled in the AICPA Peer Review Program and perform engagements requiring the firm to undergo a system review are required to pay a national peer review administrative fee for each year in which they perform such engagements. The fee varies based on the number of CPAs employed by a firm and will be used to support the Peer Review Program's new and ongoing initiatives to drive audit quality.

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### **How can I reduce the costs of my peer review?**

The best way to reduce costs is to provide complete, accurate information to the reviewer(s) early enough, such as 30 to 40 days before the review is set to begin, so it can be completed by the review due date. Firms that are committed to establishing, maintaining, and improving the quality of their accounting and audit practice tend to have a more efficient peer review. Prepare for the review early by making sure everyone in your firm understands the importance of performing engagements in accordance with professional standards, and properly documenting engagement planning issues, key procedures and conclusions. If procedures are properly documented and effectively organized, it will improve the reviewer's ability to evaluate what was done without waiting for engagement staff to recall what they did from memory and should result in less time to complete the review. In addition, a properly designed environment of quality control and adherence thereto also results in less time devoted to discussing and responding to matters, findings and deficiencies.

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### **Can my review be performed somewhere besides my firm's office?**

Paragraph .08 of the *Standards* states that the majority of procedures in a System Review should be performed at the reviewed firm's office. Engagement Reviews are normally performed at a location other than the reviewed firm's office. If the System Review can reasonably be performed at the reviewed firm's office, it should be. Although certain planning procedures are performed at the peer reviewer's office, it is expected that a majority of the peer review procedures, including the review of engagements, testing of functional areas, interviews, and concluding procedures should be performed at the reviewed firm's office.

However, it is recognized that there are some situations that make an on-site peer review cost prohibitive or extremely difficult to arrange, or both. ~~Interpretation No. 8-1 to the Standards, Performing System Reviews at a Location Other Than the Reviewed Firm's Office, allows you to mail, e-mail or bring files, reports, and other materials ordinarily reviewed on a System Review to the reviewer's office or another agreed upon location.~~ In these situations, if the firm and reviewer mutually agree on the appropriateness and efficiency of an approach to the peer review such that it can be performed at a location other than the reviewed firm's office, then the reviewer can request the administering entity's approval to perform the review at a location other than the reviewed firm's office. This request should be made prior to the commencement of fieldwork, and the firm and reviewer should be prepared to respond to the administering entity's inquiries about various factors that could affect their determination.

Some sole practitioners believe their reviews can be carried out in this manner at less cost. Others have found this not to be the case. Regardless, cost savings should not be the primary factor for requesting a System Review to be performed at a location other than a reviewed firm's office, unless the costs are prohibitive.

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### **Is my firm required to have a quality control document?**

In accordance with Statements on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control*, all firms are required to document their policies and procedures related to their system of quality control. The extent of the documentation will depend on the size, structure, and nature of the firm's practice. Documentation may be as simple as a checklist of the firm's policies and procedures or as extensive as practice manuals.

The quality control document that is in effect during the peer review year should be provided to the peer review team.

When establishing and maintaining its system of quality control, sole practitioners and small to medium-sized Firms can also review the following practice aids located on AICPA.org.

- [Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice](#)

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### **Can my firm still use the peer review quality control checklists (4,300/4,400) as my quality control document?**

A Firms should use other resources to document its systems of quality control as these checklists will no longer be maintained or updated by the AICPA. ~~No.~~ The peer review program checklist 4,300, Documentation Questionnaire for a Sole Practitioner with No Personnel and the peer review program checklist 4,400, Documentation Questionnaire for Firms with Two or More Personnel were eliminated from the Peer Review Program Manual as of 01/01/17. ~~Firms should use other resources to document systems of quality control as these checklists will no longer be maintained or updated by the AICPA.~~

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### **Is my firm required to provide copies of individual or firm licenses or registrations to the peer reviewer?**

Yes. As a part of a System or Engagement review, reviewers will make inquiries of your firm to determine if your firm and its personnel are appropriately licensed as required by the state boards of accountancy in the state(s) in which your firm and its personnel practice. Your firm should also submit written representations from the firm's management indicating compliance with such required rules and regulations. If your firm is aware of any situation whereby you are not in compliance with the rules and regulations

of the state boards of accountancy or other regulatory bodies, they should tailor the representation letter to provide information on the areas of noncompliance.

To support these responses and representations, a reviewer is required to verify:

- the practice unit license (firm license) in the state in which the practice unit is domiciled (main office is located)
- individual (personnel) licenses in the state in which the individual primarily practices public accounting
  - For System Reviews, for a sample of appropriate personnel
  - For Engagement Reviews, for appropriate personnel on engagements selected

The reviewer will verify the license by requiring your firm to provide documentation from the licensing authority that the license is appropriate and active during the peer review year, and through the earlier of reviewed engagements' issuance dates or the date of peer review fieldwork. Acceptable documentation includes an original/copy of the license, print-out from an on-line license verification system, correspondence from the licensing authority, or other reasonable alternative documentation. The reviewer's judgment may be needed to determine what alternative documentation is reasonable.

It is your firm's responsibility to have understood and complied with its licensing requirements. Therefore, you should be prepared to respond to the reviewer's inquiries and requests for documentation. This is also important for out-of-state firms and individual licenses when licensing requirements may be more difficult to identify and understand. When the reviewer deems it appropriate to test out-of-state licenses, your firm is expected to provide documentation supporting its compliance with, or approach to, out-of-state licensing requirements. AICPA on-line CPA mobility provisions may be used to assist the reviewer in evaluating the firm's approach to firm and individual out-of-state licensing.

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### **What is a written representation letter?**

The team captain or review captain obtains written representations from management of the reviewed firm to describe matters significant to the peer review in order to assist in the planning and performance of and the reporting on the peer review.

The firm is required to make specific representations (included in paragraph .208 of the PRP Section 1000), but is not prohibited from making additional representations. It also may tailor the representation letter as it deems appropriate, as long as the minimum applicable representations are made to the team captain or review captain.

~~The representation letter is evidential matter that management is not aware of any situations where it or its personnel has not complied with state board(s) of accountancy or other regulatory bodies rules and regulations, including applicable firm and individual licensing requirements in each state in which it practices for the year under review or has notified the peer reviewer of such situations, has made available to the reviewer communications as stipulated in the Standards, has provided the reviewer with a list of~~

~~all client engagements (whether issued or not) with periods ending during the year under review and has provided the reviewer with any other information required by the reviewer. If the reviewed firm is aware of any situation whereby they are not in compliance with the rules and regulations of the state boards of accountancy or other regulatory bodies, they should inform the reviewer and tailor the representation letter to provide information on the areas of non-compliance. If during the review, something comes to the reviewer's attention whereby the reviewer believes the reviewed firm is providing contradicting or questionable information, the reviewer should investigate the matter further and may consider having the firm include the matter in the representation letter. The representation letter must also address how the firm intends to remediate any nonconforming engagements, if applicable.~~

~~For reviews with must-select engagements, the representation letter should be modified in accordance with the *Standards*. For those reviews with Single Audit engagements, reviewers should review the November 2016 Reviewer Alert for illustrations on how the representation letter should be tailored.~~

For System Reviews, the written representations should be addressed to the team captain performing the review and be dated the same date as the peer review report which is usually the date of the exit conference. For Engagement Reviews, the representation should be addressed to the reviewer and is also dated the same date as the peer review report.

The written representations should be signed by individual members of management whom the team captain, review captain, or the administering entity believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner in charge of the firm's system of quality control.

The reviewing firm and the administering entity will retain the representation letter until your firm's subsequent peer review has been completed. Your firm will be required to submit the representation letter from the prior review to your peer reviewer in the subsequent peer review.

Additionally, with the firm's explicit permission, a firm's written representation letter may be provided to the AICPA Professional Ethics Division, when there is evidence of an open ethics investigation.

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### **Are modifications to the template representation letter allowed?**

~~Although the firm is not prohibited from making additional representations in the representation letter, and the firm may tailor the representation letter as it deems appropriate, the minimum applicable representations included in the template representation letter are required to be made to the team captain or review captain. For example, all must-select engagement types must be explicitly referenced within the~~

~~representation letter.~~

~~The representation letter is not intended to be onerous for the reviewed firm. Allowing reviewers to add whatever they want to the representation letter would make it very difficult to maintain consistency in the program. In addition, this becomes a very important issue because a firm's failure to sign the representation letter may be considered noncooperation.~~

~~At a minimum the representation letter should comply with the spirit of the guidance, there is value to the reviewer of obtaining certain representations in writing. Thus, if during the review, something comes to the reviewer's attention whereby the reviewer believes the reviewed firm is providing contradicting or questionable information, the reviewer should investigate the matter further and may consider having the firm include the matter in the representation letter.~~

**If my firm will undergo a change in firm structure due to a firm name change, dissolution, merger, or purchase/sale, who do I notify about this change and how does it affect my peer review?**

Your firm should contact your administering entity immediately upon such change. The firm should obtain a [Firm Structure Change Form](#), complete the applicable section, and return the form to your administering entity. The administering entity will submit this form to the AICPA Peer Review Team once all pertinent information has been received and the form is complete. AICPA staff will determine how this change will affect your firm's peer review based on the information provided on the form and notify your firm of the status.

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~~How will my firm's affiliation with a non-CPA-owned entity impact my peer review?~~

~~Under an alternative practice structure, certain portions of the CPA firm's system of quality control may reside at or operate in conjunction with the system of control of the non-CPA-owned entity, which the CPA firm is closely aligned through common employment, leasing of employees, equipment, facilities, or similar arrangements. This would generally include the following elements of quality control: (1) relevant ethical requirements, (2) human resources, and (3) monitoring of the two preceding quality control elements. Reviewers will perform additional procedures to test these elements at the alternative practice structure.~~

**What if my firm has received communications relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies?**

The reviewed firm should inform the reviewer of communications or summary of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or

attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within the three years preceding the firm's current peer review year--end and through the date of the exit conference. The information should be in sufficient detail to consider its effect on the scope of the peer review. In addition, the firm should be able to submit the actual documentation to the reviewer in those circumstances that the reviewer deems appropriate. The reviewed firm is not required to submit confidential documents to the reviewer but should be able to discuss the relevant matters and answer the reviewer's questions.

AICPA Peer Review Staff are frequently copied on communications relating to allegations or investigations from regulatory bodies, such as the Department of Labor or Federal or State Inspector General's Offices, sent to or by the AICPA Professional Ethics Division. Staff will provide copies of these communications to a firm's peer reviewer if the firm named in the referral is currently undergoing a peer review. Additionally, a copy will be provided to a firm's managing partner and peer review contact. Recipients of required corrective action letters from the AICPA Professional Ethics Division will be required to submit evidence that the letter was provided to their firm's managing partner.

It is also expected that the reviewer and the firm will discuss notifications of restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring or enforcement bodies within three years preceding the current peer review year--end.

The reviewed firm should tailor its representation letter to the team/review captain to reflect these situations as it deems appropriate.

The peer reviewer and reviewing firm should also notify the relevant administering entity of any of these communications relating to allegations or investigations from regulatory, monitoring, or enforcement bodies in the conduct of accounting, audit, or attestation engagements performed by the reviewer. The notifications should occur prior to the peer reviewer or reviewing firm's being engaged to perform a peer review, or immediately (if after engaged). The objective of the reviewer or reviewing firm informing the relevant administering entity or AICPA technical staff (as applicable) of such allegations or investigations, limitations or restrictions, or both, is to enhance the program's oversight process, which includes ensuring that peer reviewers and reviewing firms are appropriately qualified to perform reviews.

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### **How do I determine whether my firm is part of a network?**

Refer to the [Frequently Asked Questions and Sample Case Studies for Implementing Network Firm Guidance](#) which was developed by the AICPA Professional Ethics group or contact them directly at [ethics@aicpa.org](mailto:ethics@aicpa.org).

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## CHOOSING A PEER REVIEWER (REVIEW TEAM)

### What types of review teams are available to conduct my peer review?

You may choose the type of review team you would like to conduct your firm's peer review.

For System Reviews any type of review, you have at least two options:

- *Firm-On-Firm Review*<sup>†</sup>  
You hire another qualified CPA firm to conduct the review. This option gives you a degree of personal assurance that the reviewer's qualifications fit your firm's needs. It also gives you more control over the cost of the review;
- *Association Review*  
You ask the association to which your firm belongs to assist in forming a review team. That association must be authorized by the AICPA Peer Review Board to assist in the formation of such review teams.

For Engagement Reviews, besides the two options listed above, there is a third option:

- *CART (Committee-Appointed Review Team) Review* – For Engagement Reviews in certain states, you may ask the administering entity to assemble the review team. Once a team is selected, the administering entity prepares an engagement letter that includes an estimate of the number of hours it will take to perform the review and the reviewer's billing rates. Billing rates are set by the administering entity and not by the reviewer. You are not required to accept reviewers that your administering entity selects. This option is not available from all administering entities.

A review team is comprised of one or more individuals, depending upon the size and nature of the CPA firm's practice. A reviewing firm must determine its capability of the review team to perform a peer review. This determination includes assigning peer reviewers with appropriate levels of expertise and experience to perform the review. Before accepting a peer review engagement, the reviewing firm should obtain and consider information about the firm to be reviewed, including certain operating statistics concerning size, nature of practice, industry specializations, and levels of service. A System Review team, a review captain on an Engagement Review and, in unusual circumstances any additional reviewers on an Engagement Review, ordinarily should be approved by the administering entity prior to the planning and commencement of the peer review.

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### What questions should I ask when selecting a reviewer to perform my firm's

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<sup>†</sup>Includes a firm in the same association of CPAs.

## review?

Examples of questions you should ask when selecting a reviewer include, but are not limited to:

1. How many reviews has the individual performed?
2. How much experience does the reviewer have in the industries in which my firm performs?
3. Will the reviewer be able to complete the review on time, allowing me enough time to submit the report and letter of response, if any, to the administering entity by my firm's review due date?
4. Ask for references; contact those references and ask whether those firms would recommend the reviewer and why.
5. Are there any other value-added services that the reviewer can provide me during the peer review?
6. What type of Government and/or ERISA audits does the reviewer perform (if applicable)?
7. Does the reviewer meet all of the qualifications to be a peer reviewer (during the time of scheduling and expected performance of the review)? See below and [Appendix B](#) regarding training and reviewer qualifications.
8. Has the ability to be a reviewer been limited or restricted or has the reviewer received notifications of limitations/restrictions on their ability to practice public accounting by regulatory, monitoring or enforcement bodies?

If you are a member of the Governmental Audit Quality Center and/or the Employee Benefit Plan Audit Quality Center, keep in mind the membership requirement to have a quality center member review the GAO, and/or ERISA engagement(s).

It is the reviewed firm's responsibility to select a qualified reviewer. The suspension, restriction, or otherwise disqualification of a reviewer is not a valid reason for request of an extension of due date by a reviewed firm. In some circumstances in which the peer review has to be re-performed by another reviewer, the associated cost may be the responsibility of the reviewed firm. It is the reviewer's responsibility to accurately determine and represent its capabilities and qualifications to perform the peer review. The AICPA's "[Guide to Selecting a Quality Peer Reviewer](#)" will assist your firm in understanding the importance of having a quality peer review, hiring a quality peer reviewer, and evaluating peer reviewer qualifications.

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## How can I find a list of firms interested in performing peer reviews?

The administering entity can supply you with a list of firms in a geographic area that you specify that are interested in performing reviews of other firms. The AICPA also maintains a [reviewer search](#) feature on the AICPA peer review program web-site that you can use to search for reviewers by state, industry, or size of firm.

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## Who is responsible for making sure the review team is qualified to perform my firm's peer review?

You should determine if the team captain or review captain has the experience needed to perform your firm's peer review. A reviewer/review team not only has to have experience in the right industries, but must have the right amount and type of experience. ~~Once selected, the next step is to have~~ Additionally, all members of the review team have to be approved by the administering entity prior to the commencement of the review. In addition, the administering entity has the authority to determine whether a reviewer/review team's experience is sufficient to perform a particular review. See [Appendix B](#) for additional information on reviewer qualification.

If you are a member of the Governmental Audit Quality Center ~~and~~ or the Employee Benefit Plan Audit Quality Center, keep in mind the membership requirement to have a quality center member review the [GAOGAS](#), and/or ERISA engagement(s).

If a firm chooses to hire their peer reviewer to perform services outside of the scope of peer review but related to the firm's accounting and auditing practice, the firm should consider whether the arrangement would violate independence and objectivity requirements which might prohibit the reviewer from performing the firm's next peer review.

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## ~~Do I have to notify the administering entity if I have already arranged or plan to arrange for another firm or association to perform my peer review?~~

~~Yes. The administering entity is responsible for ensuring that all the reviews it administers are performed in accordance with the *Standards for Performing and Reporting on Peer Reviews*. Therefore, your review must not begin until you have informed the administering entity about your arrangements and the administering entity has acknowledged receipt of the information and has approved the reviewers. Reviewers are required to confirm that the administering entity has been notified about your arrangements before starting the review. You should give the administering entity the name of the reviewing firm, the members of the review team, the date the review will begin, the expected date of the exit conference, and inform the administering entity promptly of any changes in that information. Providing this information before your review begins minimizes the chance of the acceptance process being delayed by questions about the conduct of the review or the qualifications of the reviewers.~~

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## PREPARING FOR THE REVIEW

### How should I prepare for my review?

In accordance with Statements on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control*, all firms must establish and maintain appropriate quality control policies and procedures and comply with those policies and procedures to ensure the quality of the services they provide to the public. Several publications are available from the AICPA such as the Standards for Performing and Reporting on Peer Reviews, the AICPA Peer Review Program Manual, and the Practice Aids for Establishing and Maintaining a System of Quality Control for a Firm's Accounting and Auditing Practice. These materials are available on the AICPA website.

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### When should my firm's peer review be finished?

Your firm's peer review should be finished by its due date. The firm's due date is reflected:

- ~~on~~ On the letter acknowledging your firm's original enrollment in the AICPA Peer Review Program, and
- 
- ~~in~~ in the committee acceptance letter related to your firm's last peer review.
- 

The due date is the date by which peer review documents, including the report and if applicable, the letter of response, should be submitted to the administering entity. To make sure your peer review is completed on time, you should start the review soon after your firm's peer review year ~~end~~. You should plan ahead so that the review takes place at a convenient time for your firm and to allow your reviewer time to properly plan and schedule your review. For example, if you have a heavy tax practice and your review due date falls between January and April, you should plan to start the review in September or October to make sure the review is completed before your busy season begins.

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### What if my firm cannot finish its review by the due date?

If your firm cannot complete its review by the due date, please request an extension in ~~the Peer Review Integrated Management Application (PRIMA)~~ PRIMA before the due date. Extensions requested after your review's due date will not be granted. If possible, extensions should be requested at least sixty days before the due date. However, it is plausible that extensions may be needed due to unforeseen circumstances within sixty days of the due date. ~~The letter~~ Your explanation to the administering entity should explain why your firm cannot complete its review on time and offer an alternative due date for the review. The administering entity considers extension requests on a case-by-case basis. Extensions are not granted simply because a firm believes it needs more time to prepare for the review. Extensions of a review date by more than three months are rare.

In certain circumstances extension requests for due dates may be granted by the administering entities, however, the extensions may not be recognized by your state board of accountancy or other regulators. *Government Auditing Standards* require a firm to have an external quality control review every three years. This three-year period begins with the date your firm starts fieldwork on its first engagement under *GAO Standards*. Subsequent reviews under *GAO Standards* should be completed within three years after the issuance of the prior peer review report. If your firm performs governmental audits, don't forget to take these requirements and potential changes into account when you request an extension of your firm's due date. The GAO and state boards of accountancy are not required to recognize extensions granted by the AICPA.

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### **What if my firm's peer review documents are not submitted to the administering entity by the due date?**

If the peer review is not completed or documents are not submitted to the administering entity by the firm's due date (including any approved extensions), the firm will receive notifications about the overdue documents. If the overdue documents are not received after a specified time, the administering entity may recommend to the AICPA Peer Review Board that a hearing be held to determine whether a firm should be terminated from the AICPA peer review program for failure to cooperate with the administering entity. If the firm has cooperated in the completion of the peer review, and the delay is caused by the reviewer, the firm should communicate this matter to the administering entity so that appropriate actions can be taken with regard to the reviewer.

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### **What period should my firm's peer review cover?**

The peer review covers a one-year period mutually agreed upon by you and the reviewer and normally should not change from review to review. Engagements selected for review in a System Review would generally be those with periods ending during the year under review, except financial forecasts or projections and agreed upon procedures. Financial forecasts and/or projections and agreed upon procedures with report dates during the year under review would be subject to selection. If the current years' selected engagement is not completed and a comparable engagement within the peer review year is not available, the prior years' engagement should be reviewed. If the subsequent years' engagement has been completed, the peer review team should consider, based on its assessment of peer review risk, whether the more recently completed engagement should be reviewed instead.

The criteria for selecting the peer review year-end and the period to be covered by Engagement Reviews are the same as those for a System Review.

It is generally anticipated that a firm will keep the same peer review year-end from review to review. If the prior peer review year-end was not the most convenient for firm personnel

or the most natural year-end for your firm's practice, ~~write~~ send a request to your administering entity (via PRIMA) ~~to request~~ that you be allowed a permanent change to a year-end that is more natural for your firm. Your ~~letter~~ submission should describe the reasons for your request.

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## **What if my client does not want their financial information reviewed by the peer reviewer?**

Firms may have legitimate reasons for excluding an engagement from the scope of peer reviewers. The following explanations are reasonable for excluding an engagement from selection in the peer review (this is not intended to be an all-inclusive list):

1. The engagement is subject to litigation.
2. The client will not permit the firm to make the engagement available.

In these situations, the reviewed firm should submit a written statement to the administering entity, prior to commencement of the review, indicating a) it plans to exclude an engagement(s) from the peer review selection process, b) the reasons for the exclusion and c) it is requesting a waiver from a scope limitation in the peer review report. The administering entity must decide if the reviewed firms request to exclude an engagement is reasonable and whether the firm should receive an exemption from the scope limitation.

The Board has agreed that the following explanations are **unacceptable** reasons for excluding an engagement from selection in the peer review (this is not intended to be an all-inclusive list):

1. The engagement working papers are in a warehouse.
2. The firm no longer performs the audit for that client (and still has access to the documentation).
3. The firm decided to no longer perform audits.
4. The engagement was selected during the last peer review.
5. The partner on that engagement will not be available when the review is scheduled.
6. The firm no longer performs engagements in that industry.

If the administering entity concludes that there is not a legitimate reason for the requested exclusion and the firm continues to insist on the exclusion, it should be evaluated whether this is a matter of noncooperation. These reasons may result in a report with a scope limitation.

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## **What is a scope limitation?**

There is a presumption that all engagements and all aspects of functional areas subject

to peer review will be included in the scope of the review. In rare situations a reviewed firm may have legitimate reasons for excluding certain engagements or certain aspects of functional areas, for example when an engagement or an employee's personnel records are subject to pending litigation.

In these situations, an administering entity may conclude that scope has been limited due to circumstances beyond the firm's control and the review team cannot accomplish the objectives of those procedures through alternate procedures, thus precluding the application of one or more peer review procedure(s) considered necessary in the circumstances. For example, ordinarily, the team would be unable to apply alternate procedures if the firm's only engagement in an industry that must be selected is unavailable for review and there isn't an earlier issued engagement that may be able to replace it, or when a significant portion of the firm's accounting and auditing practice during the year reviewed had been divested before the review began. In these circumstances, the team captain or review captain should consider issuing a report with a peer review rating of pass (with a scope limitation), pass with deficiency (with a scope limitation), or fail (with a scope limitation), as applicable. The existence of a scope limitation in and of itself does not result in a report with a peer review rating of pass with deficiencies or fail; it is in addition to the grade that was determined to be issued (which is why it is possible to have a report with a grade of pass (with a scope limitation) to which there would be no letter of response).

If you desire to exclude any engagements from the review and want to receive a waiver from a scope limitation, submit a written statement to the administering entity requesting a waiver from a scope limitation, including the reason for excluding the engagement.

The following explanations are **unacceptable** reasons for excluding an engagement from selection in the peer review ~~and therefore would result in a scope limitation~~ (this is not intended as an all-inclusive list):

1. The engagement working papers are in a warehouse.
2. The firm no longer performs the audit for that client (and still has access to the documentation).
3. The firm decided to no longer perform audits.
4. The engagement was selected during the last peer review.
5. The partner on that engagement will not be available when the review is scheduled
6. The firm no longer performs engagements in that industry.

If the administering entity concludes that there is not a legitimate reason for the requested exclusion and the firm continues to insist on the exclusion, it should be evaluated whether this is a matter of noncooperation.

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**If my firm is enrolled in the AICPA Peer Review Program, are engagements of employee benefit plans subject to peer review?**

Yes. The Employment Retirement Income Security Act of 1974 contains a requirement

for annual audits of employee benefit plan financial statements by an independent qualified public accountant. These audits produce reports from the auditor that include either an opinion in accordance with the auditor's findings or a statement that an opinion cannot be expressed. These audited financial statements and auditor's reports are often incorporated in a filing with the Department of Labor (DoL) along with the Form 5500 annual report. When included in a filing with the DoL, the auditor's report is required to be prepared in accordance with auditing standards generally accepted in the United States and to reference such standards.

As these engagements would be performed under the Statement on Auditing Standards (SASs), these engagements would be subject to peer review and would require the firm to undergo a system review. If a firm has historically undergone engagement reviews and decides to perform an audit of employee benefit plan financial statements subject to DoL filing requirements, the firm should immediately notify their administering entity and undergo a System Review. This System Review would normally be due 18 months from the year-end of the engagement or by the firm's next scheduled due date, whichever is earlier. If a firm has never been peer reviewed and decides to perform an audit of employee benefit plan financial statements (and is required to be enrolled in the AICPA's [Peer Review Program](#)), the due date for this initial peer review is ordinarily 18 months from the date the firm enrolled in the Program, or should have enrolled, whichever date is earlier.

Additionally, a firm may be deemed as failing to cooperate if they omit or misrepresent information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*. If a firm is dropped or terminated for not accurately representing information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

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### **When should I contact my System Review team captain and what will he or she want from me?**

You should contact your team captain and begin planning the review together early enough, at least six to nine months prior to the due date, to make sure all documents will be submitted to the administering entity by your firm's due date. Amongst other items, the team captain will ask for the following items prior to the review:

- The firm's comprehensive quality control document as required by SQCS No. 8.
- A list of accounting and auditing engagements for all engagements with periods ending during the year under review (or report dates during the year under review for financial forecasts and/or projections and agreed upon procedures) regardless of whether the engagement reports are issued as well as a description of the approach taken to ensure a complete and accurate engagement listing.

- ~~Peer Review Information (PRI), which includes summary information on the nature of your practice, services provided, clients served, industry concentrations and the number of accounting and auditing hours for these clients/industries. This summary information does not have to identify your clients. You can use codes.~~
- A list of the firm's professional personnel showing name, position and years of experience with the firm and in total.
- A copy of the firm's documentation maintained since its last peer review to demonstrate compliance with the monitoring element of quality control.

Based on this information, the team captain will make a preliminary selection of the offices and engagements he or she intends to review. The initial selection of engagements to be reviewed will be provided no earlier than three weeks before the commencement of the peer review. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review. However, at least one engagement from the initial selection to be reviewed will be provided to the firm once the review commences and not provided to the firm in advance. This engagement should be the firm's highest level of service and should not increase the scope of the review.

All engagements with years ending during the peer review year (or report dates during the year under review for financial forecasts and/or projections and agreed upon procedures) that are performed and issued by the firm should be available to the team captain at the start of fieldwork.

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### **How should my firm prepare for a subsequent peer review?**

In preparing for its next review, your firm should:

- Read the report and any findings from your firm's previous peer review. If applicable, be certain that you have taken the proposed actions outlined in your letter of response from the previous review.
- Perform and document on-going monitoring procedures to make sure prior deficiencies have been corrected.
- Review your Quality Control Document making sure your documented policies and procedures are appropriate based on the size, structure and nature of your firm.

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## **HAVING THE REVIEW**

## How are engagements selected for a System Review?

The AICPA Peer Review Program Standards require engagements selected for review should provide a reasonable cross section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Examples of the factors considered when assessing peer review risk at the engagement level include size, industry area, level of service, personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements), communications from regulatory, monitoring, or enforcement bodies; the results of reviews or inspections performed by regulatory or governmental entities; extent of non-audit services to audit clients, significant clients' fees to a practice office(s) and a partner(s) and initial engagements.

In addition, at least one of each of the following types of engagement should be selected for review:

- Engagements subject to Government Auditing Standards (GAS),
- Audits subject to the Employment Retirement Income Security Act (ERISA),
- Engagement subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA), -carrying
- Broker-dealers, and
- or Examination engagements of service organizations with the issuance of a Service Organization Control (SOC) 1 or 2 reports must be selected for review.

–Additionally, if the engagement selected is an entity subject to GAS but not subject to the Single Audit Act and the firm performs engagements of entities subject to the Single Audit Act, at least one such engagement should also be selected for review. The review of this additional engagement must evaluate the compliance audit requirements and may exclude those audit procedures strictly related to the audit of the financial statements.

If a firm performs both carrying and non-carrying broker-dealer engagement, at least one carrying engagement should be selected. Non-carrying broker-dealer engagements may also need to be selected based on the reviewer's risk assessment.

Finally, if a firm performs both SOC 1 and SOC 2 engagements and a proper risk assessment determined that only one SOC engagement should be selected, ordinarily a SOC 1 engagement should be selected over a SOC 2 engagement.

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## How are engagements selected for an Engagement Review?

The review captain or the administering entity (CART review) ordinarily should select the types of engagements to be submitted for review in accordance with the following guidelines:

- a. One engagement should be selected from each of the following areas of service performed by the firm;

1. Review of financial statements (performed under SSARS)
  2. Compilation of financial statements, with disclosures (performed under SSARS)
  3. Compilation of financial statements that omits substantially all disclosures (performed under SSARS)
  4. Engagements performed under the SSAEs other than ~~those subject to a System Review examinations~~
- b. One engagement should be selected from each partner, or individual of the firm, if not a partner, responsible for the issuance of reports listed in item (a).
  - c. Selection of preparation engagements should only be made in the following instances:
    1. One preparation engagement with disclosures (performed under SSARS~~s~~) should be selected when performed by an individual in the firm who does not perform any engagements included in item (a) or when the firm's only engagements with disclosures are preparation engagements.
    2. One preparation engagement that omits substantially all disclosures (performed under SSARS~~s~~) should be selected when performed by an individual within the firm who does not perform any engagements included in item (a) or when the firm's only omit disclosure engagements are preparation engagements.
    3. One preparation engagement should be selected if needed to meet the requirement in item (d).
  - d. Ordinarily, at least two engagements should be selected for review.

The preceding criteria are not mutually exclusive. One of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed in item (a) in the previous list performs does not have to be reviewed as long as, for the firm taken as a whole, all types of engagements noted in item (a) in the previous list performed by the firm are covered.

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## TYPES OF REPORTS

### What types of peer review reports are issued on System Reviews?

A team captain on a System Review can issue one of three types of opinions on the firm's system of quality control (system): Pass, Pass with Deficiencies or Fail.

*Pass*

A report with a peer review rating of *pass* should be issued when the team captain

concludes that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

There are no deficiencies or significant deficiencies that affect the nature of the report. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

#### *Pass with Deficiencies*

A report with a peer review rating of *pass with deficiencies* is issued when the team captain concludes that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report. These deficiencies are conditions related to the firm's design of and compliance with its system of quality control that could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects due to the nature, causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the quality control system taken as a whole.

In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

#### *Fail*

A report with a peer review rating of fail is issued when the team captain has identified significant deficiencies and concludes that the firm's system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

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### **What types of peer review reports are issued on Engagement Reviews?**

A review captain on an Engagement Review can issue three types of peer review reports: Pass, Pass with Deficiencies or Fail.

#### *Pass*

A report with a peer review rating of *pass* is issued when the review captain concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects. There are no deficiencies or significant deficiencies that affect the nature of the report. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

#### *Pass with Deficiencies*

A report with a peer review rating of *pass with deficiencies* issued when at least one but not all of the engagements submitted for review contain a deficiency.

In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

#### *Fail*

A report with a peer review rating of *fail* is issued when the review captain concludes that the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *fail* is issued when deficiencies are evident on all of the engagements submitted for review. The review captain should not expand scope beyond the original selection of engagements in an effort to change the conclusion from a peer review rating of *fail* in these circumstances.

In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

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## **PEER REVIEW COMMITTEE CONSIDERATION AND ACCEPTANCE**

### **When are the results of my peer review communicated to me?**

The reviewer may have additional questions and communicate matters to the respective engagement team or quality control partner throughout a System Review as situations arise. This is to prevent any surprises at the end of the review. Expectations of such communication should be established at the inception beginning of the peer review. For System Reviews, the review team should communicate its conclusions at the closing meeting and exit conference. A closing meeting is a meeting to discuss the preliminary results of the peer review. The purpose of this meeting is to discuss matters, findings, deficiencies, or significant deficiencies with senior members of the firm and remind your firm of its requirement to respond. This meeting will generally be held prior to the exit conference and typically will be onsite, preferably at least 30 days prior to your firm's review due date. The exit conference will be held, usually via teleconference, after your firm has responded to any matters, findings, deficiencies or significant deficiencies and the team captain has assessed those responses. This applies to Engagement Reviews as well, with the exception that both the closing meeting and exit conference may be held

via teleconference. The closing meeting and exit conference may be combined if, for example, there are no matters, findings or deficiencies to discuss or all matters have been resolved, responded to and evaluated.

Although the reviewer may communicate these preliminary results during an exit conference or [closing](#) meeting, the results are not considered final and should not be published until the peer review is accepted by a [peer review committee report acceptance body](#) of the applicable administering entity.

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### **Who is responsible for submitting review documents to the administering entity?**

The *team captain* or *review captain* is responsible for submitting the peer review documentation and report to the administering entity within 30 days of the exit conference date or by the firm's peer review due date, whichever is earlier.

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### **What happens if deficiencies are found by my peer reviewer?**

If deficiencies are found, your firm is expected to identify and take corrective measures to prevent the same/similar types of deficiencies from occurring in the future. Such measures could include making appropriate changes in your firm's system of quality control or having personnel take additional continuing professional education in specified areas. These measures should be described in a letter, addressed to the administering entity's peer review committee, responding to the deficiencies or significant deficiencies identified in the report. In reviewing your response to the deficiencies noted in the report, the peer review committee [may will](#) ask your firm to agree to certain other actions (referred to as "corrective actions") it deems appropriate in the circumstances, such as the submission of a monitoring report, a revisit by the reviewer, or joining an applicable audit quality center.

For any engagements associated with these deficiencies that are identified as not being performed or reported on in conformity with applicable professional standards in all material respects, your firm should take appropriate actions in accordance with the relevant professional standards. The relevant professional standards in this case would be AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*, or SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*, as applicable, or, if the firm's work does not support the report issued, as addressed in AU-C section 585, *Consideration of Omitted Procedures After the Report Date* (AICPA, *Professional Standards*). An administering entity's committee can require its reviewed firms to make appropriate considerations regarding nonconforming engagements as a condition of acceptance of the peer review and will not accept your peer review if the response is not deemed to be sufficient (genuine, comprehensive and feasible). In addition, the administering entity's committee can impose certain monitoring actions, such as requiring a firm to agree to have someone acceptable to the committee review the engagement remediation. Your firm's letter of

response should indicate how the firm plans to remediate any nonconforming engagements, as applicable.

The main objective of a review, and these related corrective measures, is to help the firm improve the quality of its practice.

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### **What if I don't agree with the peer reviewer's conclusions?**

Because peer review is a subjective process, there may be differences of opinion between you and the reviewer ~~as to whether a deficiency exists~~ that ~~are~~ not resolved to your satisfaction. In such circumstances, the reviewed firm or reviewer should consult with their administering entity and, if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement.

During the disagreement panel, the administering entity will give the disagreeing party an opportunity to provide reasons for the disagreement in person before the ~~committee~~ panel, in a telephone conference, or in writing. The peer review committee will form a panel of at least three members of the committee to discuss the disagreement. After reviewing the supporting documentation and each disagreeing party's position, the panel will discuss the matter in private. ~~The decision of the panel should be provided to all parties immediately following the panel's decision. A written communication of the panel's decision should be sent within three business days. The panel should issue the panel's decision regarding the disagreement in writing to the disagreeing parties.~~ Once the panel has reached a decision on the issues in question after considering the facts presented, even if the firm or reviewer still disagree, ~~for purposes of our standards~~, the matter is considered resolved by the administering entity.

Any of the disagreeing parties may request an appeal of this decision by writing the Peer Review Board and explaining why he or she believes a review of the panel's decision is warranted. ~~and provide support for the request by submitting evidence.~~ A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that have been established.

Alternatively to requesting a panel, the firm may consult with the Issue Advisory Hotline. The Issue Advisory Hotline has been established for the primary purpose of resolving differences of opinion between a peer reviewer and a reviewed firm regarding the application of established accounting and auditing guidance. That is, if an issue arises during a peer review as to whether the reviewed firm appropriately applied authoritative guidance on a selected engagement, the peer reviewer and the reviewed firm can call the Hotline together and discuss the issue with a member of the AICPA's Accounting & Auditing team. The objective of this discussion is to determine how the standard was intended to be applied. Once the Accounting & Auditing team member has provided further explanation regarding the intended application of the standard, it will be the peer reviewer's responsibility to use their professional judgment as to whether the reviewed firm complied with the standard ~~with~~ respect to the selected engagement being

reviewed. To [access/contact](#) the Issue Advisory Hotline, please call (919) 402-4650. For additional information regarding the Issue Advisory Hotline, please access the following [FAQ](#).

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### **Can my peer review acceptance letter be withheld until peer review administrative fees are paid?**

No. If the fieldwork has begun, the review should be performed, technically reviewed, considered by a report acceptance body and then the appropriate acceptance letter should be issued. However, failure to pay fees related to the administration of the peer review program that have been authorized by the governing body of an administering entity can lead to the firm's enrollment in the AICPA Peer Review Program being dropped.

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### **When are the results of my peer review available for publication?**

~~The results of your review can be publicized on the date the administering entity's peer review committee accepts the report. This step ensures that a panel of your peers agrees with your review team's conclusions.~~ You should not publicize the results of the review or distribute copies of the report until the committee has advised you that the report has been accepted.

Additionally, Aat the time you complete your firm's scheduling information, you can choose to make your firm's peer review documents open to public inspection by instructing your Administering Entity to place the documents in the AICPA's [Public File](#).

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### **How can I obtain a copy of my firm's latest peer review report?**

Peer review results for firms enrolled in the AICPA Peer Review Program are confidential. However, if asked, the reviewed firm is allowed to provide copies of their most recently accepted peer review report.

The latest accepted peer review report for a firm that is a voluntary member of one of the AICPA's audit quality centers or sections that has a membership requirement such that certain peer review documents be open to public inspection may be obtained from the firm's [Public File](#). The Public File also contains peer review documents of firms that are PCPS members or those that voluntarily request to have their peer review documents publicly available.

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### **When is my peer review complete?**

Generally, a peer review is complete the date the administering entity's peer review

committee (committee) accepts your firm's peer review without any further action(s) required of your firm. However, in the event that further action(s) is required, the completion date is the date the committee decides that the reviewed firm has performed the agreed-to corrective action(s) to the committee's satisfaction and the committee requires no additional corrective action(s) by the reviewed firm.  
~~the peer review is deemed completed when the firm has taken any action(s) deemed necessary by the committee and has been notified of the completion of the review by the administering entity.~~

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### **When would further action(s) be required?**

When a firm receives a report with a rating of *pass with deficiencies* or *fail*, the committee ordinarily would require some type of further action(s) (referred to as "corrective actions"). The type of action required would depend on the nature of the deficiencies.

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### **What could cause my peer review report to be recalled and what are my responsibilities after it has been recalled?**

The following situations are examples of what could cause your firm's peer review report (or other previously accepted peer review documents) to be recalled:

- The reviewed firm fails to include or properly identify any engagement(s) or level(s) of service that should have been included in the scope of the peer review. (Examples include if the firm had an engagement review performed and failed to inform the administering entity or reviewer of an audit performed during the period covered by the peer review; OR if the firm had a system review performed and neglected to disclose that it performed an engagement in a must-select industry during the period covered.)
- The reviewed firm failed to inform the reviewer of communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, auditing, or attestation engagement performed and reported on by the firm or limitations or restrictions on the firm's ability to practice public accounting related to the firm or its personnel. This includes failure to inform of such communications received through the date of the peer review report and acceptance thereof.
- The reviewed firm provided erroneous or incomplete information in response to inquiries from the administering entity, AICPA staff, or reviewer in relation to the peer review.

Your firm has the responsibility to notify all parties that might be relying on the recalled peer review documents to discontinue reliance when those documents are recalled. This includes, but is not limited to notification to the state board(s) of accountancy, current or potential clients, regulators, enforcement agencies, insurance carriers, or government

agencies, if applicable. Your firm is also responsible for the removal of the documents from publicly available sources, such as the firm's website. The firm needs to be aware that firm noncompliance with peer review requirements could affect its ability to meet AICPA membership requirements, as well as licensing and other regulatory requirements. Additionally, it is ultimately the firm's responsibility to have the peer review submitted by the firm's due date. Therefore, the firm is responsible for hiring a reviewer who understands the importance of the issue and timing for the replacement review, if a replacement review is necessary. For a more detailed discussion of the recall process, see Chapter 3 of the RAB Handbook (Section 3300 of the Peer Review Program Manual)

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### **What happens if it is discovered that a firm that has historically signed “no A&A” affirmations has been performing engagements subject to peer review?**

AICPA bylaws do not require a firm without accounting, auditing, or attestation engagements to enroll in a practice-monitoring program. However, an enrolled firm that no longer performs engagements defined in the Standards for Performing and Reporting on Peer Reviews will not be required to have a peer review in accordance with AICPA bylaws if the firm confirms annually that it does not perform any of these services. If it is subsequently discovered that a firm that had historically provided its administering entity with affirmations that it performed no A&A engagements did in fact perform an A&A engagement, an administering entity could require the firm to have a peer review (typically within 90 days of discovery).

Additionally, a firm may be deemed as failing to cooperate if they omit or misrepresent information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*. If a firm is dropped or terminated for not accurately representing information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

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### **What happens if after my firm's review is accepted, it is discovered that my firm failed to include all engagements in its engagement listing provided to the reviewer?**

A firm may be deemed as failing to cooperate if they omit or misrepresent information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*. If a firm is dropped or terminated for not accurately representing information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

In accordance with the noncooperation guidance, if a firm omits or misrepresents information relating to its accounting and auditing practice the firm will be subject to a

hearing panel to consider whether the firm's enrollment in the program should be terminated. If the omission or misrepresentation results in a material departure (e.g. must select engagements were not reviewed, but could have been) the acceptance letter of the review in question must be recalled. If the hearing panel determines that the firm's enrollment in the program should not be terminated, at a minimum the hearing panel will require that the firm have a replacement review submitted to the administering entity by the due date which will be approximately 60 days after the hearing panel's decision. The hearing panel may also indicate other specific criteria for the replacement review.

Firms that voluntarily notify the administering entity of an omission or misrepresentation resulting in a material departure will not be subject to a hearing panel. This notification from the firm must be prior to the AICPA or administering entity being otherwise notified of or discovering the omission or misrepresentation and prior to the firm receiving notification from another regulatory or monitoring agency. The peer review acceptance letter for the review in question will be recalled and the firm will be required to submit a replacement review to its administering entity by the due date which will be approximately 90 days after the firm's notification to the administering entity.

For recalled reviews that commenced on or after April 1, 2014 for which the firm's enrollment is terminated due to the firm omitting or misrepresenting information related to the firm's accounting and auditing practice, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

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### **What is an implementation plan?**

During the peer review, if a reviewer finds a matter that does not rise to the level of a deficiency, the reviewer will complete a Finding for Further Consideration (FFC) Form. ~~The reviewer will make a recommendation to the firm to correct the finding and the firm will be asked to respond.~~ The firm's response should describe:

- ~~The firm's actions (taken or planned) to remediate findings in the firm's system of quality control how the firm intends to implement the reviewer's recommendation (or alternative plan if the firm does not agree with the recommendation), the person(s) responsible for implementation,~~
- ~~The firm's actions (taken or planned) to remediate the engagements identified on the FFC form as nonconforming, if applicable~~
- ~~The timing of the implementation and, if applicable, additional procedures to ensure the finding is not repeated in the future.~~

The administering entity's ~~peer review committee~~ report acceptance body (RAB) will evaluate whether reviewed firm's responses to ~~those recommendations~~ the findings appear comprehensive, genuine, and feasible. The ~~peer review committee~~ RAB will determine if a finding should require the firm to complete an implementation plan (for example, the requirement to complete additional CPE) ~~from the reviewed firm~~ in addition to the plan described by the firm in its response to the findings on the FFC form.

An implementation plan is not tied to the reporting process or to the acceptance or completion of the peer review. It is considered a part of the working papers and administrative files ~~when a firm implementation plan is required by the peer review committee~~. Firms are expected to agree to and complete any such implementation plans as a part of cooperating with the administering entity and the board in all matters related to the review. Failure to cooperate with the administering entity or the PRBBoard may impact the firm's enrollment in the program.

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## What is a corrective action plan?

During the peer review, if a reviewer finds a matter that rises to the level of a deficiency, the deficiency or significant deficiency will be described in the peer review report. ~~The firm must draft a letter of response indicating how it intends to correct the deficiency, including its plans to remediate any nonconforming engagement. The administering entity's peer review committee will evaluate whether the reviewed firm's responses appear comprehensive, genuine, and feasible. The peer review committee will determine if a deficiency should require a corrective action plan from the reviewed firm in addition to the plan described by the firm in its letter of response. When a firm receives a report with a rating of *pass with deficiencies* or *fail*, the RAB ordinarily should require some type of remedial, corrective action as a condition of acceptance regardless of whether the firm appears to have an understanding of professional standards.~~

A corrective action plan is tied to the reporting process and the acceptance and completion of the peer review. It is considered a part of the working papers and administrative files when a corrective action plan is required by the peer review committee. Firms are expected to agree to and complete any such corrective action plans as a part of cooperating with the administering entity and the board in all matters related to the review. Failure to cooperate with the administering entity or the PRBBoard may impact the firm's enrollment in the program.

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## Frequently Asked Questions Regarding Implementation Plans and Corrective Actions

Q1. What are the differences between implementation plans and corrective actions?

A1. An *implementation plan* is an action(s) that may be required by the report acceptance body (RAB) of the administering entity's peer review committee in response to a finding that does not rise to the level of a deficiency. Such findings are included on Findings for Further Consideration (FFC) forms and are not included as deficiencies in the peer review report. *Corrective action(s)* ~~may-should~~ be required by the RAB in instances where the firm receives a peer review report rating of a *pass with deficiencies* or *fail*. Corrective action(s) or implementation plan(s) impact the reviewed firm's peer review acceptance and completion in different ways, however the cooperation of the firm with regard to either may impact the firm's enrollment in the AICPA Peer Review Program (see Q3 and Q4).

Q2. How do I know whether the letter I received from the administering entity is an implementation plan or a corrective action?

A2. The letter communicating the corrective action(s) will contain the following language:

*“The Committee accepted the aforementioned documents with the understanding that the firm will...”*

The letter communicating the implementation plan(s) will contain the following language:

*“...the action(s) outlined in the following implementation plan are required of your firm...”*

After the prescribed action(s) or plan the letters differ as follows:

Corrective Action wording

*“Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice-monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us at the address noted on this letterhead.”*

Implementation Plan wording

*“Your firm's agreement to complete this implementation plan demonstrates its commitment to the objectives of the profession's practice-monitoring program. As noted in the Standards for Performing and Reporting on Peer Reviews, although not a condition of acceptance of your firm's peer review, agreeing to and completing implementation plans are required as a condition of cooperating with the administering entity, the AICPA Peer Review Board and continued enrollment in the AICPA Peer Review Program. Please acknowledge your firm's agreement by returning a signed copy of this letter to us at the address noted on this letterhead.”*

Q3. What happens if I don't complete the implementation plan?

A3. Although agreeing to and completing an implementation plan is not tied to the acceptance of the peer review, if a firm fails to cooperate (by not agreeing to or by not performing), the firm's enrollment in the program may be terminated.

Q4. What happens if I don't complete the corrective action(s)?

A4. The reviewed firm is required to evidence its agreement to perform the prescribed corrective action(s) in writing before the peer review report can be accepted. The completion of the required corrective action(s) is a condition of cooperation with the administering entity and the Peer Review Board. If a firm fails to cooperate, the firm's enrollment in the program may be terminated.

Q5. Can my firm receive both a corrective action and an implementation plan related to

the same peer review?

A5. Yes, the peer review committee of the administering entity can require corrective action(s) related to receiving a peer review report rating of pass with deficiencies or fail and also require an implementation plan related to FFCs received on the same peer review.

Q6. What are some suggested actions that may be required related to a pass with deficiency(ies) or fail peer review report?

A6. Actions required by the report acceptance body differ depending on if the peer review was a System Review or an Engagement Review. The charts following A9 provide some common suggested actions. The peer review committee could recommend other actions or a combination of one or more actions.

Q7. What are allowable plans that may be required related to a Finding for Further Consideration?

A7. The charts following A9 provide the allowable implementation plans. The peer review committee could recommend a combination of one or more plans in response to the findings noted on a peer review.

Q8. How do the corrective action and implementation plan affect my ability to publicize the results of my peer review?

A8. A firm may not publicize the results of its peer review until it is notified that the report has been accepted by the administering entity. A corrective action affects the acceptance of the peer review report. A peer review report is not considered accepted until the reviewed firm signs the written letter from the administering entity evidencing the firm's agreement to the corrective action. An implementation plan does not affect the acceptance of the peer review report, and thus does not affect the firm's ability to publicize peer review results.

Q9. Should my firm expect an implementation plan for every FFC?

A9. No. The decision of whether to require an implementation plan and deciding on what actions or procedures are appropriate is a matter of professional judgment that each report acceptance body makes based on the applicable facts and circumstances. Generally, if the finding is not a repeat finding or associated with an engagement that was not performed or reported on in conformity with professional standards in all material respects (System Reviews only), no implementation plan is suggested by the RAB. To reduce delays during the peer review documentation evaluation process, the firm should ensure that its responses to each finding addressed on the FFC Form(s) are comprehensive, genuine, and feasible prior to submission to the administering entity. In order to ensure their response is comprehensive, genuine and feasible, the reviewed firm should describe:

- †The firm's actions (taken or planned) to remediate findings in the firm's system of quality control.

- The firm's actions (taken or planned) to remediate the engagements identified on the FFC form as nonconforming, if applicable
- The timing of the implementation.

~~how it intends to implement the reviewer's recommendation (or alternative plan if the firm does not agree with the recommendation), the person(s) responsible for implementation, the timing of the implementation and, if applicable, additional procedures to ensure the finding is not repeated in the future.~~

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## System Review Peer Review Rating—Pass with Deficiencies or Fail

Deficiency	Suggested action(s) to be performed as soon as reasonably possible
Deficiency related to engagement performance (including documentation)	<ul style="list-style-type: none"> <li>• Require the firm to hire an outside party acceptable to the RAB to perform a team captain revisit<sup>2</sup></li> <li>• Require members of the firm to take specified types and amounts of CPE</li> <li>• <u>Allow firm members responsible for the applicable type of engagement(s) not performed or reported on in accordance with professional standards to pass the related AICPA Advanced Certificate Exam, if applicable, in lieu of CPE.</u></li> <li>• Require the firm to hire an outside party acceptable to the RAB to perform preissuance reviews of certain types or portions of engagements and to report quarterly to the RAB on the firm's progress</li> <li>• Require post-issuance review of a subsequent engagement by an outside party<sup>3</sup></li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm's remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the</li> </ul>

<sup>2</sup> RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

<sup>3</sup> RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

	<p>firm's completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions</p> <ul style="list-style-type: none"> <li>• Require the firm to join an AICPA audit quality center applicable to the type of engagement(s) not performed or reported on in conformity with professional standards in all material respects<sup>4</sup></li> </ul>
<p>Deficiency related to design or noncompliance of another element of the quality control system</p>	<p>Tailor corrective action accordingly, such as the following:</p> <ul style="list-style-type: none"> <li>• Require submission of monitoring or inspection report</li> <li>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm's progress</li> </ul>

### Finding for Further Consideration Form(s)<sup>5</sup>

<b>Finding</b>	<b>Allowable plans to be performed as soon as reasonably possible</b>
<p>Engagements not performed or reported on in conformity with professional standards in all material respects and there are:</p> <ul style="list-style-type: none"> <li>• Initial finding(s) on must select industry, or</li> <li>• Repeat finding(s) for any industry</li> </ul>	<ul style="list-style-type: none"> <li>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance or post-issuance reviews of certain types or portions of engagements focusing on the areas identified in the finding</li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm's internal monitoring or inspection report</li> <li>• Require members of the firm to take specified types and amounts of CPE</li> <li>• Require firm to submit monitoring or</li> </ul>

<sup>4</sup> This option is only allowable for firms who have governmental and employee benefit plan engagements that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects. In addition, the firm must be eligible to enroll in the respective audit quality center. This action may not be in lieu of any other corrective action deemed appropriate by the committee and must be used in conjunction with other corrective actions.

<sup>5</sup> These are the only situations in which implementation plans are appropriate. Further, these are the only plans allowable. If the RAB believes a different implementation plan is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report.

	<p>inspection report to the RAB</p> <ul style="list-style-type: none"> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm's remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm's completion of its intended remedial actions outlined in its response on the FFC form or evaluate the appropriateness of alternative actions</li> </ul>
Engagement(s) indicate repeat findings <sup>6</sup>	<ul style="list-style-type: none"> <li>• Require members of the firm to take specified types of and amounts of CPE</li> <li>• Require firm to submit monitoring or inspection report to the RAB</li> </ul>
Failure to possess applicable firm license(s)	<ul style="list-style-type: none"> <li>• Submit proof of valid firm license(s)</li> </ul>

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<sup>6</sup> The guidance for allowable plans as discussed above must be followed, even in instances where the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required CPE. For example, the RAB may determine that more than 8 hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm's monitoring report to the RAB.

## Engagement Review Peer Review Rating—Pass wWith Deficiencies or Fail

<b>Suggested action(s) to be performed as soon as reasonably possible</b>
<ul style="list-style-type: none"> <li>• Require firm to submit a copy of a subsequent report and accompanying financial statements to review captain <sup>7</sup></li> <li>• Require members of the firm to take specified types and amounts of CPE</li> <li>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm’s progress</li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions</li> </ul>

### Finding for Further Consideration Form(s) <sup>8</sup>

<b>Finding</b>	<b>Allowable plans to be performed as soon as reasonably possible</b>
Engagement(s) indicate repeat findings <sup>9</sup>	<ul style="list-style-type: none"> <li>• Require members of the firm to take specified types and amounts of CPE</li> <li>• Require firm to submit monitoring or inspection report to the RAB</li> </ul>
Failure to possess applicable firm license(s)	<ul style="list-style-type: none"> <li>• Submit proof of valid firm license(s)</li> </ul>

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<sup>7</sup> RAB should allow flexibility and allow the firm to elect to have an accelerated review.

<sup>8</sup> These are the only situations in which implementation plans are appropriate. Further, these are the only plans allowable. If the RAB believes a different implementation plan is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report.

<sup>9</sup> The guidance for allowable plans as discussed above must be followed, even in instances where the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required CPE. For example, the RAB may determine that more than 8 hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm’s monitoring report to the RAB.

## COOPERATION WITH THE AICPA PEER REVIEW PROGRAM

### What if my firm chooses not to cooperate with the AICPA Peer Review Program?

Enrollment in an [approved](#) practice monitoring program is a requirement for admittance and retention of membership in the AICPA if the firm performs services within the scope of the AICPA's practice-monitoring Standards (see page 2 of this Q&A). 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. If an enrolled firm does not cooperate with the requirements of the AICPA Peer Review Program, their enrollment may be terminated or dropped (as discussed below). A firm should carefully consider any implications of its non-cooperation and impact on state boards of accountancy or other regulatory requirements.

Additionally, a firm may be deemed as failing to cooperate if they omit or misrepresent information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*. If a firm is dropped or terminated for not accurately representing information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

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### Under what circumstances may a firm's enrollment be dropped?

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 that the firm has failed to:

1. Timely file requested information with the entity administering the firm's peer review concerning the arrangement or scheduling of that peer review, prior to the commencement of the peer review,
2. Timely submit requested information to the reviewer necessary to plan 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 fees related to the administration of the program that have been authorized by the governing body of an administering entity.

The AICPA Peer Review Board may at its discretion decide to hold a hearing. Whether a hearing is held or not, a firm enrolled in the AICPA Peer Review Program has the right

to appeal to the AICPA Joint Trial Board within 30 calendar days of being notified that the firm's enrollment has been dropped.

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### **Under what circumstances may a firm's enrollment be terminated?**

A firm is deemed as failing to cooperate once the review has commenced by:

- Not responding to inquiries once the review has commenced
- Withholding information significant to the peer review, for instance but not limited to:
  - failing to disclose 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
  - omitting or misrepresenting 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, representation letters, quality control documents, engagement working papers, all aspects of functional areas
- Not responding to MFCs or FFCs timely, if applicable
- Limiting access to offices, personnel or other
- Not facilitating the arrangement for the closing meeting/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
- Failing to timely acknowledge and complete required corrective actions or implementation plans
- Failing to receive a pass report after receiving a peer review report with a rating of *pass with deficiencies* or *fail* and the firm received notification through a method providing proof of receipt that a consecutive peer review report rating of *pass with deficiencies* or *fail* may be considered a failure to cooperate with the administering entity
- Failing to timely notify the administering entity that it is performing a type of engagement(s) or engagement(s) in an industry in which the firm had previously represented (in relation to a corrective action or implementation plan) that it was no longer performing and had no plans to perform in the future, and this resulted in the administering entity waiving the corrective action or implementation plan based on the firm's representation
- Erroneously providing or omitting information during the course of the peer review that would have resulted in a significant change in the planning, performance, or evaluation of results by the peer reviewer, or in the peer review

- report issued
- Failing to provide substantive responses to the administering entity during its evaluation of the significance of erroneous or omitted information

The firm will be advised by certified mail that the AICPA Peer Review Board will appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated. A firm enrolled in the AICPA Peer Review Program that has been notified that it is the subject of such a hearing may not resign until the matter causing the hearing has been resolved. After a hearing is held, a firm whose enrollment in the AICPA Peer Review Program has been terminated has the right to appeal the panel's decision to the AICPA Joint Trial Board within 30 calendar days of the hearing.

A firm's enrollment in the AICPA Peer Review Program will be terminated for failure to cooperate in any of the preceding situations, without a hearing, upon receipt of a plea of guilty from the firm. Pursuant to the AICPA Standards for Performing and Reporting on Peer Reviews, the fact that a firm's enrollment in the AICPA Peer Review Program has been terminated, whether with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe.

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### **Can my firm resign from the AICPA peer review program at any time?**

Your firm may resign from the AICPA Peer Review Program (Program) as long as the peer review has not ~~commenced~~commenced, and your firm submits ~~a letter of resignation to the Peer Review Board~~a request within PRIMA to resign the firm from the program. Ordinarily, a peer review commences when the review team begins field work on a System Review or begins the review of engagements on an Engagement Review. Once a team captain, review captain, or team member learns information that affects the results of the review, the review is deemed to have commenced, even if such an event occurs during planning before any engagements are reviewed. Once a peer review commences a firm would not be able to resign from the Program unless the firm submits a letter pleading guilty, acknowledging its non-cooperation with the program, waiving its right to a hearing and agrees to allow the AICPA to publish in such a form and manner as the AICPA Council may prescribe, the fact the firm has resigned from the program before completion of its peer review, evidencing non-cooperation with the program.

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### **If my firm is terminated from the AICPA peer review program, how does the firm get reenrolled?**

Ordinarily, firms may request reenrollment in the program after the firm has sufficient opportunity to implement appropriate changes to correct the cause of the drop or termination. Reenrollment in the program is subject to evaluation by either the administering entity or a hearing panel of the Peer Review Board.

The administering entity or a hearing panel of the Peer Review Board should be made

aware of information that led to the firm's most recent drop or termination from any practice monitoring program. The administering entity may make the determination of whether action(s) is (are) satisfactorily completed and approve reenrollment for drops or terminations such as overdue actions and all other instances of noncooperation that do not require reenrollment consideration by a hearing panel of the AICPA Peer Review Board.

Reenrollments decisions subject to approval by a hearing panel of the AICPA Peer Review Board, include, but are not limited to:

Drops for not accurately representing its accounting and auditing practice as defined by the AICPA Standards for Performing and Reporting on Peer Reviews; and

Terminations for:--

- 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;
- failure to receive a pass report rating subsequent to receiving notification via certified mail, or other delivery method providing proof of receipt, after a peer review rating of pass with deficiencies or fail; or
- failure to correct deficiencies or significant deficiencies after consecutive corrective actions required by the committee on the most recent peer review.

Reenrollment generally requires the firm to address and remediate the circumstances that caused the firm to be dropped or terminated. Common criteria for reenrollment, include but are not limited to, submitting evidence to the administering entity or hearing panel that demonstrates:

- Completion of the requested action
- Changes in the firm's system of quality control (such as, but not limited to, personnel changes or procedural changes, methodologies to identify the complete population of engagements performed, access to technical resources or membership in quality centers, and voluntary changes in the practice or types of industries or engagements performed)
- Competency through completion of relevant CPE, training, or competency assessments
- Assessment of quality in the performance of engagements through internal or external monitoring results (such as, but not limited to, pre-issuance reviews, post issuance reviews, and internal inspections that reflect engagements are materially performed and reported on in conformity with applicable professional standards)

The hearing panel or administering entity's peer review committee may also require other actions as a condition of reenrollment. Determination of final acceptance or completion of a review is subject to the administering entity's report acceptance body.

If reenrollment is approved and the firm is past its next peer review due date, the firm will generally be required to complete its subsequent peer review

- within 90 days of reenrolling if the firm's most recent peer review is completed, or
- within 90 days of the administering entity's report acceptance body determining that actions taken are satisfactory to complete a commenced peer review or
- by a later date set by the hearing panel or the administering entity.

~~A firm that has been terminated from the program may reenroll in the program once it completes the delinquent action that caused the firm to be terminated. The administering entity and the Peer Review Board make the determination of whether the action is satisfactorily completed. If the firm is past its next peer review due date, the firm will be required to complete its subsequent peer review within 90 days of reenrolling.~~

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## FIRMS THAT AUDIT BROKER-DEALERS

### **What are the characteristics of a carrying broker-dealer and a non-carrying broker-dealer?**

Carrying broker-dealers include all broker-dealers that clear customer transactions, carry customer accounts or hold custody of customer cash or securities. Examples of carrying broker-dealers include (a) clearing broker-dealers who receive and execute customer instructions, prepare trade confirmations, settle the money related to customer trades and arrange for the book entry (or physical movement) of the securities and (b) carrying broker-dealers that hold customer accounts or clear customer trades for introducing broker-dealers. Non-carrying broker-dealers are those broker-dealers that do not clear customer transactions, carry customer accounts, or hold custody of customer cash or securities. Examples of non-carrying broker-dealers are (a) introducing broker-dealers that introduce transactions and accounts of customers or other broker-dealers to another registered broker-dealer that carries such accounts on a fully disclosed basis, and who does not receive or hold customer or other broker-dealers securities and (b) a broker-dealer whose business does not involve customer accounts, such as proprietary trading firms, investment banking firms, and firm's that sell interest in mutual funds or insurance products.

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### **~~Will firms that audit broker-dealers need to have their peer reviews administered by the National Peer Review Committee (NPRC)?~~**

~~Yes. On July 31, 2013, the SEC finalized its Broker-Dealer Rules. The final rule requires audits of all broker-dealers to be performed under PCAOB Standards. It also requires a new Compliance Report (examination) for carrying BDs and an Exemption Report (review) for non-carrying BDs, both to be performed using PCAOB Standards. These requirements are effective for fiscal years ending on or after June 1, 2014. On October 10, 2013, the PCAOB adopted attestation standards for the purposes of performing the examination of the Compliance Report and the review of the Exemption Report (PCAOB Release No. 2013-007: Final Rule). They also adopted an auditing standard applicable~~

~~when auditors are engaged to perform audit procedures and report on supplemental information that broker-dealers and others file with the SEC and related amendments to other PCAOB standards ([PCAOB Release No. 2013-008: Final Rule](#)).~~

~~Audits of all non-SEC issuer broker-dealers are currently subject to inspection by the PCAOB under an interim inspection program. Until such time that a permanent inspection program is implemented by the PCAOB, audits of non-SEC issuer broker-dealers are included in the scope of peer review. Firms performing these engagements under PCAOB Standards beginning with fiscal years ending on or after June 1, 2014, will be required to have their peer review administered by the NPRC.~~

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## FIRMS THAT PERFORM EXAMINATIONS OF SERVICE ORGANIZATIONS

### What are the characteristics of the three main types of SOC engagements?

The three main types of SOC engagements are:

- SOC 1 examinations (~~performed under SSAE 16 and in accordance with [AT-C section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting](#)~~[AT 801, Reporting on Controls at a Service Organization](#))
- SOC 2 examinations (performed under AT 101, *Attest Engagements*, and the *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* AICPA Guide)
- SOC 3 examinations, reviews, or agreed upon procedures (performed under AT 101, *Attest Engagements*)

#### *SOC 1 Engagements*

A service organization control (SOC) 1 report is a report on controls at a service organization relevant to user entities' internal control over financial reporting. Under SOC 1, a service organization provides a very detailed description of its controls that are relevant to user entities' internal control over financial reporting. A practitioner may perform either a Type 1 or Type 2 SOC 1 engagement. The service auditor reports on whether the description is fairly presented, whether the controls are suitably designed, and in a Type 2 SOC 1 engagement, whether the controls were operating effectively. A SOC 1 report is a restricted-use report, intended for use by user entities of the service organization and their financial statement auditors. SOC 1 engagements should not be used for reporting on controls over subject matter other than financial reporting. SOC 1 engagements are required to be examinations, are subject to a System Review, and are must select engagements.

#### *SOC 2 Engagements*

Many entities outsource tasks or functions that are unrelated to financial reporting to service organizations. SOC 2 reports are intended to meet the needs of a broad range of users that want to understand internal control at a service organization as it relates to the

security, availability, or processing integrity of the service organization's system, or the confidentiality or privacy of the data processed by that system. These reports may be restricted in use but are intended for use by stakeholders (e.g., customers, regulators, business partners, suppliers, directors) of the service organization that have a thorough understanding of the service organization and its controls. Similar to SOC 1 engagements, SOC 2 engagements provides for both Type 1 and Type 2 reports. Unlike SOC 1 engagements, the primary users of SOC 2 reports generally are not user auditors but rather management of the user entities that use the reports to make operational decisions. SOC 2 engagements are required to be examinations, are subject to a System Review, and can be a must select engagement.

### *SOC 3 Engagements*

The subject matter in a SOC 3 engagement is essentially the same as it is in a SOC 2 engagement, and the criteria for evaluating controls is the same as it is in a SOC 2 engagement. However, SOC 3 reports are designed to meet the needs of users who want assurance on the controls at a service organization related to security, availability, processing integrity, confidentiality, or privacy but do not need the detail included in a SOC 2 report. SOC 3 reports do not contain a detailed description of the service auditor's tests of the operating effectiveness of controls and the results of those tests. Instead, SOC 3 reports are general-use reports, which mean they may be used by anyone and therefore can be used by the service organization to market its services to potential customers. SOC 3 engagements can be examinations, reviews, or agreed-upon procedures. SOC 3 examinations are subject to a System Review but are not must select engagements. If a firm's highest level of service is a SOC 3 review or agreed-upon procedures engagement, the firm would be eligible for an Engagement Review.

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### **I'm having difficulty finding a review team member with appropriate SOC experience. What are my options?**

Consistent with other must select engagements, if a firm performs SOC 1 or SOC 2 engagements, someone on the review team should have experience with these types of engagements. Peer reviews of firms that perform SOC 1 engagements will require a team member with SOC 1 experience; similarly, peer reviews of firms that perform SOC 2 engagements will require a team member with SOC 2 experience. Due to the specialized nature of SOC engagements, the Board has determined that a specialist may be able to assist the team captain in lieu of a team member with SOC experience. The specialist should meet the criteria established by the AICPA in order to be approved to assist the review team in reviewing SOC 1 or SOC 2 engagements. Refer to [Appendix B](#) for the SOC specialist criteria.

[Firms can use the reviewer search at https://peerreview.aicpa.org/reviewer\\_search.html to identify a SOC specialist.](https://peerreview.aicpa.org/reviewer_search.html)

When a specialist is used, the team captain, as always, is responsible for supervising and conducting the review, communicating the review team's findings to the reviewed firm and administering entity, preparing the report on the review, and ensuring that peer review

documentation is complete and submitted to the administering entity on a timely basis. The team captain should supervise and review the work performed by the specialist. The team captain will furnish instructions to the specialist regarding the manner in which materials and other notes relating to the review are to be accumulated to facilitate summarization of the review team's findings and conclusions. The specialist may be required to be available or participate in the exit conference.

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## **INTERESTED IN BECOMING A PEER REVIEWER**

### **What are the benefits of being a peer reviewer?**

When you become a peer reviewer, you:

- Are seen as an expert in your field and gain increased respect from your colleagues.
- Help firms achieve their A&A practice goals and enhance the quality of their A&A practices.
- Identify best practices of other firms, which can be applied to other peer review clients and to your own firm.
- Gain broader practice knowledge through the peer review process, which will help sharpen your skills and reinforce your strengths.
- Are creating an opportunity to develop an additional profit center for your firm.
- Often receive referrals for additional consulting services as a result of performing peer reviews.
- Enhance the effectiveness of the profession's self-regulatory efforts and contribute to the quality of our profession.

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### **What are the qualifications necessary to become a reviewer?**

To qualify as a peer reviewer, you must:

- Be a member of the AICPA.
- Be currently active in public practice at a supervisory level in the accounting or auditing function.
- Be associated with a firm that has received a report with a peer review rating of *pass*.

- Possess current knowledge of professional standards [applicable to the kind of practice to be reviewed](#).
- Have spent the last 5 years practicing in the accounting or auditing function.
- Have completed a peer review resume.
- Meet specific additional qualifications if you plan to review engagements that must be selected during a peer review.

In addition, if you are a partner <sup>10</sup> in your firm, you are qualified to be a team captain. See Appendix B for a complete listing of qualifications.

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## How do I become a peer reviewer?

To become a team captain (on a System Review) or review captain (on an Engagement Review):

- Meet all the reviewer requirements. A full list of requirements is located in Appendix B and can also be downloaded at [How to Become a Peer Reviewer](#).
- Peer reviewers must complete a peer review resume by logging into the Peer Review Integrated Management Application (PRIMA). ~~For information on how to log into PRIMA, please visit the Getting Started with PRIMA document on AICPA.org.~~ Once you enter your resume you will automatically be listed in the [online searchable database](#).
- ~~• Undertake the business development activities suggested in a Peer Review Welcome package sent after you complete the initial training requirements.~~
- Review the documents provided in the [Practitioner's Tool Kit](#) to help promote your peer review services and develop your practice.

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## Where can I find more information regarding the training requirements for peer reviewers?

~~Training requirements for team captains, review captains and reviewers of certain must-select engagements changed effective for reviews commencing on or after May 1, 2016.~~ The Peer Review website outlines the ~~training~~<sup>new</sup> requirements ~~for reviewers~~ at the following webpage:

<http://www.aicpa.org/INTERESTAREAS/PEERREVIEW/CPEANDEVENTS/Pages/default.aspx>

Included in this website is an [FAQ](#) that goes over frequently asked questions with respect to the training requirements.

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<sup>10</sup> A Partner is a proprietor, shareholder, equity or non-equity partner or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned.

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## APPENDIX A

### System Review or Engagement Review Determination

(Applies to engagements that are not subject to PCAOB permanent inspection)

If an Enrolled Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
<b><i>Statements on Auditing Standards (SAS)</i></b>		
Engagements	X	
<b><i>Government Auditing Standards (GAS)</i></b>		
Financial Audits	X	
Attestation Engagements (Examination, Review, or Agreed-upon procedures under GAS)	X	
Performance Audits	X	
<b><i>Statements on Standards for Attestation Engagements (SSAEs)</i></b>		
<del>Examination Engagements performed under AT section 101, Attest Engagements (AICPA, Professional Standards)</del>	X	
<del>Reviews performed under AT section 101</del>		X
<del>Agreed-upon procedures Engagements performed under AT section 201, Agreed-Upon Procedures Engagements (AICPA, Professional Standards)</del>		X
<del>Examinations of prospective financial statements performed under AT section 301, Financial Forecasts and Projections (AICPA, Professional Standards)</del>	X	
<del>Compilations of prospective financial statements and application of agreed-upon procedures to prospective financial statements performed under AT section 301</del>		X
<del>Examinations performed under AT section 401, Reporting on Pro Forma Financial Information (AICPA, Professional Standards)</del>	X	
<del>Reviews performed under AT section 401</del>		X
<del>Examinations performed under 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)</del>	X	
<del>Examinations performed under AT section 601, Compliance Attestation (AICPA, Professional Standards)</del>	X	
<del>Agreed-upon procedures performed under AT</del>		X

section 601		
<del>Examinations performed under AT section 701, Management's Discussion and Analysis (AICPA, Professional Standards)</del>	X	
<del>Reviews performed under AT section 701</del>		X
<del>Examinations performed under AT section 801, Reporting on Controls at a Service Organization (AICPA, Professional Standards)</del>	X	
<b>Public Company Accounting Oversight Board (PCAOB) Standards</b>		
Audits of non-SEC issuers	X	
Attestation of non-SEC issuers	X	
<b>Statements on Standards for Accounting and Review Services (SSARs)</b>		
Reviews of financial statements		X
Compilations of financial statements with disclosures		X
<del>Compilations of financial statements without disclosures</del>		X
Preparation of financial statements with disclosures		X
<del>Preparation of financial statements without disclosures</del>		X

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

[For enrollment information for firms that only perform preparation of financial statement engagements in accordance with AR-C Section 70, please see the Peer Review Enrollment Requirements section of this document.](#)

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

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## APPENDIX B

### Reviewer Qualifications

Performing and reporting on a peer review requires the exercise of professional judgment by peers (see paragraphs 147–153 of the Standards for a discussion of a reviewer’s responsibilities when performing a peer review). Accordingly, an individual serving as a reviewer on a System or Engagement Review should at a minimum:

- a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.
- b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see [interpretations](#)), as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.<sup>11 12</sup> To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of a firm’s accounting or auditing engagements or carrying out a quality control function on a firm’s accounting or auditing engagements. 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 (see [interpretations](#)).
- c. 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*<sup>13</sup> for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see [interpretations](#)).<sup>14</sup>
- d. Possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards. This includes recent experience in and knowledge about current rules and regulations appropriate to the level of service applicable to the industries of the engagements that the individual will be reviewing (see [interpretations](#)).<sup>15</sup>

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<sup>11</sup> The board recognizes that practitioners often perform a number of functions, including tax and consulting work, and cannot restrict themselves to accounting and auditing work. These standards are not intended to require that reviewers be individuals who spend all their time on accounting and auditing engagements. However, 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. For instance, in a System Review, a reviewer of auditing engagements should be currently reviewing or performing auditing engagements. In an Engagement Review, a reviewer of engagements performed under the Statements on Standards for Attestation Engagements should also be currently reviewing or performing the same type of engagements.

<sup>12</sup> A manager or person with equivalent supervisory responsibilities is a professional employee of the firm who has either a continuing responsibility for the overall planning and supervision of engagements for specified clients or authority to determine that an engagement is complete subject to final partner approval if required.

<sup>13</sup> A peer review report with a rating of *pass* was previously referred to as an unmodified report (with or without a letter of comments). If a firm’s most recent peer review rating was a *pass with deficiencies* or *fail*, the firm’s members are not eligible to perform peer reviews.

<sup>14</sup> If a firm’s most recent review was a report review, then the firm’s members are not eligible to perform peer reviews.

<sup>15</sup> For this purpose, *recent* means having experience within the last five years in the industries and related levels of service for which engagements are reviewed. However, a reviewer should be cautious of those high-risk engagements or industries in which new standards have been issued. For example, in those cases in which new industry standards or practices have occurred in the most recent year, it may be necessary to have *current* practice experience in that industry in order to have *recent* experience.

- e. Have spent the last five years in the practice of public accounting in the accounting or auditing function.
- f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see [interpretations](#)).
- g. If the reviewer will review engagements that must be selected in a System Review, possess specific additional qualifications (see [interpretations](#)).

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## Team Captain or Review Captain

In addition to adhering to the requirements in paragraph .31 to be a peer reviewer, a System Review team captain must be a partner. For an Engagement Review, the review captain is not required to be a partner. The team captain, or the review captain in limited circumstances, is required to ensure that all team members possess the necessary capabilities and competencies to perform assigned responsibilities and that team members are adequately supervised. The team captain or review captain has the ultimate responsibility for the review, including the work performed by team members.

Also, team captains and review captains should have completed peer review training that meets the requirements established by the board (see [interpretations](#)). For additional team captain qualification requirements, see the interpretations.

Additionally, ~~after May 1, 2016~~ to initially qualify as a team captain on a System Review or as a review captain on an Engagement Review, you must:

1. Complete the online peer reviewer curriculum "Becoming an AICPA Peer Review Team or Review Captain." The online peer reviewer curriculum is a series of modules that are similar to self-study on-demand courses. The modules must be taken ~~sequentially~~sequentially, and each module contains a final exam that is designed to comply with NASBA CPE Standards and is similar to competency assessments in other on-demand self-study CPE courses. This curriculum is available at <http://www.aicpastore.com>
2. Complete the "Becoming an AICPA Peer Review Team or Review Captain: Study Applications" in a live seminar format. This course features realistic case studies that encompass the most important elements of a system review, as well as several case studies pertaining to an engagement review.

The "Becoming an AICPA Peer Review Team or Review Captain: Case Study Applications" must be completed within the 12 months after the completion of the peer reviewer curriculum.

The following outlines the ongoing training requirements for reviews commencing after May 1, 2016:

To maintain the qualifications of a team captain or of a review captain, you should participate in one of the following peer review training options within twelve months prior to the commencement of a review. Peer review training options include:

1. Attending the general session of the annual Peer Review Conference
2. Completing the AICPA Peer Review Update on-demand self-study course. This course is an advanced reviewer training course that will be updated annually and cover recent changes to peer review guidance in addition to how recent changes in auditing or accounting standards impact peer review. This course will contain a final exam that is designed to meet the NASBA CPE Standards.
3. Attend an alternative course or conference session that has been approved by the Peer Review Board. For purposes of the ongoing training requirement, these alternative courses and conference session will be selected by the AICPA Peer Review Board. The Board will not consider courses submitted by reviewers seeking consideration for an alternative course of their choosing.
4. Participate in the AICPA Peer Review Update live seminar course. This course is an advanced reviewer training course that will be updated annually and cover recent changes to peer review guidance in addition to other key areas of the peer review process that warrant additional emphasis.
5. Participate in the AICPA Peer Review Advanced Course live seminar course. This one-day course is designed for experienced reviewers who want to heighten their peer review skills. It contains an analysis of the latest AICPA Peer Review Program Standards as well as materials focused on the areas of peer review guidance which reviewers find the most problematic.

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## **Other Peer Reviewer or Reviewing Firm Qualification Considerations**

Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm's accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm's ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the administering entity of such communications or notifications (see [interpretations](#)).

If required by the nature of the reviewed firm's practice, individuals with expertise in specialized areas may assist the review team in a consulting capacity. For example, IT specialists, statistical sampling specialists, actuaries, or experts in continuing professional education (CPE) may participate in certain segments of the review.

Some review teams may also need to engage a SOC 1 or SOC 2 specialist to assist the review team with reviewing SOC 1 and/or SOC 2 engagements. SOC specialists must meet specific criteria and have prior approval before an administering entity can approve

them as part of a review team.

An individual serving as a SOC 1 or SOC 2 specialist on a System Review must be associated with a firm that has received a report with a peer review rating of pass for its most recent System Review that was accepted timely, ordinarily within the last three years and six months. To become an approved specialist, the specialist candidate should complete a peer reviewer resume and indicate that they would like to serve as a specialist.

An individual serving as a SOC 1 or 2 specialist on a System Review should at a minimum:

- a. Be currently active in public practice at a supervisory level for managing SOC 1 and/or SOC 2 examinations. To be considered currently active, a specialist should be presently involved in the SOC practice of a firm supervising one or more of the firm's SOC engagements.
- 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*<sup>16</sup> for its most recent System Review that was accepted timely, ordinarily within the last three years and six months.
- c. Not be associated with an engagement that was deemed not performed or reported on in accordance with professional standards in all material respects on the specialist's firm's most recently accepted peer review.
- d. Possess current knowledge of professional standards applicable to SOC 1 and/or SOC 2 examinations, including Type 1 and Type 2 reports, qualified and unqualified reports, carve in/carve out engagements, and engagements with and without relevant user entity controls.
- e. Have at least five years of recent experience in the practice of public accounting with a minimum of 500 hours of SSAE 16/SOC 1 and/or SysTrust/SOC 2 examinations.
- f. Have provided the administering entity with information that accurately reflects the qualifications of the specialist, which is updated on a timely basis.

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<sup>16</sup> A peer review report with a rating of *pass* was previously referred to as an unmodified report (with or without a letter of comments). If a firm's most recent peer review rating was a *pass with deficiencies* or *fail*, the firm's members are not eligible to perform peer reviews.

## Appendix C

### Resources, Publications and Important Website Links

#### Resources and Tools

The ***AICPA Peer Review Program Manual***. This manual provides up-to-date standards, policies, procedures, checklists, and programs for use when arranging, administering and carrying out a peer review. You can choose to purchase a subscription to the entire [manual](#). Alternatively, some sections of the ***AICPA Peer Review Program Manual*** are available online at no charge at:

<http://www.aicpa.org/InterestAreas/PeerReview/Resources/PeerReviewProgramManual/Pages/default.aspx>

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#### Quality Control Standards

*Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* is intended to help practitioners better understand and apply Statements on Quality Control Standard (SQCS) No. 8, which was effective beginning January 1, 2012. That standard is included in appendix of the Practice Aids. The Practice Aids incorporate policies and procedures that a firm should consider including in its system of quality control to be responsive to the issuance of SQCS No. 8. The Practice Aids are available for download on the AICPA's website at:

<http://www.aicpa.org/interestareas/frc/pages/enhancingauditqualitypracticeaid.aspx>

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#### Hiring A Quality Peer Reviewer

*How to Hire a Quality Peer Reviewer: Your Guide to the Selection Process* is intended to help firms understand the importance of having a quality peer review, hiring a quality peer reviewer, and evaluating reviewer qualifications. *Questions to Consider When Vetting Prospective Peer Reviewers* includes questions to ask regarding whether the reviewer is a peer, timing and cost, evaluating competency, asking for references, and interviewing reviewers. These resources are available for download on the AICPA's [website](#).

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#### Important AICPA Website Links

The AICPA website is: <http://www.aicpa.org><https://www.aicpa.org>

Find information regarding the AICPA Peer Review Program:

<http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx><https://www.aicpa.org/interestareas/peerreview.html>

Find the Peer Review Program Standards, Interpretations and other relevant guidance:  
<http://www.aicpa.org/RESEARCH/STANDARDS/PEERREVIEW/Pages/default.aspx>

Find Peer Reviewer Training Courses:  
<http://www.aicpa.org/interestareas/peerreview/cpeandevents/pages/default.aspx>

AICPA Peer Review Staff Contact Information:  
<http://www.aicpa.org/InterestAreas/PeerReview/Community/Links/Pages/sources1.aspx>

AICPA Peer Review Program Administering Entity Contact Information:  
<http://www.aicpa.org/InterestAreas/PeerReview/Community/Links/Pages/StateSocietiesandNEPRLinks.aspx>

AICPA Peer Reviewer Database and Public File:  
<https://peerreview.aicpa.org>

AICPA Newsletters:  
<http://www.aicpa.org/Publications/Newsletters/Pages/Newsletters.aspx>  
<https://www.aicpa.org/publications/newsletters.html>

Newly Released Ethics Rulings and Interpretations:  
<http://www.aicpa.org/InterestAreas/CenterForAuditQuality/Resources/CAQAuditLibrary/Pages/Ethics%20and%20Independence.aspx>

Government Audit Quality Center:  
<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Pages/GAQC.aspx>  
<https://www.aicpa.org/interestareas/governmentalauditquality.html>

Employee Benefit Plan Audit Quality Center:  
<http://www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Pages/EBPAQhomepage.aspx>  
<https://www.aicpa.org/interestareas/employeebenefitplanauditquality.html>

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### **Other Important Website Links**

General Accounting Standards Board: [www.gasb.org](http://www.gasb.org)

Federal Accounting Standards Advisory Board: [www.fasab.gov](http://www.fasab.gov)

Government Auditing Standards (Yellow Book):  
[www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm)  
<http://www.gao.gov/yellowbook/overview>

Office of Management and Budget (Grants Management):  
[www.whitehouse.gov/omb/grants](http://www.whitehouse.gov/omb/grants)  
[https://www.whitehouse.gov/omb/grants\\_circulars](https://www.whitehouse.gov/omb/grants_circulars)

Information on State Boards/Societies:

[www.aicpa.org/Advocacy/State/StateContactInfo/Pages/StateContactInformation.aspx](http://www.aicpa.org/Advocacy/State/StateContactInfo/Pages/StateContactInformation.aspx)  
[tps://www.aicpa.org/advocacy/state/statecontactinfo.html](https://www.aicpa.org/advocacy/state/statecontactinfo.html)

Public Company Accounting Oversight Board: [www.pcaobus.org](http://www.pcaobus.org)

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