

Peer Review Board Open Session Materials

January 30, 2014

New York, NY

**AICPA Peer Review Board
Open Session Agenda
January 30, 2014
New York, NY**

Date/Time: Thursday, January 30, 2014 1:00 – 3:30 PM (Eastern Time)

- 1.1 Welcome Attendees and Roll Call of Board** – Ms. McClintock/Mr. Reeder
- 1.2 Consent Agenda
 - A. Approval of Revisions to AICPA Peer Review Program Question & Answers*-Ms. Lee-Andrews
- 1.3 Report on Enhanced Quality Initiative** - Mr. Jim Brackens/Mr. Reeder
- 1.4 Approval of Revisions to Summary Review Memorandum, Team Captain Checklist, Review Captain Checklist and Engagement Statistics Data Sheet* - Ms. Ford
- 1.5 Approval of Revisions to AICPA Peer Review Program Guidance on Engagements subject to PCAOB Inspection*-Ms. Ford
- 1.6 Approval of Revisions to Noncooperation Provisions*-Ms. Ford
- 1.7 Discussion on Impact of ARSC Exposure Draft on Peer Review* - Ms. Ford
- 1.8 Discussion on Engagement Review Reports: Pass with Deficiencies vs. Fail* - Ms. Ford
- 1.9 Approval of Administering Entity Plans of Administration*-Mr. Hill
- 1.10 Update on the MFC Findings to Date and Use of Information by Other AICPA Teams* - Ms. Drummond
- 1.11 Update on the DOL Research Project** – Ms. Lieberum
- 1.12 Operations Director's Report** – Ms. Thoresen
- 1.13 Report from State CPA Society CEOs** – Mr. Ahler
- 1.14 Update on National Peer Review Committee** – Ms. Charles
- 1.15 Update on Standards Task Force** - Ms. Ford
- 1.16 For Informational Purposes*:
 - A. Report on Firms Whose Enrollment was Dropped or Terminated
 - B. Approved 2014 Association Information Forms for Associations of CPA Firms
 - C. Education and Communication Task Force Future Agenda Items
 - D. Oversight Task Force Future Agenda Items
- 1.17 Future Open Session Meetings** – Ms. Thoresen
 - A. Monday/Tuesday, May 12-13, 2014 Task force meetings/open/closed sessions – Las Vegas, NV
 - B. Wednesday, August 6, 2014 Open/closed sessions (AM) – Denver, CO
 - C. Monday/Tuesday, September 29-30, 2014 Task force meetings/open/closed sessions – Conference call
 - D. Monday/Tuesday, January 26-27, 2015 Task force meetings/open/closed sessions – Location TBD
 - E. Monday/Tuesday, May 4-5, 2015 Task force meetings/open/closed sessions – Location TBD

*- Document Provided

**-Verbal Discussion

Revisions to AICPA Peer Review Program Question & Answers

Why is this on the Agenda?

Staff has performed the annual update of the Peer Review Questions & Answers document (Q&A) which appears on the AICPA website. The revised Q&A, which appears at Agenda Item 1.2A-1, has been approved by the ECTF and now requires approval from the Peer Review Board.

Feedback Received

N/A

PRISM Impact

N/A

AE Impact

N/A

Communications Plan

N/A

Manual Production Cycle (estimated)

N/A

Effective Date

N/A

Board Consideration

Review and approve the proposed revisions to the Q&A.



Peer Review Program

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

Update No. ~~12~~13 January ~~2013~~2014

QUESTIONS AND ANSWERS ABOUT THE AICPA PEER REVIEW PROGRAM

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QUESTIONS & ANSWERS ABOUT THE AICPA PEER REVIEW PROGRAM

INTRODUCTION

This question and answer document provides information about the AICPA Peer Review Program. It is primarily geared to answer common questions of a current or potential reviewed firm regarding peer review. This document has been developed to assist those firms in understanding their responsibilities and requirements related to peer review and provide 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 review and understanding the peer review program and process:

Upcoming Peer Review: Is Your Firm Ready?

(<http://www.cpa2biz.com> ; Course acronym: SNPR)

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.

How to Conduct a Review Under the AICPA Practice-Monitoring Program

(<http://www.cpa2biz.com> ; Course acronym: HCRPM)

This 16-hour course is designed to meet the initial and on-going training requirements of peer review team captains and review captains. It discusses how a peer review is planned and performed, understanding and evaluating a firm's quality control system as well as recommendations for how a firm should respond to a peer review finding or reported deficiency.

Additional information about these courses can be accessed through

<http://www.cpa2biz.com> or <http://www.aicpalearning.org>

Technical questions about the peer review program can also be directed to:

AICPA Peer Review Program Hotline: (919) 402-4502

AICPA Peer Review Program Technical Hotline E-mail Address:

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

PEER REVIEW ENROLLMENT REQUIREMENTS

What is the AICPA's practice monitoring requirement?

In order to be admitted or to retain their membership in the American Institute of Certified Public Accountants (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 (PRP). ~~Firms that are required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) and those performing audits of non-SEC issuers pursuant to the standards of the PCAOB are required to have their AICPA peer review administered by the National PRC.~~

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

- a. The firm is required to be registered with and subject to permanent inspection by the PCAOB.
- b. 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?

Over 30,000 firms are enrolled in the AICPA Peer Review Program ~~that~~ **and** are required to have a review of its **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.

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) and Government Auditing Standards (the Yellow Book), issued by the U.S. General Accounting Office (GAO) and ~~audits of non-SEC issuers performed pursuant to the standards of the PCAOB~~ 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 compiled financial statements that are not expected to be used by a third party (management use only)?

Under the AICPA bylaws, firms (or individuals in certain situations) are only required to enroll in an Institute-approved practice monitoring program when the engagements they perform are within the scope of the AICPA's practice-monitoring standards *and issue reports* purporting to be in accordance with AICPA professional standards. Therefore, in the case where the compilations for management's use only are the highest level of service performed by the firm, they would not be required to enroll in the AICPA Peer Review Program because no report is issued. AR sec. 80 requires the accountant to document the understanding of the engagement with the entity through the use of an engagement letter. However, firms must check with their Board of Accountancy peer review requirements as some require firms to enroll and have a peer review in this circumstance.

For firms already enrolled in the AICPA Peer Review Program, compilations for management use only would fall within the scope of peer review.

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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 Peer Review Committee (National PRC) that elect to participate as administering entities (AE). When a CPA firm is enrolled in the AICPA Peer Review Program its peer review will be administered by the 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 administering entity) or the National PRC. The AICPA Peer Review Board (Board) approves all administering entities.

~~Firms that are required to be registered with and inspected by the PCAOB and those performing audits of non-SEC issuers pursuant to the standards of the PCAOB are required to have their AICPA PRP peer review administered by the National PRC.~~

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

- a. The firm is required to be registered with and subject to permanent inspection by the PCAOB.
- b. 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 and submit an enrollment form 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 submit an "AICPA Peer Review Program Enrollment Form" to the appropriate [administering entity](#). See [Appendix C](#) for administering entity contact information. 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, vol. 2 ET Appendix B). In addition, at least one partner of the firm must be an AICPA member in order to enroll in the AICPA Peer Review Program.

Download the [AICPA Peer Review Program Enrollment Form](#) from the AICPA website or request a form from your [administering entity](#). You may view and print this form using Acrobat Reader. If you do not have Acrobat Reader, you can download it from [Adobe](#).

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Once enrolled, when should a 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. If a firm resigns from the program and subsequently performs an engagement that requires a peer review within three years and six months from the year-end of the previous review, the firm should reenroll in the program with a due date of 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 ~~performs an engagement~~ that requires peer review after its next due date has passed, the firm's due date is 18 months from the year-end of the engagement (for financial forecasts and projections, 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 a 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 ~~influence~~ cause a firm to want to change its year-end. For instance, the nature of the firm's practice may change or they firm may reevaluate their current year-end and determine ~~as a result~~ 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.

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GENERAL INFORMATION

What are the types of peer reviews?

There are two types of peer reviews - System and Engagement.

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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. 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 ~~audits of non-SEC issuers performed pursuant to the standards of~~ engagements under the PCAOB standards as their highest level of service.

Approximately 14,000 firms are likely to have a System Review over the next three years. 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.

In a System Review, 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 ~~administrative files~~ other relevant supporting documentation such as CPE records, outside consultations regarding A&A matters and independence representations. To evaluate the effectiveness of the system and the degree of compliance with the system, the reviewer will test a reasonable cross-section of the firm's engagements with a focus on high-risk engagements in addition to 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.

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What is an Engagement Review?

An Engagement Review is for firms that are not required to have a System Review and only perform services under SSARS or services under the SSAEs not included in System Reviews 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. 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.

More than Approximately 16,000 firms are likely to have an Engagement Review over the next three years. 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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Is the System Review or Engagement Review determination based on the types of engagements my firm performs as its highest level of service?

Yes. The type of peer review determination is is-based on the engagements performed as its highest level of service. Refer to [Appendix A](#) for a chart of which types of engagements firms perform as their highest level of service would require firms 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 on-line 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 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 carrying out 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. A firm may be a voluntary member of one of the AICPA's audit quality centers or sections that has a membership requirement that certain peer review documents be open to public inspection. In such cases, the reviewed firm is required as a condition of its voluntary membership to make the peer review results or certain peer review documents available to the public or to specific entities.
- b. Unless a firm communicates their desire to "opt out" of the Facilitated State Board Access (FSBA) program (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 ~~American Institute of CPAs (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 currently 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 and your peer review results may or may not be made available to your SBOA as a result 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 ~~the~~ peer review and indicates that it performs services and issues reports that are within the scope of the AICPA's practice-monitoring program, the administering entity will send an appropriate communication to the managing partner of the firm regarding the firm's due date for its peer review.

The managing partners of firms scheduled to have a peer review under the AICPA Peer Review Program (Program) in the following year will be contacted by the applicable administering entity no later than 6-9 months prior to the review 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 provide information such as, but not limited to:

1. Whether the firm has an accounting, auditing or attestation practice as defined in the *Standards for Performing and Reporting on Peer Reviews (Standards)*.
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.
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.
4. Whether the firm performs any audits through a joint venture or partnership arrangement.
5. The anticipated timing of the review.
6. The reviewer(s) 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 on the "Information Required for Scheduling Reviews" Form, which is commonly known as the "background form." The firm should sign and return the form to the administering entity. 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 of which types of engagements firms perform as their highest level of service would 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 if there is a change in my firm's practice regarding the levels of service?

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. 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.

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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 ~~under the SAs, Government Auditing Standards, examinations of prospective financial statements or examinations of a service organization's controls likely to be relevant to user entities' internal control over financial reporting under the SSAEs, or an audit of a non-Securities and Exchange Commission issuer performed pursuant to the standards of the PCAOB~~ that would have required the firm to have a System Review, the firm should (a) immediately notify the administering entity and (b) undergo a System Review. [Refer to Appendix A for a chart of which types of engagements firms perform as their highest level of service would 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 and projections 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 the 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 ~~less sensitive~~, 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.

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.

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Are there ways to reduce the costs of my peer review?

Yes. 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 the review be performed somewhere besides the 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 may be 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 have a written quality control document. 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. A Quality Control Policies and Procedures Questionnaire ~~to assist the firm with documentation~~ is available in the Peer Review Program Manual [to assist the firm with this documentation requirement](#). ~~The following is a link to the Peer Review Program Manual:~~

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

[See sections 4300 or 4400 in the Peer Review Program Manual for the previously mentioned questionnaire. Firms utilizing the questionnaire as primary documentation of their system of quality control should ensure their responses are thorough, comprehensive and meet the requirements of SQCS 8.](#)

[The quality control document that is in effect during the peer review year should be provided to the peer review team.](#)

Firms are also able to purchase the following practice aid from

<http://www.CPA2biz.com>.

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

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

No. Firms are required to comply with the rules and regulations of state boards of accountancy and other regulatory bodies in the states where they practice. Firms are required to provide a written representation to the peer reviewer indicating that the firm has complied with the rules and regulations of state boards of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

Peer reviewers should make inquiries of the firm to determine if it is appropriately licensed as required by the state boards of accountancy in the state or states in which it practices.

If the reviewed firm is aware of any situation whereby they are not in compliance with the laws, rules and requirements of the state regulatory bodies, they should inform the reviewer and tailor the representation letter to provide information on the areas on non-compliance.

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What is a written representation letter?

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 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.

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 be dated the same date the firm submits the list of engagements to the reviewer.

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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 [Peer Review Program 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 Program ~~Team~~ [Coordinators](#) once all pertinent information has been received and the form is complete. The 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) independence, integrity, and objectivity, (2) personnel management, and (3) monitoring of the two preceding quality control elements. Reviewers will perform additional procedures to test these elements at the alternative practice structure.

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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.

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.

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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.

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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, you have two options:

- *Firm-On-Firm Review*¹—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 assemble a review team. That association must be authorized by the AICPA Peer Review Board to assemble 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, 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

¹ Includes a firm in the same association of CPAs.

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 reviewer and reviewed firm must determine the 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 review?

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 the reviewer for a list of firms for which he or she has conducted peer reviews.
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 do you 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)?
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 also the reviewer's responsibility to accurately

determine and represent its capabilities and qualifications to perform the peer review.

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Is there a list of firms interested in performing peer reviews?

Yes. 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.

<http://peerreview.aicpaservices.org/>

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How does the AICPA peer reviewer database function?

The AICPA maintains a database of individuals interested in serving as reviewers. All reviewers involved in the AICPA's Practice-Monitoring Program must be listed in the database. However, reviewers have the option of choosing whether they want their resume available to be viewed by others. The database lists information the individual provides to the AICPA on a *Reviewer Resume Form*. The database includes information such as the individual's firm, the program to which his or her firm belongs, the last training course attended or other peer reviewer qualification requirement met, the industries in which the individual has expertise and how that expertise was obtained. Reviewers are expected to update this information— at least annually. Reviewers are required to update their resume every two years, otherwise they will be prohibited from performing peer reviews until the resume is updated. Information in the database is available to administering entities for assembling Committee Appointed Review Teams (CARTs) and for verifying the qualifications of firm-on-firm and association reviewers. If you choose to have a CART, a computer program will compare the information you provided about your firm with information provided by potential reviewers and will select an appropriate peer review team for your size firm with experience in your client's industries, and unless you request otherwise, from the same size firm as yours and geographically close to you, but outside of your zip code area.

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

Since you have the actual contact with the reviewer, 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 all members of the review team 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 GAO, 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 can firms prepare for their 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 subscription service, and the Practice Aid for Establishing and Maintaining a System of Quality Control for a Firm's Accounting and Auditing Practice. The AICPA Peer Review Program Standards and Quality Control Standards are available in the AICPA Professional Standards Vol. 2. These publications as well as the Practice Aid can be ordered from www.CPA2BIZ.com. Portions of the [AICPA Peer Review Program Manual](#) are located 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 the letter acknowledging your firm's original enrollment in the AICPA Peer Review Program,
- in the committee acceptance letter related to your firm's last peer review
- on page 1 of the *Information Required for Scheduling Reviews* form (provided to enrolled firms approximately six to nine months prior to the due date).

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 at least three to five months 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. 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 finish its review by the due date, the firm should write a letter to the administering entity to request an extension before the due date. Extensions requested after the due date has passed 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 and thus unable to adhere to the sixty day notification. Explain why your firm cannot have its review on time and offer an alternative 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 year's 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 to your administering entity to request that you be allowed a permanent change to a year-end that is more natural for your firm. Your letter 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~~ all-inclusive

list):

1. The engagement is subject to litigation
2. 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~~ 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 we scheduled the peer review
6. The firm no longer performs engagements in that industry

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. 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 (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 we scheduled the peer review.
6. The firm no longer performs engagements in that industry.

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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 eligible for 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 not ever 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 eighteen months from the date the firm enrolled in the Program, or should have enrolled, whichever date is earlier.

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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. The team captain will ask for the following items prior to the review:

- The completed Quality Control Policies and Procedures Questionnaire (describing your quality control system) and/or 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):-
- Background information, 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, the findings and recommendations in the prior letter of comments², if applicable, and your firm's response to the letter of comments³, and be certain that you have taken the actions in your letter of response.~~
- 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 on-going monitoring procedures to make sure prior deficiencies

² For reviews completed prior to January 1, 2009

have been corrected.

- Review its document of quality control policies and procedures. Your firm should also make sure its documented policies and procedures are appropriate based on the size, structure and nature of your firm. ~~and that determine that the size, structure, and nature of the practice of the firm are considered in determining the extent of the documentation of established quality control policies and procedures.~~
- Prepare the appropriate quality control policies and procedures questionnaire

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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 type of engagement subject to Government Auditing Standards (GAS), Employment Retirement Income Security Act (ERISA), the Federal Deposit Insurance Corporation Improvement Act (FDICIA), carrying broker-dealers, or 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/OMB Circular A-133 and the firm performs engagements of entities subject to OMB Circular A-133, 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 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 historical financial statements (performed under SSARS)
 2. Compilation of historical financial statements, with disclosures (performed under SSARS)
 3. Compilation of historical financial statements that omits substantially all disclosures—~~(disclosures~~ (performed under SSARS)
 4. Engagements performed under the SSAEs other than those subject to a System Review.

- 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). 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?

The reviewer may issue one of three opinions on the firm's system of quality control (system): ~~pass~~ **Pass**, ~~p~~ **Pass** with **D**eficiencies and ~~or~~ **F**ail.

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

and, therefore, the report does not contain any deficiencies, significant deficiencies, or recommendations. 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* 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 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 should be 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 and 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 and, therefore, the report

does not contain any deficiencies, significant deficiencies, or recommendations. 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 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 except for the deficiencies that are described in the report. The deficiencies are one or more findings that the peer reviewer concludes are material to the understanding of the report of financial statements or represents omission of a critical procedure, including documentation, required by applicable professional standards. 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. However, when more than one engagement has been submitted for review, and the exact same deficiency occurs on each of the engagements, and there are no other deficiencies, a report with a peer review rating of *pass with deficiency* should be issued rather than with a peer review rating of *fail*.

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, as a result of the deficiencies described in the report, 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. However, a report with a peer review rating of *pass with deficiency* should be issued when more than one engagement has been submitted for review, and the exact same deficiency occurs on each of the engagements, and there are no other deficiencies. 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 of the peer review. For System Reviews, the review team should communicate its conclusions at the exit conference. The exit conference is a meeting attended by senior members of your firm, the review team and possibly representatives of the administering entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities. At the exit conference the CPA firm is entitled to be informed about any matters documented on the Matter for Further Consideration (MFC) form(s), findings documented on the Finding for Further Consideration (FFC) form(s), deficiencies or significant deficiencies to be included in the peer review report and the type of report to be issued.

For Engagements Reviews, the review captain will hold a meeting, via telephone or in person with your firm to communicate the results of the peer review.

Although the reviewer may communicate these preliminary results during an exit conference or meeting, the results are not considered final and should not be published until the peer review is accepted by a peer review committee 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 within 30 days of the exit conference date (for System Reviews), or within 30 days of the date that the firm received the report from the review captain (for Engagement Reviews), or by your firm's peer review due date, whichever is earlier. If the report is a peer review rating of *pass with deficiencies* or *fail*, the **firm** is responsible for submitting the report and the related letter of response within 30 days of the exit conference date (for System Reviews), or within 30 days of the date that the firm received the report from the review captain (for Engagement Reviews), or by your firm's peer review due date, whichever is earlier. If the reviewed firm receives a report rating of *pass* or *pass* (with a scope limitation), a letter of response is not applicable, and the reviewed firm does not submit a copy of the report to the administering entity.

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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 ~~actions~~ 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 and related recommendations identified in the report. In reviewing your response to the deficiencies noted in the report, the peer review committee may 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. 19, *Framework for Performing and Reporting on Compilation and Review Engagements*, 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 non-conforming 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.~~In addition, the peer review committee may 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, or a revisit by the reviewer, or joining an applicable audit quality center.~~

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 is not resolved to your satisfaction. In such circumstances, the reviewed firm or reviewer may consult with their administering entity and, if necessary, request that the administering entity's peer review committee resolve the disagreement. The administering entity will give the disagreeing party an opportunity to provide reasons for the disagreement in person before the committee, 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 panel should issue the panel's decision regarding the disagreement in writing to the disagreeing parties. If the panel is able to make 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.

If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity may refer unresolved issues to the board for a final determination. Only the administering entity's peer review committee will be responsible for determining whether a disagreement still exists, or whether the reviewed firm or review team is not cooperating, in order for the administering entity to refer the issue to the board.

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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.

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How can I obtain a copy of a 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 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](#).

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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 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?

Recalling previously accepted peer review documents should be considered in instances including, but not limited to, the following situations:

- 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 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 information in response to inquiries from the administering entity, AICPA staff, or reviewer in relation to the peer review.

For any reviewed firm omission or error, it is ultimately the responsibility of the administering entity and the reviewer to determine whether any peer review documents are recalled. This decision will be made after the reviewer confirms the facts and circumstances the omission or error noted through conversation with the reviewed firm. Once the decision to recall is made, the administering entity will contact the reviewed firm to determine how the situation will be resolved. Depending on the timing of when the omission or error is discovered, the resolution could consist of the issuance of a revised peer review report, reissuing a peer review report, or completing an entirely new peer review. For a more detailed discussion of the recall process, see Chapter 3 of the

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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 annually confirms 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).

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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 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 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 will evaluate whether reviewed firm's responses to those recommendations appear comprehensive, genuine, and feasible. The peer review committee will determine if a finding should require an implementation plan 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 Board 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 a possible action(s) that may be required by the report acceptance body (RAB) of the administering entities 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 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 an implementation plan 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 the 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.

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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 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.

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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	<ul style="list-style-type: none"> • Require the firm to hire an outside party acceptable to the RAB to perform a team captain revisit[‡] • Require members of the firm to take specified types of and amounts of CPE • 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 • Require postissuance review of a subsequent engagement by an outside party[‡] • <u>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</u> • <u>Require the firm to join an AICPA audit quality center applicable to the type of engagement(s) not performed or</u>

[‡] 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.

	<u>reported on in accordance conformity with professional standards in all material respects[^]</u>
Deficiency related to design or noncompliance of another element of the quality control system	<p>Tailor corrective action accordingly, such as the following:</p> <ul style="list-style-type: none"> • Require submission of monitoring or inspection report • 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

Finding for Further Consideration Form(s)³

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

[^] 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.

³ 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.

	<u>performed or reported on in conformity with professional standards in all material respects</u>
Engagement(s) indicate: Repeat findings ⁴	<ul style="list-style-type: none"> • Require members of the firm to take specified types of and amounts of CPE • Require firm to submit monitoring or inspection report to the RAB
Failure to possess applicable firm license(s)	<ul style="list-style-type: none"> • Submit proof of valid firm license(s)

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⁴ 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 With Deficiencies or Fail

Suggested action(s) to be performed as soon as reasonably possible
<ul style="list-style-type: none"> • Require firm to submit a copy of a subsequent report and accompanying financial statements to review captain • Require members of the firm to take specified types and amounts of CPE • <u>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</u> • <u>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</u>

Finding for Further Consideration Form(s)⁵

Finding	Allowable plans to be performed as soon as reasonably possible
Engagement(s) indicate: Repeat findings ⁶	<ul style="list-style-type: none"> • Require members of the firm to take specified types and amounts of CPE • Require firm to submit monitoring or inspection report to the RAB
Failure to possess applicable firm license(s)	<ul style="list-style-type: none"> • Submit proof of valid firm license(s)

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^{||} RAB should allow flexibility and allow the firm to elect to have an accelerated review.

⁵ 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.

⁶ 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 a practice monitoring program is a requirement for admittance and retention of membership in the AICPA if the firm performs services within the scope (see page 1 of this Q&A). In addition, most state boards of accountancy may have practice monitoring requirements for firm licensure. 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.

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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. Timely pay in full the fees and expenses of the review team formed by an administering entity, or
5. 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
- Withholding information significant to the peer review, for instance but not limited to failing to discuss communications received by the reviewed firm relating to

allegations or investigations in the conduct of accounting, auditing or attestation engagements from regulatory, monitoring or enforcement bodies

- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas
- Not responding to MFCs or FFCs timely
- Limiting access to offices, personnel or other
- Not facilitating the arrangement for the exit conference on a timely basis,
- Failing to timely file the report and the response thereto related to its peer review, if applicable
- Failing to cooperate during oversight
- Failing to timely acknowledge and complete required corrective actions or implementation plans
- Failing to receive a report with a rating of *pass* after (1) receiving at least two consecutive peer review reports prior to the third that had a report rating other than *pass* (e.g. a *pass with deficiencies* or *fail* rating) AND (2) receiving notification via certified mail after the second consecutive report with a peer review rating other than *pass* that a third consecutive failure to receive a report with a peer review rating of *pass* 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?

A firm may resign from the AICPA Peer Review Program (Program) as long as the peer review has not commenced and your firm submits a letter of resignation to the Peer Review Board. 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 even 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?

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 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 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. The PCAOB anticipates presenting a rule proposal for a permanent inspection program in 2014 or later. Until such time, 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. Interpretation 11-1 states that firms are required to have their review administered by the NPRC if they meet either or both of the following criteria:

- ~~a. The firm is required to be registered with and inspected by the PCAOB.~~
- ~~b. The firm performs audits of non-SEC issuers pursuant to the standards of the PCAOB.~~

~~Until a permanent scope is identified for the PCAOB inspection program of broker-dealers, firms that are only required to be inspected by the PCAOB due to broker-dealer audits, maybe have their peer review administered by a state CPA society, group of state CPA societies, or other entity approved by the PRB to administer peer reviews. They do NOT have to be administered by the National PRC but may choose to do so.~~

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~~If one of my audits of broker-dealers is selected for inspection by the PCAOB, how does that impact my peer review?~~

The PCAOB may not be issuing formal inspection reports and therefore you may not have any documents to provide to the peer reviewer. However, you should be prepared to discuss the scope of the inspection, where the PCAOB had findings and where they did not, and the nature of any remediation with your peer reviewer. The peer reviewer will consider which engagements were selected by the PCAOB, what stage of the inspection process the PCAOB is in at the time of the peer review, and the PCAOB findings in their risk assessment. The risk assessment is the basis for engagement selection. It is possible for you to have one broker-dealer engagement that is inspected by the PCAOB and is also reviewed during your peer review.

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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 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. An 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 an 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.

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.

The firm and review team are required to obtain approval from the firm's administering entity, as part of the scheduling process, if it will be using a specialist instead of a team member with SOC 1 or SOC 2 experience.

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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 efficacy 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
- Have 5 years of recent public accounting experience in the accounting or auditing function
- Have completed a peer review resume form.

In addition, if you are a partner⁷ in your firm, you are qualified to be a team captain. See Appendix B for a complete listing of qualifications.

⁷ 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.

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 form](#). Once you enter your resume you will automatically be listed in the online searchable database. *Please note: you will need your AICPA login to access the form.*
- Undertake the business development activities suggested in a Peer Review Welcome package sent after you attend the “How to” course.
- 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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APPENDIX A

System Review or Engagement Review Determination

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

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
Statements on Auditing Standards (SAS)		
Audits <u>Engagements</u>	X	
Government Auditing Standards (GAS)		
Audits <u>Financial Audits</u>	X	
<u>Attestation Engagements (Examination, Review, or Agreed-upon procedures under GAS)</u>	<u>X</u>	
<u>Performance Audits</u>	<u>X</u>	
Statements on Standards for Attestation Engagements (SSAEs)		
Examinations performed under AT section 101, <i>Attest Engagements</i> (AICPA, <i>Professional Standards</i>)	X	
Reviews performed under AT section 101		X
Agreed-upon procedures performed under AT section 201, <i>Agreed-Upon Procedures Engagements</i> (AICPA, <i>Professional Standards</i>)		X
Examinations of prospective financial statements performed under AT section 301, <i>Financial Forecasts and Projections</i> (AICPA, <i>Professional Standards</i>)	X	
Compilations of prospective financial statements and application of agreed-upon procedures to prospective financial statements performed under AT section 301		X
Examinations performed under AT section 401, <i>Reporting on Pro Forma Financial Information</i> (AICPA, <i>Professional Standards</i>)	X	
Reviews performed under AT section 401		X
Examinations performed under AT section 501, <i>An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements</i> (AICPA, <i>Professional Standards</i>)	X	
Examinations performed under AT section 601, <i>Compliance Attestation</i> (AICPA, <i>Professional Standards</i>)	X	
Agreed-upon procedures performed under AT		X

section 601		
Examinations performed under AT section 701, <i>Management's Discussion and Analysis</i> (AICPA, <i>Professional Standards</i>)	X	
Reviews performed under AT section 701		X
Examinations performed under AT section 801, <i>Reporting on Controls at a Service Organization</i> (AICPA, <i>Professional Standards</i>)	X	
Public Company Accounting Oversight Board (PCAOB) Standards		
Audits of non-SEC issuers	X	
<u>Attestation of non-SEC issuers</u>	<u>X</u>	
Statements on Standards for Accounting and Review Services (SSARS)		
Reviews of financial services		X
Compilations of financial statements with disclosures		X
Compilations of financial statements without disclosures		X
Compilations performed when the compiled financial statements are not expected to be used by a third party (management use only), when no compilation report is issued		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.

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, nonsuspended 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.^{8 9} 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 the firm’s accounting or auditing engagements or carrying out a quality control function on the firm’s accounting or auditing engagements.
- 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*¹⁰ for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see [interpretations](#)).¹¹
- 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](#)).
- e. Have at least five years of recent experience in the practice of public accounting in the accounting or auditing function.¹²

⁸ 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.

⁹ 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.

¹⁰ 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.

¹¹ If a firm’s most recent review was a report review, then the firm’s members are not eligible to perform peer reviews.

¹² 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.

- l. 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](#)).

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Team Captain or Review Captain

In addition to adhering to the general 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.

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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 an 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 recommended as a specialist by a CPA that is a member of the AICPA in good standing and is 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 provide the [Peer Review Program SOC Specialist Form](#) to the AICPA or an administering entity. The form is required to be signed by a CPA for recommendation 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*¹³ for its most recent System Review that was accepted timely, ordinarily within the last three years and six months.¹⁴
- c. Not be associated with an engagement that was deemed no 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 SAS 70/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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¹³ 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.

¹⁴ If a firm's most recent review was a report review, then 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. There are two ways to access the manual. You can choose to purchase the entire manual at cpa2biz.com. Alternatively, several sections of the ***AICPA Peer Review Program Manual*** are available on-line at no charge at <http://www.aicpa.org/InterestAreas/PeerReview/Resources/PeerReviewProgramManual/Pages/default.aspx>.

- You can download various standards, interpretations, checklists, questionnaires, and supporting materials which are required in the performance of a review.

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Quality Control Standards

~~The AICPA Audit and Accounting Practice Aid updated the 2004 edition of *Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. The Practice Aid 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 A of the Practice Aid. The version of the Practice Aid, prepared by the Quality Control Standards Task Force, has been revised to incorporate s new 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 Aid is available for purchase on CPA2BIZ at: http://www.cpa2biz.com/AST/Main/CPA2BIZ_Primary/AuditAttest/PRDOVR~PC-006623/PC-006623.jsp.~~

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Important AICPA Web-site Links

The AICPA website can be found at: <http://www.aicpa.org>

Information regarding the AICPA Peer Review Program can be found at: <http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx>

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

Peer Reviewer Training Courses can be found at:
http://www.aicpa.org/InterestAreas/PeerReview/CPEAndEvents/Pages/Reviewer_Training_Courses.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:
<http://peerreview.aicpaservices.org/>

In Our Opinion Newsletter (The Newsletter of the AICPA Audit and Attest Standards Group):
<http://www.aicpa.org/publications/newsletters/inouropinion/pages/inouropinion.aspx>

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>

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

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Other Important Website Links

General Accounting Standards Board: www.gasb.org

Federal Accounting Standards Advisory Board: www.fasab.gov

Government Auditing Standards (Yellow Book) www.gao.gov/govaud/ybk01.htm

Office of Management and Budget (Grants Management):
<http://www.whitehouse.gov/omb/grants/>

Information on State Boards/Societies
<http://www.aicpa.org/Advocacy/State/StateContactInfo/Pages/StateContactInformation.aspx>

Public Company Accounting Oversight Board <http://www.pcaobus.org>

**SRM, Team Captain Checklist, Review Captain Checklist
and Engagement Statistics Data Sheet Revamp**

Why is this on the Agenda?

The Root Cause Task Force (RCTF) completed revisions to the SRM, Team Captain Checklist, Review Captain Checklist and Engagement Statistics Data Sheet.

Below are some of the overall changes:

- The documents were converted to Excel to make them more user friendly. We will also offer Adobe versions to accommodate reviewers that do not have (or wish) to use Excel. The Excel workbooks can be easily printed as a single document as well.
- Questions/steps were reordered to flow logically and with the Standards.
- Additional Standards references were included.
- Many of the required peer review checklists are specifically referenced throughout the checklists.
- Duplicative questions/steps were deleted.
- Rows containing guidance are collapsible if not needed.
- Hyperlinks are included in the SRM and the Review Captain Summary to make it easy to navigate.
- Cells requiring input are colored gray. The cells for narrative explanations are designed to expand so all of the information entered will be visible.
- Drop down menus are provided for some of the answer boxes.
- Excel specific instructions are included in the workbook on a separate tab.

SRM Revisions (see Agenda Item 1.4A):

- The SRM Summary tab contains information that previously appeared on the completion form in the Team Captain Checklist.
- The review team information can be completed by using the drop down boxes for team members' practice and industry area expertise.
- Planning questions were reworded and condensed. Relevant standards references were included. For example, question E summarizes some of the risk factors from Interpretation 52-1.
- The scope of the work performed and the engagements reviewed were combined into one tab. The engagements reviewed automatically links to the statistics tab, so the reviewer will not have to enter the information twice. If the firm has more than one office, the instructions direct the reviewer to attach additional worksheets as necessary.
- The following questions/steps were added from the team captain checklist:
 - Reviewed firm restrictions or communications from regulatory agencies (planning tab question A)
 - Reconciliation of the firm's scheduling information to the engagement listing provided (planning tab question M)
 - Consultation with the administering entity (AE) (overall findings & conclusions tab question G)
 - Points to be discussed during the exit conference (overall findings & conclusions tab question F)
- Questions related to non-conforming engagements on the specific findings tab are collapsible if not needed.

Team Captain Checklist Revisions (see Agenda Item 1.4B):

- The checklist was redesigned to be a roadmap for the peer reviewer and all of the individual signoff steps were eliminated.
- Standards guidance was added to make it easier for the reviewer to reference.
- Many of the steps were converted into bullet points.
- The completion form was eliminated since some of the information was duplicative. This information now appears in the SRM on the SRM Summary tab.
- Since the questions important for the RAB to consider in accepting the peer review were moved to the SRM (i.e. AE consultation), the Root Cause Task Force is proposing that this checklist will not have to be submitted to the AE any more. (NPRC reviewers would still be required to submit this checklist with all peer review working papers.)

Review Captain Checklist Revisions (see Agenda Item 1.4C):

- The task force proposes renaming this checklist to “Review Captain Summary.”
- The same general approach used for the Team Captain Checklist was used for the Review Captain Summary.
 - The checklist was redesigned to be a roadmap for the peer reviewer and all of the individual signoff steps were eliminated.
 - Standards guidance was added to make it easier for the reviewer to reference.
 - Many of the steps were converted into bullet points.
- The information previously included on the completion form has been added to the Review Captain Summary tab.
- The engagement statistics for engagement reviews (PRP Section 6400 *Engagement Statistics Data Sheet*) has been combined with this checklist.
- The instructions for the engagement statistics portion of the checklist have been modified slightly to direct the reviewer to PRP Section 6200 *Instructions to Reviewers Performing Engagement Reviews*, Appendix E *Areas of Common Noncompliance with Applicable Professional Standards*.
- The reason codes for non-conforming engagements referencing generally accepted auditing standards (GAAS) were eliminated.

Additional considerations:

- Since the team/review captain completes the Engagement Statistics Data Sheet and this information is verified by the Technical Reviewer, the task force proposes to remove the statistics section from the Technical Reviewer’s Checklist. The questions directing the technical reviewer to prepare these statistics were modified to ask if the engagement statistics prepared by the peer reviewer were correct. See Agenda Item 1.3D (excerpts from the RAB Handbook) for these changes.

Feedback Received

The revised forms were presented to the Administrative Advisory Task Force (AATF) and the Technical Reviewers Advisory Task Force (TRATF) on November 13. Overall, they agreed with RCTF’s approach and their suggestions were included in these revisions. The Standards Task Force reviewed these forms on December 10 and requested minor revisions which are incorporated in these agenda materials.

PRISM Impact

The revised SRM contains two new engagement types: Other Audits under PCAOB Standards not covered by PCAOB permanent inspection program and Attest Engagements under PCAOB Standards, not covered by PCAOB inspection. Additionally, the engagement type “financial

forecast and projection – other” was changed to “compiled financial forecasts and projections” on the engagement statistics. All of these changes will affect PRISM; however, at this time, we do not anticipate these will require significant programming and can be made by the proposed April 1, 2014 effective date.

AE Impact

If approved, team captains will no longer be required to submit the team captain checklist to the AEs (except for NPRC reviews). Additionally, technical reviewers will no longer be required to complete the engagement statistics.

Communications Plan

A reviewer focus will be sent after PRB approval. Once approved, this will be discussed on a bi-weekly AE call.

Manual Production Cycle (estimated)

April 1, 2014

Effective Date

April 1, 2014

Board Consideration

Discuss and approve the proposed revisions described above.

PRP Section 4800

APR 2014

Summary Review Memorandum (SRM)

(for System Reviews commencing on or after April 1, 2014)

Reviewed Firm's Name	Test
Firm Number	12345678
Review Number	987654
Peer Review Year End	12/31/XX
Commencement of Review	4/1/XX
Exit Conference	6/1/XX
When was the report submitted to the reviewed firm?	6/1/XX
What was the general nature of the report?	3. Pass with deficiency(ies)
If the report was pass with deficiencies or fail, what were the reasons?	352 Engagement Performance
Did the report have a scope limitation?	No
How many MFCs were issued to the firm?	4
How many FFCs were issued to the firm?	1
Team Captain	Captain Name
Date	6/1/XX

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APR 2014

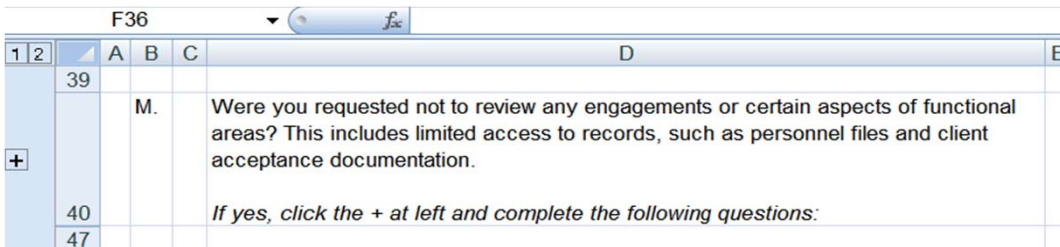
Instructions

- .01 This section of the manual contains a summary review memorandum for System Reviews. The purpose of the summary review memorandum is to document (1) the planning of the review, (2) the scope of the work performed, (3) the support for the type of report issued, and (4) items communicated to senior management of the reviewed firm that were not deemed of sufficient significance to effect the report, including support for Findings for Further Consideration (FFC) forms. This documentation is required to enable the administering entity to exercise its oversight function in an effective and consistent manner.
- .02 The attached form, if properly completed, ordinarily should provide the documentation necessary to meet these objectives. If there is insufficient space to fully describe any matters, additional sheets should be used and attached to the form.
- .03 Questions regarding the use of this form or any other materials or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.
- .04 This form must be completed on all AICPA Peer Review Program (PRP) System Reviews and must be submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm under review or by an approved association of CPA firms.
- .05 This form should be completed for System Reviews commencing on or after April 1, 2014.

Excel Specific Instructions

If rows are expanded in order to complete applicable questions, please leave the rows expanded for ease of review and printing.

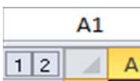
To expand rows, click the "+" at the left of the rows.



To collapse rows not needed, click the "-" at the left of the rows.



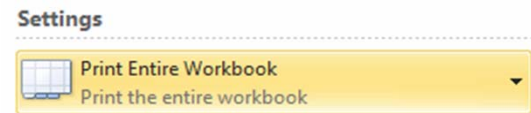
To collapse all rows, click the "1" at the top of the worksheet.



To expand all rows, click the "2" at the top of the worksheet.

To print the entire workbook:

Under settings in the print dialog box (ctrl "P"), select "print entire workbook"



Alternatively, right click on one of the tabs at the bottom of the worksheet and click "select all sheets" before printing.

Firm Description

A. Personnel Profile

Note: If the firm has more than one office, provide a breakdown by office and add additional columns as necessary.

	Total	Office 1	Office 2	Office 3
Partners (or equivalent)	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
Managers (or equivalent)	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Personnel*	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
Leased or Per Diem**	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Comments:

B. Indicate extent of industry specialization, if any:

C. Identify service arrangements, if any, with non-CPA owned entities with which the reviewed firm is closely aligned through common employment, leasing of employees, equipment, facilities, or other similar arrangements

* The term personnel refers to all individuals who perform professional services for which the firm is responsible whether or not they are CPAs (previously referred to as professional staff). (Statement on Standards for Quality Control [SQCS] No. 8, A Firm's System of Quality Control [AICPA, Professional Standards, QC sec. 10]).

** Leased and per diem staff are those who devote at least 25 percent of their time at the reviewed firm in performing audits, reviews, compilations, or other attest engagements or personnel who have the partner- or manager-level responsibility for the overall supervision or review of such engagements.

Composition of Review Team

Note: Add additional columns as necessary. Select areas of experience in the drop down fields below for the practice areas and industries relevant to the reviewed firm's practice. Indicate with an X each team member's experience in the identified areas. *Click the + at the left for additional guidance.*

In the industries section, identify the team members' experience that correlates to the firm's three largest engagements or areas that represent 10% or more of the firm's practice hours as noted on the scheduling form.

Click the + at the left to add more rows if needed.

Name	Insert name	Insert name	Insert name	Insert name	Insert name	Insert name
Role	Captain	Member	Member	Member	Member	Specialist
Areas of Experience						
Practice Areas						
2 Reviews and Compilations (SSARS)	x					
Industries						
150 Colleges and Universities	x					

Comments:

Planning and Performing the Review

A Describe any matters of firm or individual regulatory noncompliance, within the three years preceding the firm's current peer review year-end and through the date of the exit conference. Discuss how the firm is addressing the matter, the effect on the firm's accounting and audit practice, any consultations with the administering entity, and the impact on your risk assessment and scope of the peer review.

*If any licensing exceptions are noted, prepare an MFC.
Click the + at the left for guidance on the types of matters to be addressed*

1 Noncompliance with the rules and requirements of state board(s) of accountancy or other regulatory bodies by the firm or its personnel
(Consider applicable firm and individual licensing requirements in each state in which it practices for the year under review.)

2 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 or its personnel.
(Consider communications from bodies such as PCAOB, SEC, GAO, Department of Labor, any state board of accountancy, or AICPA or state society professional ethics committee, or any other government agency.)

3 Any restrictions or limitations on the firm's or its personnel's ability to practice public accounting that were imposed by or agreed to with other regulatory, monitoring, or enforcement bodies.

B If the firm was previously reviewed, read the prior report and findings reflected in the FFC form(s). Evaluate and summarize the actions taken by the firm in response to any deficiencies/significant deficiencies. Document whether such matters require additional emphasis in the current review and how that will be done.

C If the firm or selected engagements have been inspected or reviewed by a governmental or other regulator, or the PCAOB, discuss any findings, including those that may have been communicated orally or in draft form with appropriate firm personnel. Document the effects, if any, the findings could have on the planning and performance of review procedures.

See Int. 40-1 and 40-2.

D 1 If the firm uses Quality Control Materials (QCM) developed by a third party, identify the provider(s) and the type of practice aids used. Briefly describe the extent to which the firm uses the provider's materials, including areas that are either customized or in which firm developed materials are substituted. Also describe the firm's procedures for updating and modifying these materials.

- 2 If the third party QCM provider(s) underwent a QCM review, describe your consideration of the QCM review report(s). Document the QCM review scope of work and date of the review. If the provider received a report other than "Pass," determine the impact on the reviewed firm's peer review risk and scope of work.

See Int. 42-2 and 42-3.

- 3 If the firm uses third-party QCM that were not subject to a QCM review, or were not included in the scope of a QCM review, describe the firm's procedures for ensuring the reliability of the QCM.

See Int. 42-3.

- 4 If the firm uses internally-developed QCM that did not undergo a separate QCM review, summarize the firm's procedures for the developing, updating, and ensuring the reliability of the QCM.

See Int. 42-3.

- E Summarize the inherent risk factors related to the reviewed firm's accounting and auditing practice. Highlight any significant changes since the last peer review. Consider:
 - Firm size, number of offices, degree of autonomy, experience of key leaders
 - Firm acquisitions, divestments, restructuring, turnover rates
 - Alternative practice structures, use of leased staff or independent contractors
 - Nature of firm's practice, including mix of services and client industries
 - Risk level of the engagements performed, including regulatory requirements, and any noncompliance issues
 - The extent to which the firm specializes by service or industry
 - Expansion into new services or industries
 - Size of the firm's major engagement(s), relative to the firm's practice as a whole
 - Remote staff or client locations, including records or work performed in other countries
 - New professional standards requirements
 - Adverse economic factors

See Int. 52-1.

- F** Summarize the key factors of the firm's system of quality control in relation to the inherent risk noted above. Consider all elements of quality control, including:
- Tone at the Top reflected by firm management and leadership responsibilities for the Accounting and audit practice
 - Relevant ethical requirements, including independence
 - Acceptance and continuance of client relationships and specific engagements
 - Human resources, *including*
 - CPE policies and the firm's philosophy toward continuing education (*Accumulate the necessary hours or maintain the needed skills and improve delivery of professional services.*)
 - Engagement performance, *including*
 - Adequacy of the firm's professional library
 - Suitability of firm's quality control materials and procedures for ensuring reliability, as noted above
 - Monitoring procedures and related remedial actions
 - Firm's EQCR criteria

Also consider the results of prior reviews or other oversight.

See Int. 52-1.

- G** Considering the factors noted above, document how your assessment of inherent and control risk impacts peer review detection risk and the scope of review procedures.

- H** Describe your planned selection of office(s) and engagement(s) for review to reduce peer review detection risk to an acceptably low level. Include how the scope covered a reasonable cross-section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with a higher assessed level of peer review risk.

- I** If the review is performed at a location other than the reviewed firm's office, describe:
- the impact on the risk assessment, and
 - the date the approval was granted from the administering entity.

- J** If you plan to significantly reduce the scope of procedures to be performed based on inspection reliance, describe basis for and degree of reliance on the firm's inspection program. Inform the AICPA technical staff during peer review planning and document the discussion.

Reliance should not be placed on the firm's inspection program when one was not performed during the current year.

See Int. 45-1 and 2; Supp. Guid. Sec. 3100.

- K** Describe any significant deviations from AICPA peer review questionnaires and checklists. Explain the reason(s) for the deviations.

If documentation of approval was required prior to utilization of materials, note that it was obtained.

L Were you requested not to review any engagements or certain aspects of functional areas? This includes limited access to records, such as personnel files and client acceptance documentation.

If yes, click the + at the left and complete the following questions:

1 Did the firm submit a written waiver request for this exclusion to its administering entity?

See Int. 55-1

If the firm did not submit a waiver request for the exclusion to its administering entity, contact the administering entity.

2 Review the request and describe the reason for the request. Explain whether you were satisfied with the reason and document your risk assessment considerations.

3 Review the exclusion waiver approval from the administering entity. Verify and document that approval was obtained.

- a) If the exclusion waiver approval was not obtained, contact the administering entity.
- b) If the administering entity did not approve the exclusion waiver request due to scope limitation issues, describe the effect on the report to be issued.

M Describe any differences between the scheduling form and the engagement listing provided by the firm. If the differences are significant, consult with the AE and document your consultation.

N 1 Identify the level of service and industry of the engagement selected for review and not provided to the firm in advance (surprise engagement).

2 Describe any deviation from this requirement, or revision to the original engagement selected.

Population and Reviewed Statistics

(Single or Multiple Office Firms)

Note: If the firm has multiple offices, provide additional information on the A&A practice and engagement selections by office.

	Population		Reviewed	
	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>
Engagements Subject to Government Auditing Standards (GAS):				
Single Audit Act (A-133) Engagements	1	1	1	1
All Others Subject to GAS	1	1	1	1
Audit Engagements:				
Employee Retirement Income Security Act (ERISA):				
Defined Contribution Plans - (excluding 403(b) Plans)	1	1	1	1
Defined Contribution Plans - (403(b) Plans only)	1	1	1	1
Defined Benefit Plans	1	1	1	1
ERISA Health and Welfare Plans	1	1	1	1
Employee Stock Ownership Plans (ESOP)	1	1	1	1
Other Employee Benefit Plans	1	1	1	1
Federal Deposit Insurance Corporation Improvement Act (FDICIA)	1	1	1	1
Entities Subject to Securities and Exchange Commission (SEC) Independence Rules:				
Carrying Broker-Dealers	1	1	1	1
Non-Carrying Broker-Dealers	1	1	1	1
Other	1	1	1	1
Other Audits Under Statements on Auditing Standards	1	1	1	1
Other Audits Under PCAOB Standards, not covered by PCAOB permanent inspection program	1	1	1	1
Statements on Standards for Accounting and Review Services (SSARs):				
Reviews	1	1	1	1
Compilations With Disclosures	1	1	1	1
Compilations Omit Disclosures	1	1	1	1
Statements on Standards for Attestation Engagements (SSAEs):				
Financial Forecast and Projection - Examination	1	1	1	1
Compiled Financial Forecast and Projection	1	1	1	1
Examination of Service Organization Control Reports (SOC Reports):				
SOC 1	1	1	1	1
SOC 2	1	1	1	1

	Population		Reviewed	
	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>
SOC 3	1	1	1	1
Examinations of Written Assertions	1	1	1	1
Reviews of Written Assertions	1	1	1	1
Agreed-upon Procedures	1	1	1	1
Attest engagements under PCAOB standards, not covered by PCAOB inspection	1	1	1	1
Other	1	1	1	1
Total - All Engagements	27	27	27	27
Percentage of Auditing and Accounting Practice Reviewed			100.0%	100.0%

Comments:

Overall Findings and Conclusions

A. Do you conclude that the firm’s system of quality control was suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, with respect to the following elements of quality control? *If the conclusion is “No” with respect to any element of quality control, indicate with an X the applicable reporting implication. Deficiencies and significant deficiencies should be supported by MFC forms and summarized on the Disposition of MFC form.*

Conclusion		Reporting Implications	
Yes	No	Deficiency	Significant Deficiency
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1 Leadership responsibilities for quality within the firm (the “Tone at the Top”)

2 Relevant ethical requirements

3 Acceptance and continuance of client relationships and specific engagements

4 Human resources

5 Engagement performance

6 Monitoring

B. If you considered issuing a different type of report than the report issued, describe the situation fully, including the basis for your conclusion.

C. If any issues noted on the previous review are repeat findings in the current report or FFC forms, describe the firm's actions to prevent recurrence of the issue. Discuss the timing of such actions, what is different from previous actions, and whether you concur with the firm's approach.

D. If there were significant differences between the results of the firm's most recent internal monitoring procedures and the peer review results, document your considerations of how the differences with systemic implications or that were individually significant impacted the peer review conclusions?

E. For multi-office firms, if you concluded that the extent of noncompliance at one or more offices was significantly higher than the rest of the firm, briefly describe the situation and the impact on the peer review conclusions.

F. Describe the nature and extent of each issue to be discussed at the exit conference or communicated to senior management of the reviewed firm that was not deemed of sufficient significance to include on an MFC form, FFC form, or in the report, or other materials included elsewhere in the peer review working papers.

G. Describe any situations encountered which require consultation with the administering entity. Indicate name of person consulted and date.

For examples of such situations, click the + at the left to expand the rows below.

a. When the firm has sold a portion of its nonattest practice to a non-CPA owned entity and entered into a service arrangement with that non-CPA owned entity to provide employees, office space, or equipment for which the firm remits a percentage of its revenues or profits.

b. The review team feels it may not have the expertise required under the applicable *Standards for Performing and Reporting on Peer Reviews* to accomplish the required reviews of engagements satisfactorily.

- c. The review team determines that reliance upon the firm's current year monitoring procedures could significantly reduce the scope of the procedures it will perform (Interpretation 45-2, "Considering the Firm's Monitoring Procedures," of paragraph .45 in section 1000 [sec. 2000]).
- d. The reviewed firm is deemed to not be cooperating (Interpretation 5h-1, "Cooperating in a Peer Review," of paragraph .05 in section 1000 [sec. 2000]).
- e. The review team is considering whether to discontinue the review, for example, because of a lack of cooperation.
- f. The review team and the reviewed firm have a disagreement on
 - the type of report to be issued, the FFC form(s) to be issued, or any other substantive issue.
 - issues that may require the application of the guidance in AU-C section 585, *Consideration of Omitted Procedures After the Report Release Date*, and AU-C section 560, *Subsequent Events and Subsequently Discovered Facts* (AICPA, *Professional Standards*), or similar matters with respect to engagements to compile or review historical financial statements or to examine prospective financial statements.
- g. There is any uncertainty about the report to be issued or the findings to be included in the FFC form(s).
- h. When the firm has not obtained a waiver for excluding an engagement(s) or certain aspects of functional area(s) from the scope of the review.
- i. Difficulties in complying with the applicable *Standards for Performing and Reporting on Peer Reviews*.
- j. Uncertainty of whether matters were isolated and difficulties in determining the cause for a finding.
- k. The firm failed to perform or report in conformity with applicable professional standards in all material respects and the review team determines the cause of the failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion. (Par. 83 d sec. 1000)
- l. A team captain who is considering whether a peer review report should be issued with an additional paragraph for a scope limitation due to a divestiture should consult with the administering entity. (Interpretation 5c-1, "Acquisitions and Divestitures and Their Effect on Peer Review Scope," of paragraph 5c in section 1000 [sec. 2000])
- m. If an engagement(s) within the team captain's selection is not available for review, a comparable engagement within the peer review year-end is also not available, nor is there a prior year's engagement that may be reviewed, the team captain should consult with the administering entity to determine the effects on the timing or year-end of the peer review, if any, and whether a report with a peer review rating with a scope limitation should be issued. (Interpretation 56-1, "Office and Engagement Selection in System Reviews," of paragraph .56 in section 1000 [sec. 2000])
- n. A reviewed firm is required 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. If the reviewed firm fails to discuss such communications with the reviewer, the reviewer should immediately consult with the administering entity because this constitutes a failure to cooperate, and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated. (Interpretation 181-1b-1 "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," of paragraph .181 in section 1000 [sec. 2000])
- o. A team captain or review team encounters difficulties in complying with the standards, especially in selecting engagements or offices for review. If the team captain finds that meeting all of the selection criteria for selection of engagements results in an inappropriate scope of the firm's accounting and auditing practice, the team captain should consult with the administering entity about the selection of engagements for review. (Interpretation 56-1)

Specific Findings

- H. Did the review disclose any situations that led the reviewers to conclude that the financial statements did not conform in all material respects with generally accepted accounting principles (GAAP) (or, if applicable, a special purpose framework) and the auditor's or accountant's report was not appropriately modified? [AU-C 560; ET 203]
If yes, click the + at the left to expand the rows below, and answer the questions below.
- I. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform or report on an engagement in all material respects in accordance with generally accepted auditing standards and other applicable standards including, where applicable, *Government Auditing Standards*? [AU-C 585; ET 202]
If yes, click the + at the left to expand the rows below, and answer the questions below.
- J. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform or report on an engagement in all material respects in accordance with standards for accounting and review services? [ET 202]
If yes, click the + at the left to expand the rows below, and answer the questions below.
- K. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform or report on an engagement in all material respects in accordance with the standards for attestation engagements or any other standards not encompassed in items H, I, and J of this section?
If yes, click the + at the left to expand the rows below, and answer the questions below.
- L. If the firm conducted internal inspection procedures for the current year, did it identify any engagements on which the firm must consider taking action pursuant to the standards cited in items H, I, J, and K of this section?
If yes, click the + at the left to expand the rows below, and answer the questions below.
- M. If any of the bolded questions in PRP Section 20,700 or 20,700A Employee Benefit Plan Audit Engagement Checklist, were answered "no," did you conclude that the firm performed and/or reported on that engagement in conformity with applicable professional standards in all material respects?
If yes, explain your reasoning below.
- N. Based on the findings, if any, documented on FFC form(s), are you satisfied with all of the following?
 - The firm's response is comprehensive, genuine, and feasible.
 - The firm's response describes an acceptable implementation plan, including
 - 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.*Describe any concerns below.*
- O. Based on the findings, if any, documented on FFC form(s), do you believe an implementation plan should be required of the firm by the report acceptance body?
If yes, describe below the plan you would recommend, including timing.
- P. Based on the deficiencies and significant deficiencies, if any, documented in the report, do you believe a corrective or monitoring action should be required of the firm by the report acceptance body?
If yes, describe below the plan you would recommend, including timing, and how it integrates with the firm's own planned actions.

**System Review Engagement Statistics Data Sheet
Engagement Statistics**

Firm Number: 12345678
Review Number: 987654

Total No. Reviewed *Total Not in
Conformity w/ Appl.
Prof. Standards in
All Material
Respects*

Engagements Subject to Government Auditing Standards (GAS):

Single Audit Act (A-133) Engagements	1	1
All Others Subject to GAS	1	

Audit Engagements:

Employee Retirement Income Security Act (ERISA):		
Defined Contribution Plans - (excluding 403(b) Plans)	1	
Defined Contribution Plans - (403(b) Plans only)	1	
Defined Benefit Plans	1	
ERISA Health and Welfare Plans	1	
Employee Stock Ownership Plans (ESOP)	1	
Other Employee Benefit Plans	1	1

Federal Deposit Insurance Corporation Improvement Act (FDICIA)	1	
--	---	--

Entities Subject to Securities and Exchange Commission (SEC) Independence Rules:		
Carrying Broker-Dealers	1	
Non-Carrying Broker-Dealers	1	
Other	1	

Other Audits Under Statements on Auditing Standards	1	
---	---	--

Other Audits Under PCAOB Standards, not covered by PCAOB permanent inspection program	1	
---	---	--

Statements on Standards for Accounting and Review Services (SSARs):

Reviews	1	
---------	---	--

Compilations With Disclosures

Compilations Omit Disclosures

Statements on Standards for Attestation

Engagements (SSAEs):

Financial Forecast and Projection - Examination

Compiled Financial Forecast and Projection

Examination of Service Organization Control Reports (SOC Reports):

SOC 1

SOC 2

SOC 3

Examinations of Written Assertions

Reviews of Written Assertions

Agreed-upon Procedures

Attest engagements under PCAOB standards, not covered by PCAOB inspection

Other

Total - All Engagements 27 2

Reasons and Action Summary

List engagements not performed and/or reported in conformity with applicable professional standards in all material respects. Select applicable code from drop down field.

Type of Engagement Reviewed	REASON CODE	ACTION CODE	Comments
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Exclusion Summary

List engagements excluded from review. Select applicable code from drop down field.

Type of Engagement	EXCLUDED REASON CODE	Comments

PRP Section 4900
Team Captain Checklist

Reviewed Firm's Name

Firm Number

Review Number

Instructions

- .01** This section of the manual contains a Team Captain Checklist for AICPA Peer Review Program System Reviews. It provides a basic overview of the way in which these reviews—regardless of firm size—are to be conducted.
- .02** The checklist steps should normally be completed in the order presented. Place an "X" in the space to indicate the step has been completed or "N/A" if the step is not applicable.
- .03** Questions regarding the use of this checklist, any other materials, or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.
- .04** This checklist must be completed on System Reviews, whether those reviews are conducted by a review team formed by a firm engaged by the firm under review or by an authorized association of CPA firms.
- .05** This form should be completed for System Reviews commencing on or after April 1, 2014.

Excel Specific Instructions

To expand rows, click the "+" at the left of the rows.

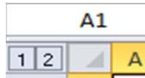


	109		
	110	14. Obtain the written representations from the reviewed firm (see paragraph .05	
+	111	<i>Click the + at the left for additional guidance.</i>	
	120		

To collapse rows not needed, click the "-" at the left of the rows.



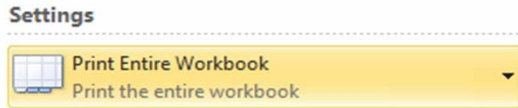
To collapse all rows, click the "1" at the top of the worksheet.



To expand all rows, click the "2" at the top of the worksheet.

To print the entire workbook:

Under settings in the print dialog box (ctrl "P"), select "print entire workbook"



Alternatively, right click on one of the tabs at the bottom of the worksheet and click "select all sheets" before printing.

Completed

I. Prior to Accepting Peer Review Client

1. Determine that reviewing firm, the review team, and any other individuals who participate on the peer review are independent and free from any obligation to, or interest in, the reviewed firm or its personnel.

2. Determine your capability to perform a peer review.
 - Obtain and consider information about the firm to be reviewed, including size, nature of practice, industry specializations, and levels of service compared to your firm
 - Availability of peer reviewers with appropriate levels of expertise and experience to perform the review
 - Determine that all team members meet the qualifications to perform a peer review

3. Consult with the administering entity concerning any of the following matters which may affect your ability to perform the peer review.
 - If any proposed peer review team members have received any 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.
 - If you or your firm performed inspection, engagement review, quality control consulting or other monitoring activities to the firm during the peer review year or the immediately preceding year
 - If you or any members of the review team provided the reviewed firm with quality control materials, that have not undergone an independence review under the *Standards for Performing and Reporting on Peer Reviews*.

II. Planning the review (see paragraph .38):

4. Communicate with the firm about the peer review timing, responsibilities and administrative matters. Consider:
 - Confirm peer review year end date
 - Timing of review fieldwork and expected date of exit conference
 - Due date of peer review, and whether it will need to request an extension from the administering entity (AE) or GAO.
 - Confirm that AE has confirmed receipt of peer review arrangements.
 - Ability to support electronic MFC form completion, and that it registered.
 - If the firm has had an acquisition of another practice or portion thereof, or divestiture of a significant portion of its practice, including the sale of any portion of the firm's nonattest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the administering entity prior to the commencement of the review to determine the appropriate scope of the review and other actions that should be taken.
 - If it is cost prohibitive or extremely difficult to arrange for the review to be performed at the reviewed firm's office, consider whether the circumstances can support requesting approval from the administering entity to perform the review at a location other than the reviewed firm's offices. This request should be made prior to the commencement of fieldwork and will be approved by administering entities only in rare situations. A copy of the administering entity approval should be kept with the peer review documents.

5. Obtain the results of the prior peer review (see paragraph .39).
 - Consider whether the issues discussed in those documents require additional emphasis in the current review and, in the course of the review, evaluate the actions of the firm in response to the prior report. Document your considerations in the SRM.
 - Prior peer review report,
 - The letter of response, if applicable, and
 - The letter of acceptance, all from the reviewed firm.

Completed

- Obtain the prior FFC forms, if applicable (from the administering entity if the team captain's firm did not perform the prior peer review).
6. Inquire of the firm about the areas to be addressed in the written representations (see paragraph .40).
- Consider whether the areas discussed require additional emphasis in the course of the review.
7. Obtain a sufficient understanding of the nature and extent of the firm's accounting and auditing practice and related quality control system to plan the review (see paragraphs .41—.45).
- Understanding of the firm's accounting and auditing practice and system of quality control through inquiries of appropriate management and other personnel, review of the firm's internal policies and procedures, and review of the firm's responses to questionnaires developed by the board.
 - Request the firm provide a copy of its completed Quality Control Policies and Procedures Questionnaire (Section 4300 or Section 4400 as applicable). Firms that have developed a comprehensive quality control document as contemplated by SQCS No. 8 may generally provide that document to the peer reviewer in lieu of completing this questionnaire. However, the team captain may request that a firm complete this checklist even if it has a quality control document.
 - Request the firm to complete section 4750, *Managing Partner/Chief Executive Officer Interview*. Click the + at the left for additional guidance.
 - Understanding should include knowledge about
 - The reviewed firm's organization and philosophy, and
 - The composition of its accounting and auditing practice
 - Sufficient understanding of the reviewed firm's system of quality control with respect to each of the quality control elements in SQCS No. 8 to plan the review. QC policies and procedures applicable to a professional service provided by the firm should encompass the following elements
 - Leadership responsibilities for quality within the firm (the "tone at the top");
 - Relevant ethical requirements (such as independence, integrity, and objectivity);
 - Acceptance and continuance of client relationships and specific engagements;
 - Human resources;
 - Engagement performance; and
 - Monitoring
 - *Note – the nature, extent and formality of such policies and procedures should be comprehensive and suitably designed in relation to the firm's size, the number of its offices, the degree of operating autonomy allowed its personnel and its offices, the knowledge and experience of its personnel, the nature and complexity of the firm's practice, and appropriate cost-benefit considerations.*
 - Knowledge about the design of the reviewed firm's quality control policies and procedures in accordance with quality control standards established by the AICPA and how the policies and procedures identify and mitigate risk of material noncompliance with applicable professional standards.
 - Understanding of monitoring policies and procedures since its last peer review and their potential effectiveness.
 - Request the firm to provide
 - an engagement list. The list should contain all engagements (by name or by blind code number) with periods ending during the year under review and covered by the definition of an accounting and auditing practice for peer review purposes. The list should contain the data described in question 8 of paragraph .36 in section 4100, *Instructions to Firms Having a System Review*, for each engagement.
 - a list of the firm's personnel, showing name, position, and years of experience (A) with the firm and (B) in total.
8. Assess peer review risk (see paragraphs .46—.52).
- Consider assessed level of inherent and control risk when selecting offices and engagements to be reviewed.
 - Assessment of risk is qualitative and not quantitative.

Completed

- Evaluate the firm’s quality control policies and procedures over its accounting and auditing practice in relation to the requirements contained in SQCS No. 8.
9. Use the knowledge obtained from the foregoing to select the offices and the engagements to be reviewed and to determine the nature and extent of the tests to be applied in the functional areas (see paragraphs .53—.63).
-
- Click the + at the left for additional guidance.*
- Tests should be performed at the practice office(s) visited, and should include the following:
 - Review highest risk areas on selected engagements, including accounting and auditing documentation, and reports.
 - Review evidential material to determine whether the firm has complied with its policies and procedures for monitoring its system of quality control.
 - Review other evidential matter as appropriate.
 - Office selections – consider the following factors when assessing peer review risk at the office level:
 - Number, size, and geographic distribution of offices
 - Degree of centralization of accounting and auditing practice control and supervision
 - Review team’s evaluation, if applicable, of the firm’s monitoring procedures
 - Recently merged or recently opened offices
 - Significance of industry concentrations and of specialty practice areas
 - Extent of nonaudit services to audit clients
 - Significant clients’ fees to practice office and partners
 - Engagement selections:
 - Attestation engagements with report dates during the year under review.
 - Reasonable cross selection of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements with higher assessed levels of peer review risk.
 - Provide the reviewed firm with the initial selections no earlier than 3 weeks prior to the commencement of the peer review procedures at the related practice office or location. Request the firm to complete the profile sheets in the engagement checklists and to assemble the working papers and reports before the review begins.
 - At least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance. This engagement would ordinarily be an audit.
 - If the firm performs any of the following types of engagements, then at least one of each of the following types that the firm performs is required to be included in the sample of engagements selected for review (Interpretation 63-1 [sec. 2000]):
 - Engagements subject to the Government Auditing Standards (the Yellow Book) (If the engagement selected is of an entity subject to GAS but not subject to the Single Audit Act/OMB Circular A-133 and the firm performs engagements of entities subject to OMB Circular A-133, at least one such engagement should also be selected for review. The review of this additional engagement may exclude those audit procedures strictly related to the audit of the financial statements. See Interpretation 63-1a.)
 - Audit engagements pursuant to the Employee Retirement Income Security Act (ERISA)
 - Federally insured depository institution engagements with more than \$500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act
 - Audits of carrying broker-dealers. It is also expected that if a firm’s audits of broker-dealers include only non-carrying broker-dealers, the team captain should be aware of and give special consideration to the risks associated with such broker-dealer audits in making engagement selections.
 - Examinations of service organizations (Service Organization Control [SOC] 1 and 2 engagements)
 - Confirm that the firm understands its responsibilities concerning engagement(s) or certain aspects of functional areas it wishes to exclude from selection. If in a rare situation the firm has legitimate reasons for the exclusion, confirm that it has requested and obtained a waiver for the exclusion(s) from the administering entity prior to the commencement of the review.

III. Performing the review:

Completed

10. Review the firm's design and compliance with its system of quality control. The review should cover all organizational or functional levels within the firm (see paragraphs .53—.54).
 - Prepare the applicable checklist in section 4500, *Guidelines for Review of Quality Control Policies and Procedures for Sole Practitioners*, or section 4600, *Guidelines for Review of Quality Control Policies and Procedures for Firms With Two or More Personnel*.
 - Interview firm professional personnel at various levels and, if applicable, other persons responsible for a function or activity to assess their understanding of, and compliance with, the firm's quality control policies and procedures. Complete section 4700 *Staff Interview Questionnaire*, as applicable.
 - Develop a general plan for the nature and extent of conducting compliance tests of engagements.
 - Prepare, if applicable, the checklist, section 5200, *Guidelines for Review of Quality Control Policies and Procedures For Non-CPA Owned Entities Closely Aligned With a CPA Firm*.

11. Review highest risk areas on selected engagements, including the relevant accounting, audit, and attestation documentation and reporting (see paragraphs .64—.65)
 - Perform procedures to determine the reviewed firm has appropriately:
 - Identified the highest risk areas on each audit engagement selected for the peer review
 - Performed the necessary audit procedures related to the identified highest risk areas, and
 - Documented the auditing procedures performed in these highest risk areas.

12. Conclude on the review of engagements (see paragraphs .66—.67).
 - Conclude the review by documenting whether anything came to its attention that caused it to believe that the engagement was not performed and/or reported on in conformity with applicable professional standards in all material respects. (Int. 66-1)
 - Promptly inform the firm when an engagement is not performed and/or reported on in conformity with applicable professional standards, and remind the firm of its obligation under professional standards to take appropriate action. (Int. 67-1)

13. Obtain the written representations from the reviewed firm (see paragraph .05(f) and appendix B).

Click the + at the left for additional guidance.

 - Describe matters significant to the peer review
 - Ensure the minimum applicable representations are made (appendix B, .208.1.)
 - Should be obtained for the entire firm and not for each individual engagement the firm performs.
 - Firm management's refusal to furnish written representations to the team captain or review captain constitutes a failure to cooperate with the reviewer and thus the administering entity and with the AICPA Peer Review Board, and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated (Int. 5h-1)
 - The written representation should be:
 - Addressed to the team captain
 - Dated the same date as the peer review report
 - Signed by those members of management whom the team captain believes are responsible for and knowledgeable about matters covered in the representations, the firm, and its system of quality control

14. Reassess the adequacy of the scope of the review based on the results obtained to determine whether additional procedures are necessary (see paragraph .68).
 - If the review team concludes there was a failure to reach an appropriate conclusion on the application of professional standards in all material respects on one or more of the reviewed engagements, the review team should consider whether the application of additional peer review procedures is necessary.
 - Document this consideration in the working papers.
Click the + at the left for additional guidance.

Completed

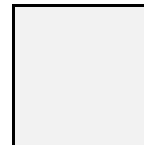
- Apply additional procedures to determine whether the failure is indicative of a pattern of such failures, whether it is a significant deficiency in the design of the reviewed firm's system of quality control or its compliance with the system, or both. Procedures may include:
 - Expansion of scope to review all or relevant portions of one or more additional engagements or aspects of functional areas.
 - Same industry
 - Supervised by same individual
 - Other characteristics associated with the failure to perform and/or report in conformity with professional standards
 - Reviewer may conclude that further procedures are unnecessary because of compensating controls or other reasons.
15. Prepare the Matter for Further Consideration (MFC) forms and Disposition of MFC (DMFC) forms (see paragraphs .73—.74).
- The MFC forms are subject to review and oversight by the administering entity
 - Access PRISM to create MFC form(s) or indicate no MFCs are necessary.
16. Aggregate and systemically evaluate the matters (see paragraphs .75—.86).
Click the + at the left for additional guidance.
- Review team must aggregate matters noted during the peer review, and determine whether the matters were the:
 - Result of the design of the reviewed firm's system of quality control, or
 - Failure of its personnel to comply with the firm's quality control policies and procedures.
 - Design matters exist when the reviewed firm's system of quality control is not designed properly. For example, the system of quality control:
 - Is missing a quality control policy or procedure, or
 - Existing quality control policies and procedures, even if fully complied with, would not result in engagements performed and/or reported on in accordance with professional standards in some respect.
 - Compliance matters exist when a properly designed quality control policy or procedure does not operate as designed because of the failure of the personnel of the reviewed firm to comply with it.
 - The review team should consider the likelihood that noncompliance with a given quality control policy or procedure could have resulted in engagements not being performed and/or reported on in conformity with applicable professional standards in all material respects.
 - Where there is indication that a matter(s) could be a finding, and/or the firm failed to perform and/or report in conformity with applicable professional standards in all material respects, the review team must determine the cause of the finding or failure (Int. 83-1). Causes that may be systemic and affect the type of peer review report issued include:
 - The failure related to a specialized industry practice, and the firm had no experience in that industry and made no attempt to acquire training in the industry or to obtain appropriate consultation and assistance.
 - The failure related to an issue covered by a recent professional pronouncement, and the firm had failed to identify, through professional development programs or appropriate supervision, the relevance of that pronouncement to its practice.
 - The failure should have been detected if the firm's quality control policies and procedures had been followed.
 - The failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion.
 - A finding or failure may be the result of an isolated human error, and therefore, would not necessarily mean that a peer review report with a peer review rating of *pass with deficiencies* or *fail* should be issued.

Completed

- The review team must consider the pattern and pervasiveness of matters and their implications for compliance with the firm's system of quality control as a whole, in addition to their nature, causes, and relative importance in the specific circumstances in which they were observed.
17. Determine the relative importance of matters (see paragraphs .69—.72).
Click the + at the left for additional guidance.
- A matter is a result of the peer reviewer's evaluation of the design of the reviewed firm's system of quality control and/or tests of compliance with it.
 - Tests of compliance include inspection, inquiry, and observation performed by the reviewing engagements and testing other aspects of the reviewed firm's system of quality control.
 - Matters are typically one or more "No" answers to questions in peer review questionnaire(s) that a reviewer concludes warrants further consideration in the evaluation of a firm's system of quality control.
 - A matter is documented on a matter for further Consideration (MFC) form.
 - Depending on the resolution of a matter and the process of aggregating and evaluating peer review results, a matter may develop into a finding. Findings will also be evaluated and, after considering the nature, causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole, may not get elevated to a deficiency. A matter may develop into a finding and get elevated to a deficiency. That deficiency may or may not be further elevated to a significant deficiency.
 - A finding is one or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with it such that there is more than a remote possibility that the reviewed firm would not perform and/or report in conformity with applicable professional standards.
 - A peer reviewer will conclude whether one or more findings are a deficiency or significant deficiency
 - If the peer reviewer concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate.
 - A finding not rising to the level of a deficiency or significant deficiency is documented on a Finding for Further Consideration (FFC) form.
 - Administering entity will evaluate FFC form responses for appropriateness and responsiveness, and determine if any further action is necessary.
 - A deficiency is one or more findings that the peer reviewer has concluded, due to the nature, causes, pattern, or pervasiveness, including the relative importance of the finding to the reviewed firm's systems of quality control taken as a whole, could create a situation in which the firm would not have reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects.
 - It is not a significant deficiency if the peer reviewer has concluded that except for the deficiency or deficiencies, the reviewed firm has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects
 - Such deficiencies are communicated in a report with a peer review rating of *pass with deficiencies*.
 - A significant deficiency is one or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed firm's system of quality control or compliance with it such that the reviewed firm's system of quality control taken as a whole does not provide the reviewed firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects.
 - Such deficiencies are communicated in a report with a peer rating of *fail*.
18. Form conclusions on the type of report to issue (see paragraphs .87—.90).
Click the + at the left for additional guidance.
- The team captain must use professional judgment in determining the type of peer review report to issue. This judgment requires the consideration of several factors, including:
 - an understanding of the firm's system of quality control and the nature, causes, pattern, and pervasiveness of matters, and
 - their relative importance to the firm's system of quality control taken as a whole, including limitations on the scope of the review.

Completed

- 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 with 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 and, therefore, the report does not contain any deficiencies, significant deficiencies, or recommendations.
 - In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.
 - A report with a peer review rating of *pass with deficiencies* 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 with reasonable assurance of performing and reporting in conformity 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.
 - A report with a peer review rating of *fail* should be 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.
- 19.** Conduct an exit conference with senior members of the reviewed firm to discuss the review team's comments; matters, findings, deficiencies, and significant deficiencies identified; recommendations; MFCs and related FFCs; and the type of report to be issued and the deficiencies or significant deficiencies to be included in such report and to resolve any disagreements (see paragraphs .91—.92).
- Click the + at the left for additional guidance.*
- Ordinarily the team captain should be physically present at the exit conference
 - Representatives of the administering entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities may also attend.
 - The exit conference should be postponed if there is any uncertainty about the report to be issued or the deficiencies or significant deficiencies to be included in the report.
 - The review team should communicate that the firm will be required to respond to the findings documented on the FFC form(s), and/or the deficiency(ies) or significant deficiencies included in the peer review report.
 - The review team should communicate that the firm may be required, if applicable, to (1) take certain actions to correct the deficiencies or significant deficiencies noted in the report and/or (2) complete an implementation plan to address the findings noted in the FFC form(s).
 - The review team should discuss with the reviewed firm the implications of these steps on the acceptance and completion of the peer review and the reviewed firm's enrollment in the program.
 - The exit conference is the appropriate vehicle for providing suggestions to the firm that are not included in the report, FFC form(s), or MFC form(s).
 - The reviewed firm should not publicize the results of the review or distribute copies of the report to its personnel, clients, or others until it has been advised that the report has been accepted by the administering entity.



Completed

- Notify the administering entity promptly if there is a change in the date of the exit conference.
20. Prepare a written report on the results of the review and provide a copy to the reviewed firm within 30 days of the exit conference date, or by the firm's peer review due date (whichever is earlier). (see paragraphs .94—.96).
21. Review and provide comments to the reviewed firm on its response to the report, and FFC forms, if applicable (see paragraphs .97—.101)
- Click the + at the left for additional guidance.*
- If the reviewed firm receives a report with a peer review rating of *pass with deficiencies* or *fail*, the reviewed firm should respond in writing to the deficiencies or significant deficiencies and related recommendations identified in the report.
 - The letter of response should be addressed to the administering entity's peer review committee
 - The letter should describe the actions planned (including timing) or taken by the reviewed firm with respect to each deficiency in the report.
 - The reviewed firm should submit a copy of the report, and its letter of response, to the administering entity within 30 days of the date it received the report from the team captain or by the firm's peer review due date, whichever date is earlier.
 - Prior to submitting the response to the administering entity, the reviewed firm should submit the response to the team captain for review, evaluation, and comment (Int. 97-1).
 - The reviewed firm should respond to all findings and related recommendations not rising to the level of a deficiency or significant deficiency on the related FFC forms.
 - Responses should describe the plan the reviewed firm has implemented or will implement (including timing) with respect to each finding.
 - The team captain should review and evaluate the responses on the FFC forms before they are submitted to the administering entity
 - Illustrative letters of response are located in Appendices F, H, J and L.
22. Send the appropriate working papers to the administering entity within 30 days of the exit conference or by the firm's peer review due date, whichever is earlier.
- Click the + at the left for additional guidance.*
- For all reviews, submit a copy of the following:
 - The report and letter of response, if applicable. (Reminder: The reviewer is not expected to delay submission of peer review documents to the administering entity for receipt or review of the letter of response from the firm.)
 - *Summary Review Memorandum*
 - DMFC form, if not submitted via PRISM.
 - The FFC forms, as applicable.
 - The MFC forms, if not submitted via PRISM.
 - The 22,100-Part A, Supplemental Checklist(s) for Review of Single Audit Act/ A-133 Engagement(s) (if applicable).
 - The engagement profile(s) for A-133 engagements reviewed (if applicable).
 - Note that other working papers on these reviews are subject to oversight procedures, which may be requested at a later date.
 - For reviews administered by the National PRC, also include all other working papers incorporated by reference, including the engagement checklists, Quality Control Policies and Procedures Questionnaire, quality control document and related practice aids, Team Captain Checklist, Managing Partner/Chief Executive Officer Interview, staff interview, focus group, or other interview sessions, planning documents, the written firm representations, and any other relevant documents.

PRP Section 6300
Review Captain Summary

Reviewed Firm's Name	Test
Firm Number	123456789
Review Number	987654
Peer Review Year End	12/31/XX
On what date was the Engagement Review completed?	6/1/XX
When was the report submitted to the reviewed firm?	6/1/XX
What was the general nature of the report?	3. Pass with deficiency(ies)
Did the report have a scope limitation?	No
How many MFCs were issued to the firm?	4
How many FFCs were issued to the firm?	1
Review Captain	Captain Name
Date	6/1/XX

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Instructions

- .01** This checklist must be completed on all Engagement Reviews commencing on or after April 1, 2014.
- .02** The checklist steps should normally be completed in the order presented. Place an "X" in the space to indicate the step has been completed or "N/A" if the step is not applicable.
- .03** Questions regarding the use of this checklist, any other materials, or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.
- .04** This checklist must be completed on engagement reviews and submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm engaged by the firm under review or by an authorized association of CPA firms.
- .05** The reviewer can make additional comments in the Notes section (sec. VI), as necessary. The reviewer should reference the question number related to each comment. If additional space for comments is needed, additional documents can be submitted.
- .06** After reviewing the selected engagements and discussing the findings with the reviewed firm, the Engagement Statistics Data Sheet (sec. VII) should be completed. This form should be completed based on the following guidance.
- .07** Part I asks for information concerning the number of engagements reviewed and the number of engagements not performed and reported on in conformity with applicable professional standards in all material respects. This ordinarily occurs when deficiencies, individually or in aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represent omissions of a critical accounting or attestation procedure required by professional standards. See Appendix E of Section 6200 for *Areas of Common Noncompliance With Applicable Professional Standards*.
- .08** Reference should be made to paragraph .48 of AR section 100 and paragraphs .13–.14 of AR section 9100, *Compilation and Review of Financial Statements (AICPA, Professional Standards)*, when deficiencies are encountered on a review. These sections also suggest that the guidance in the following sections be considered in these circumstances:
- Compilations: AR 80 .47-.52 *Subsequent Discovery of Facts Existing at the Date of the Report*
 - Reviews: AR 90 .54-.59 *Subsequent Discovery of Facts Existing at the Date of the Report*
- .09** Part II asks the reviewer to describe the reasons why he or she concluded that one or more engagements were not performed and/or reported on in conformity with applicable professional standards in all material respects. If the reviewer indicates in part I that any engagements were considered to have not been performed and/or reported on in conformity with applicable professional standards in all material respects, then part II should describe why each engagement was deemed as such.
- .10** To assist the reviewer in noting the applicable reasons, three Reason Codes have been provided:
1. GAP should be used to indicate that the financial statements or footnotes, or both, are not in accordance with generally accepted accounting principles (GAAP) or, if applicable, a special purpose framework.¹

2. SAR should be used to indicate that the report or the documentation requirements, or both, were not in accordance with the Statements on Standards for Accounting and Review Services.
3. ATT should be used to indicate that the report or the documentation requirements, or both, were not in accordance with the Statements on Standards for Attestation Engagements.

.11

After entering the reason code, the reviewer should provide a brief description of the deficiency noted.

.12

Part II also asks the reviewer to indicate the actions that the reviewed firm has taken or plans to take with respect to each engagement not performed and/or reported on in conformity with applicable professional standards. If the reviewer indicates in part I that there are three such engagements, then part II should include a description of the actions taken or to be taken on each of those three engagements.

.13

To assist the reviewer in noting the actions taken or to be taken by the reviewed firm and to reduce the amount of writing, eight action codes are set forth on the data sheet. A comment field has been provided in the event that the reviewer wishes to provide additional information or to describe an action which is not covered by the eight action codes provided. If a reviewer can use one of the eight action codes provided and has no other comments, the comments section does not have to be completed.

.14

Under the professional standards cited under the explanation of part I, the major factor to be considered when evaluating what actions should be taken on engagements not performed and/or reported on in conformity with professional standards is whether or not there are persons currently relying on or are likely to rely on the report and financial statements that have been issued. When persons are currently relying on or are likely to rely on a report and financial statements that have been issued, professional standards suggest that:

- the firm promptly undertakes to apply the omitted procedure or alternative procedures that would provide a satisfactory basis for its report.
- the firm should issue a revised report and financial statements as soon as practicable; ordinarily, the reason for the revision should be described in a note to the financial statements and referred to in the report.

.15

If the issuance of financial statements of the subsequent period is imminent, so that disclosure of the information is not delayed, appropriate disclosure of the revision can be made in such statements instead of reissuing the earlier statements. Before any action is taken on the part of the reviewed firm with respect to engagements not performed and/or reported on in conformity with applicable professional standards, the professional standards suggest that an attorney be consulted. The AICPA Peer Review Board has concluded that actions taken, if any, on engagements not performed and/or reported on in conformity with applicable professional standards are the firm's decision. The reviewer may be consulted, but he or she cannot compel the firm to take specific actions.

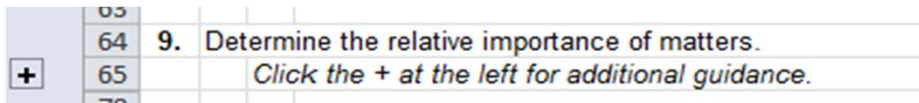
.16

Part III asks for a list of any engagement(s) that the reviewed firm asked the reviewer not to review and the reasons why the reviewed firm made such a request. On an Engagement Review, such requests will be rare. If this occurs, the reviewer should consider issuing a report with a scope limitation.

¹ The cash, tax, regulatory, and other bases of accounting that utilize a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statement are commonly referred to as other comprehensive bases of accounting.

Excel Specific Instructions

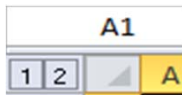
To expand rows, click the "+" at the left of the rows.



To collapse rows not needed, click the "-" at the left of the rows.



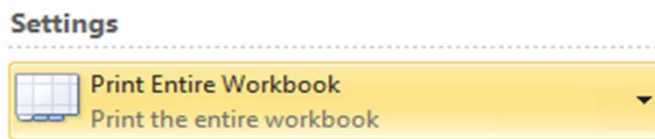
To collapse all rows, click the "1" at the top of the worksheet.



To expand all rows, click the "2" at the top of the worksheet.

To print the entire workbook:

Under settings in the print dialog box (ctrl "P"), select "print entire workbook"



Alternatively, right click on one of the tabs at the bottom of the worksheet and click "select all sheets" before printing.

Completed

I. Prior to Accepting Peer Review Client:

1. Determine that reviewing firm, the review team, and any other individuals who participate on the peer review are independent and free from any obligation to, or interest in, the reviewed firm or its personnel.

2. Determine your capability to perform a peer review.
 - Obtain and consider information about the firm to be reviewed, including size, nature of practice, industry specializations, and levels of service compared to your firm
 - Availability of peer reviewers with appropriate levels of expertise and experience to perform the review
 - Determine that all team members meet the qualifications to perform a peer review

3. Consult with the administering entity concerning any of the following matters which may affect your ability to perform the peer review.
 - If any proposed peer review team members have received any 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.
 - If you or your firm performed inspection, engagement review, quality control consulting or other monitoring activities to the firm during the peer review year or the immediately preceding year

II. Planning the review:

4. Communicate with the firm about the peer review timing, responsibilities and administrative matters.
 - Confirm the firm's ability to support electronic MFC form completion (as applicable), and that it registered.
 - If there is a significant difference between the firm's scheduling information and the Engagement Summary Form or the engagement listing provided by the firm, document the situation, including any consultation with the administering entity.
 - Obtain the representation letter from the reviewed firm. The letter should be dated the date that the firm submits the list of engagements to the review captain.
 - If the firm has had an acquisition of another practice or portion thereof, or divestiture of a significant portion of its practice, including the sale of any portion of the firm's nonattest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the administering entity prior to the commencement of the review to determine the appropriate scope of the review and other actions that should be taken.
 - Discuss with the firm any allegations or investigations of deficiencies (including litigation) in the conduct of an accounting, audit, or attestation engagement performed and/or reported on by the firm, whether the issues relate to the firm or its personnel within the three years preceding the firm's current peer review year-end.
 - Inquire whether the partners of the firm have licenses to practice public accounting in the state(s) in which the firm practices as required by the applicable state board(s) of accountancy.

Click the + at the left for additional guidance.

 - These procedures should not extend to verification unless there is evidence that the firm is not accurately representing its compliance with individual licensure requirements.
 - The review captain may verify (although is not required to do so) (a) the practice unit (firm) license in the state where the practice unit is domiciled and (b) an out-of-state practice unit (firm) license on an individual engagement basis when the engagement selected for review was performed in another state that requires a firm license.
 - If any exception was noted, the review captain should add an addendum to the Review Captain Summary explaining the effect on the firm's accounting practice and on the performance of the review.

Completed

- If the firm does not have the applicable license(s) for the period when the engagements selected for review were issued, the representation letter should be tailored to provide information on the areas of noncompliance.
- An FFC should also be created.

5. Obtain the results of the prior peer review (see paragraph .106).



- Prior peer review report,
- The letter of response, if applicable, and
- The letter of acceptance, all from the reviewed firm.
- Obtain the prior FFC forms, if applicable (from the administering entity if the review captain's firm did not perform the prior peer review).
- Consider whether the issues discussed in those documents require additional emphasis in the current review.

6. Select the engagements for review (see paragraphs .104-.105).



- The engagement listing should include engagements that have periods ended during the peer review year. For financial forecasts or projections and agreed upon procedures, the list should include engagements that have report dates during the year under review.
- One engagement should be selected from each of the following areas of service performed by the firm:
 - Review of historical financial statements (performed under Statements on Standards for Accounting and Review Services (SSARS))
 - Compilation of historical financial statements, with disclosures (performed under SSARS)
 - Compilation of historical financial statements that omits substantially all disclosures (performed under SSARS)
 - Engagements performed under the Statements on Standards for Attestation Engagements (SSAEs) other than examinations
- One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports listed above.
- Ordinarily, at least two engagements should be selected for review.
Click the + at the left for additional guidance.
- The preceding criteria are not mutually exclusive. The objective is to ensure that one engagement is selected for each partner and one engagement is selected from each of the areas of service performed by the firm listed in the previous list. Therefore, one of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed 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 the previous list performed by the firm are covered.
- There is a presumption that all engagements otherwise subject to the peer review will be included in the scope of the review.
 - In the rare situations when exclusions or other limitations on the scope of the review are being contemplated, a review captain should carefully consider the implications of such exclusion.
 - This includes communicating with the firm and the administering entity the effect on the review and on the ability of the review captain to issue a peer review report.

7. Request the firm to provide (see paragraph .107):

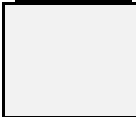


- A copy of the financial statements or information and the accountant's report, specific background information, representations about each engagement, and the firm's documentation required by applicable professional standards. The client's name may be masked and assigned a code number.
- A completed engagement questionnaire that includes engagements within the peer review year-end (section 6100 appendix B, *Engagement Questionnaire*).

III. Performing the review:

Completed

8. Perform any procedures deemed necessary to conclude that nothing came to your attention that caused you to believe that the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. An Engagement Review includes the following (see paragraph .108):
- Consideration of the financial statements or information and the related accountant's report on the compilation and review engagements performed under SSARS and engagements performed under SSAEs.
 - Consideration of the documentation on the engagements performed via reviewing the *Engagement Questionnaire*, representations made by the firm, and inquiries.
 - Review of all other documentation required by applicable professional standards on the engagements.
 - Complete supplemental checklists for all required engagements submitted for review. If supplemental checklists are not completed, provide explanation in the 'notes' section.
9. Determine the relative importance of matters (see paragraphs .110-.111).
Click the + at the left for additional guidance.
- A *matter* is noted as a result of evaluating whether an engagement submitted for review was performed and/or reported on in conformity with applicable professional standards.
 - The evaluation includes reviewing the financial statements or information, the related accountant's reports, and the adequacy of procedures performed, including related documentation.
 - Matters are typically one or more "No" answers to questions in peer review questionnaire(s).
 - A matter is documented on a Matter for Further Consideration (MFC) form.
 - A *finding* is one or more matters that the review captain has concluded result in financial statements or information, the related accountant's reports submitted for review, or the procedures performed, including related documentation, not being performed and/or reported on in conformity with the requirements of applicable professional standards.
 - A review captain will conclude whether one or more findings are a deficiency or significant deficiency.
 - If the review captain concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate.
 - A finding not rising to the level of a deficiency or significant deficiency is documented on a Finding for Further Consideration (FFC) form.
 - A *deficiency* is one or more findings that the review captain concludes are material to the understanding of the financial statements or information and/or related accountant's reports or that represent omission of a critical procedure, including documentation, required by applicable professional standards.
 - When the review captain concludes that deficiencies are not evident on all of the engagements submitted for review, or when the exact same deficiency occurs on each of the engagements submitted for review and there are no other deficiencies, such deficiencies are communicated in a report with a peer review rating of *pass with deficiencies*.
 - A *significant deficiency* exists when the review captain concludes that deficiencies are evident on all of the engagements submitted for review (with the exception of when more than one engagement has been submitted for review, the exact same deficiency occurs on each of those engagements, and there are no other deficiencies, which ordinarily would result in a report with a peer review rating of *pass with deficiencies*).
 - When a significant deficiency is noted, the review captain concludes that all engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. Such significant deficiencies are communicated in a report with a peer review rating of *fail*.
10. Prepare the Matter for Further Consideration (MFC) forms, Disposition of MFC (DMFC) forms, and any related Finding for Further Consideration (FFC) forms.
- Access PRISM to prepare an MFC form to document all possible matters on the engagements or other items that require additional information or explanation of facts from the reviewed firm. Obtain the firm's response to each MFC. If no MFC form(s) are necessary, indicate as such in PRISM.



Completed

- The MFC and FFC forms are subject to review and oversight by the administering entity.
 - If a matter in MFC form is elevated to a deficiency or significant deficiency, it is communicated in the report itself, along with the reviewer's recommendation.
 - Firm submits letter of response regarding actions planned or taken and the timing of those actions by the firm, which is evaluated for appropriateness and responsiveness.
 - Obtain the firm's response to each FFC form in writing and indicate the response and resolution on the FFC form.
 - The reviewed firm's response should describe 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 timing of the implementation;
 - and, if applicable, additional procedures to ensure that the finding is not repeated in the future.
 - Administering entity will evaluate FFC form responses for appropriateness and responsiveness, and determine if any further action is necessary.
11. Form conclusions on the type of report to issue (see paragraphs .117-.119).
- Click the + at the left for additional guidance.*
- A report with a peer review rating of *pass* is issued when the reviewer 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 and, therefore, the report does not contain any deficiencies, significant deficiencies, or recommendations.
 - In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.
 - A report with a peer review rating of *pass with deficiencies* 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 except for the deficiencies that are described in the report.
 - The deficiencies are one or more findings that the peer reviewer concludes are material to the understanding of the report or financial statements or represents omission of a critical procedure, including documentation, required by applicable professional standards.
 - A report with a peer review rating of *pass with deficiencies* is issued when at least one but not all of the engagements submitted for review contain a deficiency.
 - However, when more than one engagement has been submitted for review, and the exact same deficiency occurs on each of the engagements, and there are no other deficiencies, a report with a peer review rating of *pass with deficiency* should be issued rather than with a peer review rating of *fail*.
 - In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.
 - A report with a peer review rating of *fail* is issued when the review captain concludes that, as a result of the deficiencies described in the report, 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.
 - However, a report with a peer review rating of *pass with deficiency* should be issued when more than one engagement has been submitted for review, and the exact same deficiency occurs on each of the engagements, and there are no other deficiencies.
 - 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.

Completed

- If an FFC form(s) were issued and any findings in those forms caused you to consider issuing a report with a peer review rating of *pass with deficiencies* or *fail* but not result in such a report being issued, describe such findings fully, indicating the basis for the conclusion in the 'notes' section.
- If a firm submits a request to its administering entity for a waiver for an exclusion of certain engagement(s) and the administering entity concludes that scope has been limited due to circumstances beyond the firm's control, consider issuing a report with a scope limitation paragraph.
 - 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, consider whether this is a matter of noncooperation and consult with the administering entity.
- Consult with the administering entity whenever the review captain and the reviewed firm have a disagreement on a significant issue, including the type of report to be issued.

IV. At the Conclusion of the Review:

12. Discuss the following with the firm:

- The review team should communicate that the firm may be required, if applicable, to (1) take certain actions to correct the deficiencies or significant deficiencies noted in the report and/or (2) complete an implementation plan to address the findings noted in the FFC form(s).
- The implications of these steps on the acceptance and completion of the peer review and the reviewed firm's enrollment in the program.
 - If any items were discussed with the partner(s) of the firm that were not deemed of sufficient significance to include in an MFC or FFC form, provide an explanation in the 'notes' section.

13. Prepare a written report on the results of the review and provide a copy to the reviewed firm within 30 days of the review of the engagements, or by the firm's peer review due date (whichever is earlier) (see paragraph .120).

- Remind the firm that it should not publicize the results of the review or distribute copies of the report to its personnel, clients, or others until it has been advised that the report has been accepted by the administering entity.

14. Review and provide comments to the reviewed firm on its response to the report, if applicable (see paragraphs .123-.127).

- If the reviewed firm receives a report with a peer review rating of *pass with deficiencies* or *fail*, the reviewed firm should respond in writing to the deficiencies or significant deficiencies and related recommendations identified in the report.
 - The letter of response should be addressed to the administering entity's peer review committee.
 - The letter should describe the actions planned (including timing) or taken by the reviewed firm to prevent a recurrence of each matter discussed in the report.
 - The reviewed firm should submit a copy of the report, and its letter of response, to the administering entity within 30 days of the date it received the report from the review captain or by the firm's peer review due date, whichever date is earlier.
 - Prior to submitting the response to the administering entity, the reviewed firm should submit the response to the review captain for review, evaluation, and comment.
- Illustrative letters of response are located in Appendices O and Q.

15. Send the appropriate working papers to the administering entity within 30 days following the review captain's discussions with the reviewed firm regarding the results of the review, or by the firm's peer review due date, whichever is earlier.

Click the + at the left for additional guidance.

- For all reviews, submit a copy of the following:
 - The report and letter of response, if applicable. (Reminder: The reviewer is not expected to delay submission of peer review documents to the administering entity for receipt or review of the letter of response from the firm.)
 - *Engagement Summary Form*

Completed

- Engagement Questionnaire (committee appointed review team (CART) reviews only)
- *Review Captain Summary*
- Reviewer's Engagement Checklists (CART reviews only)
- FFC forms, as applicable.
- MFC forms, submitted electronically or a hard copy, as applicable.
- Disposition of Matter for Further Consideration Form, submitted electronically or hard copy, as applicable.
- Note that other working papers on these reviews are subject to oversight procedures, which may be requested at a later date.
- For reviews conducted by committee-appointed review captains, submit your bill to the administering entity. Make sure the bill includes the federal employer identification number for Form 1099 purposes, when applicable.

V. After the Review's Acceptance and Completion:

16. After the review has been accepted, return the financial statements and other information to the firm or shred the documents.

VI. Notes:

<u>Question Number</u>	<u>Notes</u>

VII. Engagement Review Engagement Statistics Data Sheet

Firm Number: 123456789

Review Number: 987654

*Total Not in
Conformity w/ Appl.
Prof. Standards in
All Material
Respects*

Part I: Engagement Statistics

Total No. Reviewed

Statements on Standards for Accounting and Review Services (SSARS):

Reviews	1	
Compilations with disclosures	1	1
Compilations omit disclosures	1	

Statements on Standards for Attestation Engagements (SSAEs):

Compiled Financial Forecast and Projection	1	
Reviews of written assertions	1	
Agreed-upon procedures	1	
Other	1	
Total - All Engagements	7	1

Firm Number: 123456789

VII. Engagement Review Engagement Statistics Data Sheet

Review Number: 987654

Part II: Reasons and Action Summary

List engagements not performed and/or reported in conformity with applicable professional standards in all material respects. Select applicable code from drop down field.

Type of Engagement Reviewed	REASON CODE	ACTION CODE	Comments
Compilation with disclosures	GAP Non-GAAP	2. Financial statements corrected or to be corrected in subsequent year (issuance of financial statement on subsequent period is imminent).	

Part III: Exclusion Summary

List engagements excluded from review. Select applicable code from drop down field.

Type of Engagement	EXCLUDED REASON CODE	Comments

3. Prior peer review report;* letter of response and Finding for Further Consideration (FFC) form, if applicable; and committee decision letters
4. Summary review memorandum
5. Disposition of Matter for Further Consideration (DMFC) form, as applicable

~~6. Team captain checklist~~

~~67.~~ Matter for Further Consideration (MFC) and FFC forms, as applicable

~~78.~~ When the RAB has delegated the review of A-133 engagement(s) to the technical reviewer(s), the engagement profile and PRP-22100, Part A, Supplemental Checklist for Single Audit Act/A-133 Engagements

For reviews administered by the National Peer Review Committee (PRC) (System Reviews, quality control material [QCM] reviews, and CPE program reviews), in addition to the previously mentioned, the technical reviewer will ordinarily review all other working papers incorporated by reference and, as applicable, including engagement checklists, quality control documents and related practice aids, staff interview/focus group/other interview sessions, planning documents, and any other relevant documents.

- B. The function of the technical review is to evaluate whether the documents reviewed all “hang together,” including the following:
 1. Has an appropriate risk analysis been documented?
 2. Did the team captain use a systemic approach?
 3. Do the peer review documents support the type of report and the FFCs?
 4. Does the firm’s letter of response, if applicable, agree with matters discussed in the peer review report, and does it address each deficiency or significant deficiency?
 5. Do the reviewer’s recommendations on the FFC appear appropriate?
 6. Do the firm’s FFC responses appear appropriate and responsive?
 7. Does the DMFC support the disposition of all the MFCs and does the disposition appear appropriate?
- C. The technical reviewer should complete the technical reviewer’s checklist and include any comments that the RAB may need to properly evaluate the review. This includes the following:
 1. Comments on the overall effect of engagement findings/deficiencies. If the reviewer does not “close the loop,” the technical reviewer should obtain the information for the committee/RAB. Closing the loop explains the firm’s actions (or why it isn’t taking any actions) on engagements deemed not to comply with professional standards in all material respects.
 2. Comments on weaknesses of the peer review working papers so the RAB can properly evaluate the review, the team captain/review team’s performance, and the need for feedback.
 3. Comments on whether the reviewer identified in the report the underlying systemic cause(s) for any deficiencies or significant deficiencies.
 4. Comments on scope of engagements selected for review.
 5. Other comments that will help the committee/RAB and are not apparent from the peer review documents. These are matters such as most of the findings/deficiencies relate to one office, one owner, or were only found on certain types of engagements.
 6. Comments on engagements not performed and/or reported on in conformity with professional standards.
 7. Comments on whether the firm should be asked to complete certain corrective actions or implementation plans and suggestions on these actions or plans, if applicable.
 8. Comments on whether the reviewer identified deficiencies and appropriately distinguished between MFC and FFC.

* And the letter of comments, if applicable, for reviews commenced prior to January 1, 2009.

9. Recommend team captain feedback, if applicable.
 10. Whether reviews or FFC implementation plans should be delayed or deferred until documentation has been corrected.
 11. Whether there are any contentious issues related to a specific industry or must select engagement which could impact the peer review results. If there are such issues, one member of the RAB must have current experience in that industry.
- D. For reviews administered by the National PRC, those meeting certain criteria are subjected to a concurring technical review.
- E. All System Reviews should be presented to a RAB in a timely manner, ordinarily within 120 days of the later of receipt of the working papers and peer review report from the team captain, and/or if applicable, the report with a peer review rating of *pass with deficiencies* or *fail* and the related letter of response from the reviewed firm (sec. 1000 par. .133a).

V. Technical Review of Engagement Reviews

- A. For Engagement Reviews, the technical reviewer will ordinarily review the following documents:
1. Peer review report
 2. Letter of response, if applicable
 3. Prior review report;* letter of response and FFCs, if applicable; and committee decision letters
 4. Review captain ~~checklist~~ summary
 5. DMFC form, as applicable
 6. MFC and FFC forms, as applicable
 7. Engagement Summary Form
 8. ~~Engagement Statistics Data Sheet~~

For committee-appointed review team (CART) peer reviews, in addition to the previously mentioned, the technical reviewer will ordinarily review all other working papers prepared by the review captain.

- B. The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews in certain circumstances (sec. 1000 par. .137).
1. The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when the technical reviewer determines both of the following (Interpretation No. 137-1):
 - Any matters documented (or which should have been documented) on MFC forms only relate to compilations performed under Statements on Standards for Accounting and Review Services (SSARS) and do not rise to the level of a finding, deficiency, or significant deficiency.
 - There are no other issues associated with the peer review warranting committee consideration or action that could potentially affect the results of the peer review.
 2. The technical reviewer may identify reviewer feedback that should be considered and approved by the peer review committee prior to issuance. The technical reviewer should still be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when such feedback may be provided to the review captain unless the circumstances leading up to the feedback may have affected the results of the review. Accordingly, if the feedback being provided to the review captain involves issues which could potentially affect the results of the peer review, the technical reviewer should not accept the Engagement Review but present it to the committee for consideration (Interpretation No. 137-1).

* And the letter of comments, if applicable, for reviews commenced prior to January 1, 2009.

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

Name of Reviewed Firm _____	Review Number _____
Team Captain _____	Date Report Submitted ³ _____
Name of Technical Reviewer _____	Date of Technical Review _____
Rating of Firm's Current Report _____	Current Year-End _____
Rating ² of Firm's Prior Report _____	Prior Year-End _____

SUGGESTED REVIEW PROCEDURES

	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Comments</i>
1. Scan the team captain checklist. Does it appear all procedures were completed and that the team captain's involvement was appropriate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
21. Read the summary review memorandum (SRM), the report, and the letter of response (LOR), if applicable.				
a. Does the SRM appear to have been properly completed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Does the SRM discussion of inherent and control risk factors and detection risk conclusions show an appropriate risk assessment was made and documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Based on the documented risk assessment, was a reasonable cross-section of the firm's practice selected for review? The scope of engagements should consider "must select" engagements, industry concentrations, and other significant and/or high risk areas of the firm's practice as well as other areas identified during the review.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d. Was the surprise engagement selected according to the standards and other related guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e. Does the SRM discuss engagements which were not performed or reported in conformity with applicable professional standards in all material respects?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
f. If the answer to 2e-1e is "yes," does the related documentation by the reviewer and reviewed firm appear to be appropriate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
g. Is the information in the SRM consistent with other peer review documents, especially the report, and FFCs, if any?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

² Or type of report for reviews commenced prior to January 1, 2009.

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

SUGGESTED REVIEW PROCEDURES

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Comments</u>
h. Does the report conform in format and language with the standards and related guidance, including the identification of high risk engagements (if any)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
i. Were there any deficiencies or significant deficiencies included in the report? (If “no,” skip to question 32)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(1) For any deficiencies or significant deficiencies included in the report, is the underlying systemic cause appropriately identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(2) Is the level of service identified for any deficiencies or significant deficiencies? If the deficiencies or significant deficiencies are industry specific, is the industry identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(3) Does the reviewer properly “close the loop” on the overall effect of engagement deficiencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(4) Do the firm’s responses in the LOR, if any, appear to be comprehensive, genuine, and feasible?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(5) Are any deficiencies or significant deficiencies repeated from the firm’s prior review(s) and, if so, is that fact properly noted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(6) If the answer to the previous question is “yes,” is the firm’s current response different from its prior response?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
(7) Considering the firm’s responses, should corrective or monitoring action(s) be recommended to remedy the repeated deficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
23. a. If the administrative checklist indicates that the firm performs engagement(s) subject to A-133, did the engagement(s) reviewed include an A-133 engagement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Has attachment 3-2 of this checklist been completed for A-133 engagement(s)? Please indicate if attachment 3-2 was completed by a technical reviewer or a report acceptance body (RAB) member.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
34. Review information in the administrative file. Does it appear that requests for scope limitation waivers, due date extensions, peer review year-end changes, and other matters have been properly considered and documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
45. Review Matter for Further Consideration (MFC) forms, the Disposition of MFC (DMFC) form, and Finding for Further Consideration (FFC) forms, for completeness and, in light of the matters and findings, the reviewed firm’s responses.				
a. Does the DMFC form provide a trail of the disposition of all MFCs, including appropriate explanations, if applicable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Do the matters appear to have been given appropriate consideration in the preparation of the report and FFCs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. If a matter was deemed “isolated,” did the reviewer appropriately document that determination?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

SUGGESTED REVIEW PROCEDURES

	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Comments</i>
d. Do the reviewer’s conclusions and recommendations on the matters (design and compliance) appear proper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e. Is the MFC written such that specific reviewer, client, or firm names cannot be identified based on the descriptions provided? If not, request the MFC to be revised.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
f. If the reviewed firm did not complete the MFC electronically,				
• was the hard copy submitted with the peer review working papers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
• was the hard copy completed in its entirety and signed by an appropriate reviewed firm representative (managing partner or peer review contact)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
• does the information on the hard copy MFC match the information entered into PRISM by the reviewer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
g. Do the firm’s FFC responses appear appropriate and responsive? Do the responses include a description of how the planned action will be implemented, 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?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
56. Were the required checklists and forms current, and do they appear to have been completed in a professional manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
67. Do you think the review should be considered for oversight?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
78. Have you completed attachment 1 and attachment 2 , including ensuring the major and minor report codes and engagement statistics <u>prepared by the team captain</u> are correct?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
89. Are there any contentious issues related to a specific industry or must select engagement which could impact the peer review results? If yes, indicate the industry and notify the peer review administrator.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

CONCLUSIONS:

Based on your review of the report, the LOR (if applicable), FFCs (if applicable), and other review documents, do you conclude

1. the report, LOR (if applicable), and FFCs (if applicable) should be accepted as submitted? Yes No

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

2. the reviewed firm should be asked to agree to certain corrective actions to correct the deficiencies or significant deficiencies noted in the report? Yes No N/A

If yes, please briefly describe the actions you suggest the RAB consider. _____

Firm Number _____ Review Number _____

Attachment 2

SYSTEM REVIEW ENGAGEMENT STATISTICS DATA SHEET[†]

I. Engagement Statistics

	<i>Total No. Not Performed and/or Reported in Conformity w/ applicable Prof. Standards in All Reviewed</i>	<i>Material Respects</i>
_____	=====	=====

Statements on Auditing Standards (SAS):

-Audits subject to Government Auditing Standards (GAS):

Single Audit Act (A-133) engagements	=====	=====
All others subject to GAS	=====	=====

-Employee Retirement Income Security Act (ERISA)

Defined Contribution Plans—Limited and Full Scope (excluding 403(b) plans)	=====	=====
--	-------	-------

Defined Contribution Plans—Limited and Full Scope (403(b) plans only)	=====	=====
---	-------	-------

Defined Benefit Plans—Limited and Full Scope	=====	=====
--	-------	-------

ERISA Health and Welfare Plans	=====	=====
--------------------------------	-------	-------

Employee Stock Ownership Plans (ESOP)	=====	=====
---------------------------------------	-------	-------

Other employee benefit plans	=====	=====
------------------------------	-------	-------

-Federal Deposit Insurance Corporation Improvement Act (FDICIA)

	=====	=====
--	-------	-------

-Entities subject to Securities and Exchange Commission (SEC) Independence Rules

Carrying Broker-Dealers	=====	=====
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Non-Carrying Broker-Dealers	=====	=====
-----------------------------	-------	-------

Other	=====	=====
-------	-------	-------

-Other SAS engagements

	=====	=====
--	-------	-------

Statements on Standards for Accounting and Review Services (SSARS):

-Reviews	=====	=====
----------	-------	-------

-Compilations with disclosures	=====	=====
--------------------------------	-------	-------

-Compilations omit disclosures	=====	=====
--------------------------------	-------	-------

REASON CODES for engagements not performed and/or reported in conformity with applicable professional standards:

- GAA Non-GAAS and Non-GAAP
- GAP Non-GAAP
- GAS Non-GAAS
- SAR Non-SSARS
- ATT Non-SSAE

ACTION CODES for engagements not performed and/or reported in conformity with applicable professional standards:

1. Report or financial statement recalled, revised and reissued.
2. Financial statements corrected or to be corrected in subsequent year (issuance of financial statement on subsequent period is imminent).
3. Omitted auditing procedure(s) performed or to be performed in subsequent engagement (performance of subsequent engagement is imminent).
4. Cause of independence impairment eliminated.
5. Unable to apply omitted procedures.
6. Notified parties that no reliance should be placed on the report issued.
7. Engagement letter to be prepared on subsequent engagements where a compilation report is not issued.
8. Engagement letter on subsequent engagements to include the required descriptions or statements, or additional matters, when applicable, where a compilation report is not issued.

(continued)

[†]The information reflected on this sheet should agree with the information reflected in items III.B and IV (G.J) of the Summary Review Memorandum.

	<i>Total No. Reviewed</i>	<i>Total No. Not Performed and/or Reported in Conformity w/ applicable Prof. Standards in All Material Respects</i>
Statements on Standards for Attestation Engagements (SSAEs):		
-Financial Forecast and Projection— Examination	=====	=====
-Financial Forecast and Projection—Other	=====	=====
-Examinations of Service Organization Control Reports		
SOC 1 Reports	=====	=====
SOC 2 Reports	=====	=====
SOC 3 Reports	=====	=====
-Examinations of Written Assertions	=====	=====
-Reviews of Written Assertions	=====	=====
-Agreed-upon procedures	=====	=====
-Other	=====	=====
TOTAL	=====	=====

II. Reasons for engagements not performed and/or reported on in conformity with applicable professional standards in all material respects

<i>Type of engagement reviewed</i>	<i>Reason code</i>	<i>Comments</i>

III. Actions to be taken on engagements which are not performed and/or reported on in conformity with applicable professional standards

<i>Type of engagement reviewed</i>	<i>Action code</i>	<i>Comments</i>

IV. Engagements excluded from review[‡]

<i>Type of engagement reviewed</i>	<i>Excluded reason code</i>	<i>Comments</i>

EXCLUDED ENGAGEMENT REASON CODES

1. Subject of litigation
2. Subject of investigation by government agency
3. Client imposed restrictions
4. Other

[‡] Attach scope limitation waiver, if applicable.

Attachment 32

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

Name of Reviewed Firm _____ Review Number _____

Team Captain _____

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

SUGGESTED REVIEW PROCEDURES	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Comments</u>
1. Did the firm complete the single audit data on the engagement profile(s)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
2. Review the single audit data on the engagement profile.				
a. Is the type A threshold computed correctly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. If the auditee was considered low risk by the auditor, did the auditee meet the low risk auditee requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Did the auditor meet the percentage of coverage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d. Review the lookback information. Have all type A programs been audited in the current or two prior years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Review Part A of the A-133 checklist(s)				
a. Based on review of the engagement profile information, are the answers to the related Part A questions appropriate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
b. If there are “no” answers, did the reviewer appropriately expand scope?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
c. If a matter was deemed “isolated,” did the reviewer appropriately document that determination?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
d. If there are any “no” answers, does the Disposition of Matters for Further Consideration form provide a trail of the disposition of all matters for further consideration?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
e. Do the reviewer’s conclusions and recommendations on the matters (design and compliance) appear proper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
f. Do the matters appear to have been given appropriate consideration in the preparation of the report and findings for further consideration?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
4. Do you think the review should be considered for oversight?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. Is there any reason the report or response should be changed prior to acceptance of the report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

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

Name of Reviewed Firm _____	Review Number _____
Review Captain _____	Date Report Submitted ⁵ _____
Name of Technical Reviewer _____	Date of Technical Review _____
Rating of Firm's Current Report _____	Current Year-End _____
Rating ⁴ of Firm's Prior Report _____	Prior Year-End _____

SUGGESTED REVIEW PROCEDURES

	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Comments</i>
1. Scan the review captain checklist summary. Does it appear all procedures were completed and that the review captain's involvement was appropriate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
2. Read the report, and, if applicable the letter of response (LOR).				
a. Does the report conform in format and language with the standards and related guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
b. Do the firm's responses in the LOR, if any, appear to be comprehensive, genuine, and feasible?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
c. Are any deficiencies or significant deficiencies repeated from the firm's prior peer review(s) and, if so, is that fact properly noted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
d. If "yes," is the firm's current response different from its prior response? If it is the same, consider recommending corrective or monitoring action(s).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
e. Is the level of service identified for any deficiencies or significant deficiencies? If the deficiencies or significant deficiencies are industry specific, is the industry identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
3. Review information in the administrative file. Does it appear that requests for due date extensions, peer review year-end changes, and other matters have been properly considered and documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
4. Scan the review documents:				
a. Were the required questionnaires, checklists, and forms current, and do they appear to have been completed in a professional manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
b. Based on the summarized information showing the number of engagements and the nature of service provided, do the engagements selected for review conform to the standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

⁴ Or type of report for reviews commenced prior to January 1, 2009.

⁵ Date team captain submitted report if a peer review rating of "pass" or "pass (with a scope limitation)" or date the firm submitted the report and letter of response if a peer review rating of "pass with deficiencies" or "fail."

SUGGESTED REVIEW PROCEDURES

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Comments</u>
c. If the exact same deficiency was evident on all the reviewed engagements, was a peer review report with a rating of pass with deficiency issued?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
5. Review Matter for Further Consideration (MFC) forms, Finding for Further Consideration (FFC) forms, and the disposition of MFC (DMFC) form for completeness and, in light of the findings, the reviewed firm’s responses—				
a. Does the DMFC form provide a trail of the disposition of all MFCs, including appropriate explanations, if applicable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
b. Do the reviewer’s conclusions and recommendations on the matters appear proper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
c. Do the matters appear to have been given appropriate consideration in the preparation of the report and FFCs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
d. Is the MFC written such that specific reviewer, client, or firm names cannot be identified based on the descriptions provided? If not, request the MFC be revised.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
e. If the reviewed firm did not complete the MFC electronically,				
• was the hard copy submitted with the peer review working papers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
• was the hard copy completed in its entirety and signed by an appropriate reviewed firm representative (managing partner or peer review contact)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
• does the information on the hard copy MFC match the information entered into PRISM by the reviewer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
f. Do the firm’s FFC responses appear appropriate and responsive? Do the responses include a description of how the planned action will be implemented, 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?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____ _____ _____
6. Do you think the review should be considered for oversight?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
7. Have you completed attachment 1 and attachment 2 , including ensuring the major report codes and engagement statistics <u>prepared by the review captain</u> are correct?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____
8. Does this review meet the criteria to be accepted by the technical reviewer or committee within 60 days of receipt of the working papers and report from the review captain?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____ _____

Attachment 2

ENGAGEMENT REVIEW ENGAGEMENT STATISTICS DATA SHEET[‡]

I. Engagement Statistics

	<i>Total No. Reviewed</i>	<i>Total No. Not Performed and/or Reported in Conformity w/ Applicable Prof. Stand.</i>
Statements on Standards for Accounting and Review Services (SSARS):		
Reviews	=====	=====
Compilations with disclosures	=====	=====
Compilations omit disclosures	=====	=====
Statements on Standards for Attestation Engagements (SSAEs):		
Financial Forecast and Projection—Other	=====	=====
Reviews of written assertions	=====	=====
Agreed-upon procedures	=====	=====
Other	=====	=====
TOTAL	=====	=====

ACTION CODES for engagements not performed and/or reported in conformity with applicable professional standards:

1. Report or financial statement recalled, revised and reissued.
2. Financial statements corrected or to be corrected in subsequent year (issuance of financial statement on subsequent period is imminent).
3. Omitted auditing procedure(s) performed or to be performed in subsequent engagement (performance of subsequent engagement is imminent).
4. Cause of independence impairment eliminated.
5. Unable to apply omitted procedures.
6. Notified parties that no reliance should be placed on the report issued.
7. Engagement letter to be prepared on subsequent engagements where a compilation report is not issued.
8. Engagement letter on subsequent engagements to include the required descriptions or statements, or additional matters, when applicable, where a compilation report is not issued.

REASON CODES for engagements not performed and/or reported in conformity with applicable professional standards:

GAA Non-GAAS and Non-GAAP
 GAP Non-GAAP
 GAS Non-GAAS
 SAR Non-SSARS
 ATT Non-SSAE

~~II. Reasons for engagements not performed and/or reported on in conformity with applicable professional standards in all material respects~~

<i>Type of engagement reviewed</i>	<i>Reason code</i>	<i>Comments</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____

~~III. Actions to be taken on engagements which are not performed and/or reported on in conformity with applicable professional standards~~

<i>Type of engagement reviewed</i>	<i>Action code</i>	<i>Comments</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____

[‡] The information reflected on this sheet should agree with the information reflected in items III.B and IV (G.I) of the Summary Review Memorandum.

~~Attachment 2—continued~~

~~IV. Engagements excluded from review[‡]~~

Type of engagement reviewed	Excluded reason code	Comments

EXCLUDED ENGAGEMENT REASON CODES

- ~~1. Subject of litigation~~
- ~~2. Subject of investigation by government agency~~
- ~~3. Client imposed restrictions~~
- ~~4. Other~~

[‡]~~Attach scope limitation waiver, if applicable.~~

CHAPTER 3

The Report Acceptance Process

I. Introduction

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

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

II. Preparation for a RAB Meeting

A. Ordinarily, a majority of meeting materials should be provided in advance to the date of the meeting, in order to allow every RAB member adequate time to read the documents and be prepared to discuss the reviews being considered for acceptance. The meetings can be conducted in person or via conference call. The following documents should be included in the package:

1. Peer review report
2. Letter of response, if applicable
3. Prior review report;* letter of response and Finding for Further Consideration (FFCs) forms, if applicable; and prior review's required corrective action(s) or implementation plans, if applicable
4. Technical reviewer's checklist
5. Summary Review Memorandum ~~and Team Captain Checklist~~—System Reviews
6. Disposition of Matter for Further Consideration (DMFC) form , as applicable
7. For reviews that include A-133 engagement(s), the engagement profile and PRP-2210, Part A, Supplemental Checklist for Review of Single Audit Act/A-133 Engagements.*(See the following note.)
8. Review Captain ~~Checklist~~Summary—Engagement Reviews
9. Matter for Further Consideration (MFC) forms, as applicable
10. Findings for Further Consideration (FFC) forms, as applicable

**Note:* The report acceptance body may delegate the completion of attachment ~~3-2~~ of the Technical Reviewer's Checklist (exhibit 2-2) for an A-133 engagement(s) to a technical reviewer(s) if the technical reviewer has completed eight hours of continuing professional education (CPE) related to OMB Circular A-133 in the last two years.

B. There may be circumstances in which a RAB member needs to contact the technical reviewer before the meeting to clarify an issue. Such discussions between the RAB member and technical reviewer should be disclosed during the meeting. When possible, the RAB member's question and the technical reviewer's response should be communicated or summarized by electronic mail; and the communication should be copied to all RAB members assigned to the review. It is important to remember to

1. discuss or review the questions during the meeting because acceptance is a RAB decision, not the technical reviewer's decision and,
2. discuss other questions among the other RAB members to help to bring out points that may otherwise be overlooked.

* And the letter of comments, if applicable, for reviews commenced prior to January 1, 2009.

Coordination of Peer Review and PCAOB Inspection

Why is this on the Agenda?

Given the recent expansion of the PCAOB inspection program and new SEC required attestation engagements for certain issuers, staff is proposing that the board approve a consistent framework and wording changes to clarify the scope and administration of the Peer Review Program to improve coordination with the PCAOB inspection program. The proposed framework 1) affirms that the peer review standards are intended to cover audit and accounting engagements not covered by the scope of the PCAOB permanent inspection program; and 2) NPRC is designated as the administering entity for peer reviews of:

- firms that perform engagements under PCAOB standards or
- firms that are required to be registered with and inspected by PCAOB

Staff is also proposing Peer Reviewer Alerts and other communications to help stakeholders understand the implications of these recent changes.

Details to Support Clarification of Scope

The Peer Review Standards and Interpretations were written to exclude SEC-issuer audits from the scope of peer review. Recent regulatory changes have created scenarios that were not anticipated by the current Peer Review Standards. For example,

- The PCAOB is in the process of determining the scope of a permanent inspection of non-issuer broker-dealer audits and related attestation engagements.
- The SEC is requiring Independent Private Sector Audits (IPSA) of Conflict Mineral Reports (CMR) to be performed under Government Auditing Standards (GAS) which may either be an attestation engagement or performance audit. Even though the IPSAs will be performed for SEC issuers, they will not be included in the PCAOB inspection of the SEC issuer's audit. See Peer Review Alert at Agenda Item 1.5A for more details related to IPSA of CMR engagements.

Given the current regulatory and legislative environment, it is possible that other non-SEC issuer engagements will be required to be performed using PCAOB standards either with or without being inspected by the PCAOB. Additionally there may be other required engagements for SEC-issuers that may or may not be inspected by the PCAOB. Therefore, changes are necessary to the Peer Review Standards to ensure that the scope of peer review is properly coordinated with the PCAOB inspection scope.

Details to Support Clarification of Administering Entity

Interpretation 11-1 currently indicates that firms are required to have their reviews administered by the National Peer Review Committee (NPRC) if they meet any of the following criteria:

- The firm is required to be registered with and inspected by the PCAOB.
- The firm performs audits of non-SEC issuers under PCAOB standards.
- 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 reason for this requirement was to ensure that peer reviewers, technical reviewers, and committee members considering the peer review reports of firms that meet any of those criteria would have the applicable expertise to do so. In light of the regulatory changes discussed above, staff explored the potential for administering entities, other than the NPRC, to administer peer reviews of firms that perform engagements of non-SEC issuers under PCAOB standards. Feedback from the AATF and technical reviewers was that they do not believe they have the expertise to consider these reviews without a significant amount of ongoing training and help from the NPRC. Input was also provided by members of the NPRC. While there are concerns about the capacity of the NPRC to take on additional reviews, the concerns about other administering entities being able to appropriately consider these reviews outweighs the NPRC capacity concerns.

Staff also considered the impact of firms that may perform IPSA of CMR engagements. These engagements under GAS do not require specialized knowledge related to PCAOB standards or SEC rules (other than the Conflict Minerals Ruling) to perform these engagements. Therefore, the staff proposes these engagements should not prompt NPRC administration of a firm's peer review.

There are no changes proposed to the substance of Interpretation 11-1 related to broker dealer or IPSA of CMR engagements.

Feedback Received

- As discussed above, staff and the Standards Task Force (STF) considered input from state society representatives, technical reviewers, and various NPRC members among others.
- The STF considered the timing of the communication of the proposed changes. The STF agreed that the proposed Peer Review Alert should be issued shortly after approval by PRB. The STF proposes that the text of the changes to standards and interpretations should not be issued until the expected April 1, 2014 publication of the Peer Review Program Manual. The proposed communications take into consideration that the exact timing of when PCAOB will announce its permanent inspection scope is unknown.

Technology/PRISM Impact

- Broker Dealers: Minor text changes will be needed to the firm enrollment form and Background Information Form. These changes are not expected to result in PRISM programming or functionality changes.
- Conflict Minerals: Changes will be required to the Background information form that will require PRISM changes to reflect other engagements (attestations and performance audits) under GAS. At this time, we do not expect changes to be significant to the forms or programmatic logic. Items that could require programmatic logic changes in technology will be prioritized according to the potential impact of the functionality. We anticipate that changes will be mostly text changes, have limited immediate functionality impact, and we expect changes can be made by the proposed April 1, 2014 effective date.

AE Impact

State AEs would no longer be administering the reviews of approximately 300 firms that perform audits of non-issuer broker-dealers.

State AEs may administer reviews of firms that perform IPSA of CMRs (GAS engagements) if the firm does not meet the criteria requiring administration by NPRC. These engagements are under Government Auditing Standards and do not require additional peer review administrative considerations.

Communications Plan

- Proposed Peer Review Alert at Agenda Item 1.5A is proposed for released shortly after PRB approval, as early as January 2014.
- Proposed changes to program Standards, Interpretations, and other published guidance will be communicated with changes in the Peer Review Manual in April 2014.
- Program staff proposes to send an e-mail communication to firms that may be directly impacted by these changes to peer review guidance. A communication would also be provided to administering entities. These communications would also be issued in April 2014.

Manual Production Cycle (estimated)

The changes will be included in the April 2014 Peer Review Manual, in addition to any other conforming changes throughout the Manual.

Effective Date

The guidance is effective for peer reviews commencing on or after April 1, 2014.

Board Considerations

- 1) Consider and approve the Peer Review Alert Agenda Item 1.5A which summarizes the peer review framework and addresses the changes discussed above.
- 2) Consider and approve the proposed changes to the Standards Agenda Item (which include changes to the Peer Review Report) in Agenda Item 1.5B and the Interpretations in Agenda Item 1.5C.
- 3) Provide approval for staff to make conforming changes to the rest of the PRPM to affect these changes, which includes removal of the existing Peer Review Alert article in Section 3200- Enhanced Peer Review Guidance for Firms that Audit Broker Dealers and replacing it with the Peer Review Alert at Agenda Item 1.5A. Conforming changes also include revisions to Section 4100- Instructions to Firms Having a System Review, Section 6100- Instructions to Firms Having an Engagement Review, and Section 6200- Instructions to Reviewers Performing Engagement Reviews.

Peer Review Alert

Coordination of Peer Review and PCAOB Inspection

The Peer Review Board considered recent regulatory changes and the potential for future changes and clarified the following:

- Engagements subject to permanent inspection by the PCAOB are **excluded** from the scope of the Peer Review Standards
- Engagements not subject to permanent inspection by the PCAOB that are performed under SAS, SSARS, SSAEs, GAS, or PCAOB Standards are **included** in the scope of the Peer Review Standards
- Firms that perform engagements under PCAOB Standards or engagements subject to permanent inspection by the PCAOB are required to have their peer reviews administered by the National Peer Review Committee (NPRC).

This clarification applies to the SEC's recent rulings regarding broker dealer and conflict mineral engagements. Both of these rulings and the peer review considerations are discussed below.

Broker-Dealers

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. The PCAOB anticipates presenting a rule proposal for a permanent inspection program in 2014 or later. Until such time, 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.

Conflict Mineral Reports

On November 13, 2012, the SEC issued a final ruling on [Conflict Mineral Reports](#) requiring issuers to disclose conflict minerals that are necessary to the functionality or production of a product manufactured. The term "conflict minerals" is used to describe certain minerals—tantalum, tungsten, tin, and gold—that are mined in the Democratic Republic of the Congo (DRC) or the surrounding areas. Federal law does not prohibit companies from sourcing conflict minerals, nor impose a penalty for doing so. However, the intent is to rely on public pressure to dissuade U.S. companies from indirectly sourcing conflict minerals, and hence fund the armed groups in the DRC.

The final rule requires an Independent Private Sector Audit (IPSA) of Conflict Mineral Reports (CMR) to be performed under the auditing standards established by the Government Accountability Office (GAO). These IPSA engagements will be performed under *Government Auditing Standards* (GAS) using performance audit or attestation engagement standards. CMRs and the related filings related to special disclosures are to be filed with the SEC and made publicly available by the issuer. Issuers must comply with the final rules effective for fiscal years beginning January 1, 2013. The first reports are due by May 31, 2014, and May 31 annually thereafter. The AICPA has provided [additional resources](#) pertaining to this subject matter.

These IPSA engagements are not subject to PCAOB permanent inspection, therefore, they are subject to peer review requirements. Because these engagements are required to be performed using GAS, rather than PCAOB standards, they will not trigger administration by the NPRC. Reviewers should consider these engagements as part of the must select population of engagements subject to GAS. This will require a team member with GAS experience to be on the review team and to review the engagement if selected.

The chart below summarizes the impact of broker dealer engagements and IPSA of CMRs on the scope and administration of a firm's peer review.

	PCAOB permanent inspection scope	Peer Review scope	Triggers NPRC administration of firm's peer review
Broker dealers engagements under AICPA standards	No	Yes	No
Broker dealer engagements under PCAOB standards, before effective date of PCAOB permanent inspection program	No	Yes	Yes
Broker dealer engagements under PCAOB standards, upon effective date of PCAOB permanent inspection program	Yes	No	Yes
Engagements of non-issuers under PCAOB standards, not covered by PCAOB permanent inspection	No	Yes	Yes

Engagements for SEC issuers under Government Auditing Standards (e.g. IPSA of CMR), not covered by PCAOB permanent inspection program	No	Yes	No
Engagements under SASs, SSARS, SSAEs, Government Auditing Standards, not covered by PCAOB permanent inspection program	No	Yes	No

For additional information, refer to the materials for Agenda Item 1.5 of the Peer Review Board's January 2014 open session materials. These changes are effective for reviews commencing on or after April 1, 2014 and will be incorporated in the April 2014 release of the Peer Review Program Manual.

Agenda Item 1.5B

The following changes are being proposed to the Peer Review Standards:

Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews (as Referred to in a Peer Review Report)

.06 An *accounting and auditing practice* for the purposes of these standards is defined as all engagements ~~performed under~~ covered by Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS) ~~(see interpretations)~~; Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office; and ~~audits~~ engagements of non-SEC issuers performed pursuant ~~under~~ to the standards of the Public Company Accounting Oversight Board (PCAOB) standards (see interpretations). Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection. (See interpretations)

.07 The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. Firms that perform engagements under the SASs or Government Auditing Standards, examinations under the SSAEs, or ~~audits~~ engagements under PCAOB standards of non-SEC issuers performed pursuant to the standards of the PCAOB, as their highest level of service have peer reviews called System Reviews. 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. Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews are eligible to have peer reviews called Engagement Reviews (see interpretations). ~~Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the PCAOB, are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore, t~~ These standards are not intended for and exclude the review of the firm's accounting and auditing practice applicable to ~~SEC issuers~~ engagements subject to PCAOB permanent inspection (see interpretations). Firms that do not provide any of the services listed in paragraph 6 are not peer reviewed (see interpretations).

.103 Engagement Reviews are not available ~~only~~ to firms that ~~do not~~ perform engagements under the SASs, engagements under *Government Auditing Standards*, examinations under the SSAEs, or ~~audits of non-SEC issuers~~ engagements performed pursuant to the ~~under~~ standards of the PCAOB standards. However, firms eligible to have an Engagement Review may elect to have a System Review (see interpretations).

Performing and Reporting on Reviews of Quality Control Materials (QCM)

~~_.164~~ .164 Materials relating to ~~audits of SEC issuers performed pursuant to the standards of the~~ PCAOB standards are not within the scope of these standards.

The following changes are being proposed to the Peer Review Reports which is reflected as Standards paragraphs .209-.226 (Appendices C-T):

We have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)^{##} in effect for the year ended June 30, 20XX.

The report of a firm who is required to be registered with and inspected by the PCAOB ~~and thus whose review is administered by the National Peer Review Committee~~ should be tailored here to add ~~applicable to non-SEC issuers~~ engagements not subject to PCAOB permanent inspection.”

The following changes are being proposed to the Interpretations:

Use of the Standards

- 1-2** *Question*— Who is currently eligible to enroll in the program, which is administered by the National Peer Review Committee (National PRC), state CPA societies or other organizations approved by the board?

Interpretation—CPA firms in which at least one partner is a member of the AICPA and, in certain circumstances, individual AICPA members may enroll.

- 1-4** *Question*— ~~As discussed in Interpretation 1-1, although the standards are currently intended for AICPA members and their firms, state CPA societies or other organizations that are approved by the board to administer the Program may also use the standards, as applicable, to administer peer reviews of non-AICPA firms. Does this include firms that are required to be registered with and inspected by the PCAOB, and/or firms that perform audits of non-SEC issuers pursuant to the standards of the PCAOB?~~ Can state CPA societies or other organizations that are approved by the board to administer the Program use the standards, as applicable, to administer peer reviews of non-AICPA firms?

Interpretation— ~~No, this does not include firms that are required to be registered with and inspected by the PCAOB, and/or firms that perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB. Under the standards, those firms~~ Yes, except for firms that are required to be registered with and subject to permanent inspection by the PCAOB or firms that perform engagements under PCAOB standards. Those firms are required to be administered by the board's National Peer Review Committee (National PRC), an administering entity of the Program. This would also require that at least one owner of the firm be a member of the AICPA.

~~Although it is conceivable that a "peer review" for a non-AICPA firm with SEC clients could be administered by a state CPA society, the peer review report, acceptance letter, and other related documents would have to clearly indicate that the peer review was not intended to meet the minimum requirements of or be in compliance with the standards. Since there is a public expectation that the peer review would comply with the minimum requirements and be in compliance, it would not be appropriate to issue peer review documents that imply that they do (when they do not).~~

~~Therefore, any firm undergoing a peer review intended to be in compliance with the standards must be enrolled in the Program and its review must be administered by the National PRC if it is required to be registered with and inspected by the PCAOB, and/or performs audits of non-SEC issuersengagements pursuant to the standards of the PCAOB. This would also require that at least one owner of the firm be a member of the AICPA.~~

Engagements Performed and/or Reported Under International Standards

- 6-7** *Question*—Paragraph .06 of the standards provides the definition of an accounting and auditing practice for the purposes of these standards as all engagements covered by SASs, SSARS, SSAEs, Government Auditing Standards and ~~audits~~ engagements of non-SEC issuers performed pursuant to under PCAOB standards. Engagements subject to the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection. What about International Standards on Auditing, Assurance Engagements and Related Services (ISAs), any other standards issued by the International Auditing and Assurance Standards Board (IAASB) or any other audit or assurance standards outside of the U.S. (~~international standards~~)?

Interpretation—Professional Standards ET Appendix A identifies the bodies recognized by AICPA Governing Council to set standards. The IASB (International Accounting Standards Board) which issues International Financial Reporting Standards (IFRS) is included (as is the FASB, FASAB and GASB). Although peer review standards do not refer to the accounting standard setters, this means that IFRS is within the scope of our peer review process.

However, the IAASB is not currently recognized by the AICPA (nor is the International Public Sector Accounting Standards Board), therefore compliance with ISAs issued by the IAASB, and any other audit or assurance standards outside of the U.S., is not included in the scope of peer review. Firms performing such engagements are required to follow certain US professional standards—see Interpretation No. 6-8.

6-8 *Question*—Is an *engagement* performed under the ISAs, any other standards issued by the IAASB or any other audit or assurance standards outside of the U.S. (~~international standards~~) included in the scope of the peer review?

Interpretation—Yes, an engagement performed under international standards would be included in the scope of the peer review. Under U.S. professional standards, the engagement would comply with elements of both the international standards and U.S. professional standards. However, the peer reviewer should only test compliance with the U.S. professional standards described in paragraph .06 of the peer review standards, i.e. [engagements performed under SASs, SSARS, SSAEs, Government Auditing Standards, and auditing standards for non-SEC issuers performed pursuant to the standards of the PCAOB standards not subject to PCAOB permanent inspection](#). Testing of compliance with any international standards is not included in the scope of the review.

The peer reviewer should inquire of the firm during planning about whether any engagements were performed under international standards. If yes, the peer reviewer should inquire if the firm understands professional guidance for reporting on statements for international use, specifically addressing the following issues:

- *For audit engagements.* AU-C 910, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country* (AICPA, *Professional Standards*) indicates that if a U.S. auditor reports on U.S. entity financial statements that are used only outside of the United States, he or she should comply with generally accepted accounting standards (GAAS), except for requirements related to the form and content of the report. He or she should determine whether the application of GAAS requires special consideration in the circumstances of the engagement. However, when the audited financial statements of the entity are intended for use in the United States, then all GAAS standards must be followed, including the reporting standards.
- *For review and compilation engagements.* Interpretation Nos. 13–15 of AR section 80, *Compilation of Financial Statements* (AICPA, *Professional Standards*, AR sec. 9080 par. .49) and Interpretation Nos. 8–10 of AR section 90, *Review of Financial Statements* (AICPA, *Professional Standards*, AR sec. 9090 par. .29), conformed for SSARS No. 19, *Framework for Performing and Reporting on Compilation Engagements* (AICPA, *Professional Standards*), provide paralleling guidance to AU-C section 910. Any distribution in the United States would lead to the requirement to follow SSARS No. 19 reporting standards.
- *For any other types of engagements.* If not directly addressed in the applicable professional standards, reference should be made to the SAS or SSARS guidance.

In all cases, the peer reviewer should conclude whether the firm’s classification for an engagement’s report of ~~distribution in the U.S.,” distribution only outside of the U.S.,” or limited distribution in the U.S.”~~ was appropriate and reasonable. Then, the peer reviewer should determine that the appropriate general, fieldwork, and reporting (if applicable) aspects of U.S. professional standards were followed. A misunderstanding of U.S. professional guidance for reporting on statements for international use increases the risk of an engagement not performed and reported on in accordance with professional standards (for instance, financial statements made available on the Web may not reasonably be considered limited distribution in the U.S.).

The peer reviewer should consult with AICPA program staff for further guidance, if necessary.

Engagements Subject to PCAOB Inspection

6-9 *Question*—Paragraph .06 of the standards cover engagements *that are not subject to PCAOB permanent inspection*. What does this mean?

Interpretation— PCAOB inspections generally cover audits of SEC issuers. Regulatory changes may provide the PCAOB with the authority to inspect additional engagements. In such scenarios, the PCAOB may undertake an interim inspection program to determine the scope of engagements that will be included in a permanent inspection. During an interim inspection period, such engagements are **not** deemed to be inspected by the PCAOB for purposes of peer review. Therefore, the engagements would still be included in the scope of peer review until such time that a permanent inspection is adopted by the PCAOB. Additionally, the SEC may set forth rules that require engagements to be performed under other professional standards, but do not require PCAOB permanent inspection. If the SEC rules indicate that the engagements are subject to professional standards, such as those included in Paragraph .06 of the standards, but are not subject to PCAOB permanent inspection, those engagements are included in the scope of peer review.

Engagements Under Peer Review

7-1 *Question*—Paragraph .07 of the standards indicates that the *Standards* are not intended for and exclude the review of the firm’s accounting and auditing practice applicable to ~~SEC issuers~~ engagements subject to PCAOB permanent inspection. Firms that perform audits of employee benefit plans that are required to file a Form 11-K, must also comply with Generally Accepted Auditing Standards (GAAS) for ERISA/DOL reporting purposes by preparing a separate set of GAAS based financial statements. Since the firm must be registered with the PCAOB, ~~and~~ perform the employee benefit plan audit in accordance with PCAOB standards, and the engagement is subject to PCAOB permanent inspection, should the scope of the peer review include the review of the GAAS based financials for 11-K filers?

Interpretation—Since the engagement is already included under the scope of the PCAOB permanent inspection process, and the PCAOB’s requirements are more restrictive than GAAS requirements, it is not subject to peer review.

7-2 *Question*—Paragraph .07 of the standards indicates that firms that perform engagements that are not subject to PCAOB permanent inspection under the SASs or *Government Auditing Standards*, examinations under the SSAEs, or ~~audits~~ engagements of non-SEC issuers performed ~~pursuant to the~~ under PCAOB standards of the PCAOB have peer reviews call *System Reviews*. Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews have peer reviews called *Engagement Reviews*. Is the System Review or Engagement Review determination based on the types of engagements a firm performs as its highest level of service?

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

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
<i>Statements on Auditing Standards (SASs)</i>		
Audits <u>Engagements</u>	X	
<i>Government Auditing Standards (GAS)</i>		
Audits <u>Financial Audits</u>	X	
<u>Attestation Engagements (Examination, Review, or Agreed-upon procedures under GAS)</u>	<u>X</u>	
<u>Performance Audits</u>	<u>X</u>	

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
<i>Statements on Standards for Attestation Engagements (SSAEs)</i>		
Examinations performed under AT section 101, <i>Attest Engagements</i> (AICPA, <i>Professional Standards</i>)	X	
Reviews performed under AT section 101		X
Agreed-upon procedures performed under AT section 201, <i>Agreed-Upon Procedures</i> (AICPA, <i>Professional Standards</i>)		X
Examinations of prospective financial statements performed under AT section 301, <i>Financial Forecasts and Projections</i> (AICPA, <i>Professional Standards</i>)	X	
Compilations of prospective financial statements and application of agreed-upon procedures to prospective financial statements performed under AT section 301		X
Examinations performed under AT section 401, <i>Reporting on Pro Forma Financial Information</i> (AICPA, <i>Professional Standards</i>)	X	
Reviews performed under AT section 401		X
Examinations performed under AT section 501, <i>An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements</i> (AICPA, <i>Professional Standards</i>)	X	
Examinations performed under AT section 601, <i>Compliance Attestation</i> (AICPA, <i>Professional Standards</i>)	X	
Agreed-upon procedures performed under AT section 601		X
Examinations performed under AT section 701, <i>Management's Discussion and Analysis</i> (AICPA, <i>Professional Standards</i>)	X	
Reviews performed under AT section 701		X
Examinations performed under AT section 801, <i>Reporting on Controls at a Service Organization</i> (AICPA, <i>Professional Standards</i>)	X	
<i>Public Company Accounting Oversight Board (PCAOB) Standards</i>		
Audits of non-SEC issuers	X	
<u>Attestation of non-SEC issuers</u>	<u>X</u>	
<i>Statements on Standards for Accounting and Review Services (SSARSs)</i>		
Reviews of financial services		X
Compilations of financial statements with disclosures		X
Compilations of financial statements without disclosures		X
Compilations performed when the compiled financial statements are not expected to be used by a third party (management use only), when no compilation report is issued ¹		X

¹ Refer to Interpretations 6-1 to 6-6.

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.

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

Peer Reviews To Be Administered by the National Peer Review Committee

11-1 *Question*—Paragraphs .11, .128, and .161 of the standards note that peer reviews intended to meet the requirements of the program should be carried out in conformity with the standards under the supervision of a state CPA society, group of state CPA societies, the National PRC, or other entity (hereinafter, administering entity) approved by the board to administer peer reviews. Under what circumstances are peer reviews administered by the National PRC? ~~What other criteria relate to the firms previously enrolled in the Center for Public Company Audit Firms Peer Review Program (CPCAF PRP) and to that program’s peer reviewers?~~

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

- a. The firm is required to be registered with and subject to permanent inspection by the PCAOB.
- b. The firm performs audits/engagements of non-SEC issuers pursuant under to the PCAOB standards ~~by the PCAOB.~~
- 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 meet any or all of the preceding criteria during the peer review year, but not as of their peer review year end (for example, since they resigned or were terminated from their SEC issuer clients, whether or not they deregistered with the PCAOB) are still ordinarily required to have their review administered by the National PRC. The firm’s peer reviewer is still required to comply with guidance specific to firms administered by the National PRC, including, but not limited to, guidance at Interpretations 40-1 and 40-2 regarding other planning considerations and reporting of PCAOB inspection results. One exception is if a firm was required to be registered with and inspected by the PCAOB during the peer review year, but then did not ~~audit an SEC issuer~~ perform the engagement during that period (because they resigned or were terminated and thus were no longer the ~~auditor/accountant~~ of record”), is not required to have its review administered by the National PRC if they deregister with the PCAOB prior to scheduling their review.

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. This would also require that at least one owner of the firm be a member of the AICPA.

Timing of Peer Reviews

14-1 *Question*—Paragraph .14 of the standards states that when a firm performs its first engagement requiring it to have a System Review, the firm’s next due date will be 18 months from the year-end of the engagement. What does this mean?

Interpretation—When a firm, subsequent to the year-end of its Engagement Review, performs an engagement under the SASs, *Government Auditing Standards*, examinations under the SSAEs, or an

audit engagement of a non-SEC issuer performed pursuant to the under PCAOB standards of the PCAOB that would have required the firm to have a System Review, the firm should (a) immediately notify the administering entity and (b) undergo a System Review. The System Review ordinarily will be due 18 months from the year-end of the engagement (for financial forecasts and projections: 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 an engagement previously described 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 3 years and 6 months from this peer review year-end.

Other Planning Considerations

40-2 *Question*—Firms that perform audits of SEC issuers are subject to inspections by the ~~Public Company Accounting Oversight Board (PCAOB)~~. What additional considerations related to the results of PCAOB inspections should the team captain address in the planning and performance of the peer review?

Interpretation—Although the PCAOB inspection reports only cover a firm's ~~SEC issuer practice~~ the portion of a firm's practice that is subject to inspection, most firms typically have only one system of quality control over both its SEC and non-SEC issuer practices. As a result, the PCAOB inspection report may contain information that could assist the reviewer in assessing risk, planning, and performing peer review procedures. The team captain should read the public portions of the most recently released PCAOB inspection reports and discuss both the public and non-public portions of the reports with appropriate firm personnel. If the report on the firm's most recent PCAOB inspection report has not been released, the team captain should discuss any findings that may have been communicated orally or in draft form with appropriate firm personnel. The firm is required to discuss relevant PCAOB matters with the team captain.

In considering the impact of the PCAOB report on the nature, planning and extent of peer review procedures, the review team should consider the nature, cause, pattern and/or pervasiveness of the findings contained in the PCAOB inspection report. The review team should also consider the relative importance of the finding(s) to the firm as a whole. When applicable, the review team should:

- Consider the information contained in public portions of the PCAOB inspection reports
- Consider the information in the non-public portions of the PCAOB inspection reports (based upon discussion with the firm)
- Perform further inquiry of the firm in determining the offices, partners, etc. related to findings detailed in the PCAOB report
- Determine which PCAOB findings (if any) may be applicable to the portion of the firm's ~~non-issuer practice~~ that was not subject to PCAOB inspection
- Understand the underlying cause(s) of the findings (as determined by the firm)
- Understand how the firm remediated the findings for the most current inspection (or the firm's remediation plan),
- Consider the firm's remediation history with respect to PCAOB inspection findings (if any)

The team captain should document in the risk assessment how this information impacts the planned peer review procedures. Discussion of PCAOB inspection findings should not be interpreted as permitting the peer reviewer to request the non-public portions of the PCAOB inspection report.

Election to Have a System Review

103-1 *Question*—Paragraph .103 of the standards notes that firms eligible to have an Engagement Review may elect to have a System Review. What tailoring is required to the peer review report under these circumstances?

Interpretation—Under these circumstances, any references in the peer review report to “the accounting and auditing practice” should be tailored to refer only to “the accounting practice.” In addition, following sentence should be added the sentence: “Firm XYZ & Co. has represented to us that the firm ~~performed no services~~ did not perform engagements that would require a system review, under the SAs; ~~Government Auditing Standards~~; examinations under the Statements on Standards for Attestation Engagements (SSAEs); or audits of non-SEC issuers ~~performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)~~” should be added.

**Noncooperation Provisions
(Proposed Revisions to Interpretation 5h-1
*Cooperating in a Peer Review, Interpretation 25-1 Peer Review Documentation and
Retention Policy, PRP 1000.208 Appendix B, Chapter 7 of the AICPA Peer Review
Administrative Manual and related exhibits, and related Peer Review Alert*)**

Why is this on the Agenda?

Peer review is copied on Department of Labor (DOL) referrals of employee benefit plan (EBP) audits to the AICPA Professional Ethics Division. While investigating recent referrals, staff has identified enrolled firms that had either represented to the administering entity that they did not perform any engagements subject to peer review or excluded ERISA engagements from the scope of the peer review. Evidence from public sources (such as EFAST2 or the Federal Audit Clearinghouse) indicates that the firm performed an audit. Currently, there is no mechanism in place to address these situations by either dropping the firm's enrollment in peer review (occurs without hearing) or terminating a firm's membership (requires a hearing).

The revisions to the first resolution in Interpretation 5h-1 (Agenda Item 1.6A) and the Administrative Manual (Agenda Item 1.6B) would permit the Peer Review Board to drop the firm's enrollment in the Peer Review Program in situations where a firm represents that they did not perform any engagements subject to peer review but evidence to the contrary is discovered.

The revisions to the second resolution in Interpretation 5h-1 (Agenda Item 1.6A), PRP 1000.208 Appendix B (Agenda Item 1.6C) and Interpretation 25-1 (Agenda Item 1.6D) would permit the Peer Review Board to terminate firms in situations in which a firm excludes engagements from the scope of the peer review.

In both cases, Peer Review would be able to make a referral to Professional Ethics so that an investigation can be conducted.

Feedback Received

Concerns were expressed by the Administrators' Advisory Task Force that the representation letter (Agenda Item 1.6A) is often "rolled forward" and training or communications to encourage additional attention to this item by technical reviewers may be necessary. This concern is being addressed through the below proposed communications plan.

Internal legal counsel has reviewed and approved the proposed changes to guidance and processes.

PRISM Impact

N/A – Additional letter is manual.

AE Impact

Team and review captains will be required to submit the firm representation letter with other documents to the administering entity ("AE"). AEs would need to retain the representation letter and the background form until the subsequent peer review's acceptance and completion, similar to FFC forms.

The drop process typically involves a series of letters initiated by the AE. However, in situations where a firm represents that they did not perform any engagements subject to peer review but

evidence to the contrary is discovered, the drop process will be accelerated. One letter would be issued (by the AICPA) and AE involvement would be minimal.

The termination process typically involves a series of letters initiated by the AE. However, in situations in which a firm excludes engagements from the scope of the peer review, a hearing referral letter would be issued (by the AICPA) and AE involvement would be minimal.

Communications Plan

A Peer Review Alert (Agenda Item 1.6E) is proposed to communicate these revisions. In addition, the revisions will be included in an AE training and technical reviewer calls and incorporated into courses. Additionally, the area will be highlighted during scheduled presentations to firms and reviewers.

Manual Production Cycle (estimated)

Revisions will be included in the April 2014 manual.

Effective Date

The proposed revisions will be effective upon approval by the Peer Review Board. However, in accordance with Bylaw 7.7, which states that disciplinary actions cannot be applied retroactively, its application of this revision will be effective when the firm has signed a revised No A/A or for peer reviews commencing after the revisions were effective.

Task Force Consideration

Discuss and approve the proposed revisions.

Cooperating in a Peer Review

- 5h-1** *Question*—Paragraph .05(h) of the standards notes that firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm’s enrollment in the program, including arranging, scheduling, and completing the review and taking remedial, corrective actions as needed (paragraph .143 of the standards). Under what circumstances will a firm (or individual) be not cooperating, and what actions can be taken by the board for noncooperation?

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

AICPA Peer Review Board Resolution

(Adopted April 29, 1996 with amendments through ~~January 1, 2009, and May 3, 2011, and~~ January 29, 2014)

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

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

NOW, THEREFORE, BE IT RESOLVED: A firm’s enrollment in the AICPA Peer Review Program will be dropped by the AICPA Peer Review Board, without a hearing, thirty days after the AICPA Peer Review Program notifies the firm by certified mail 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 or perform the firm’s peer review, prior to the commencement of the peer review,
- (3) Have a peer review by the required date,
- (4) Accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, and timely notify its administering entity of its requirement to have a peer review.
- (4~~5~~) Timely pay in full the fees and expenses of the review team formed by an administering entity, or
- (5~~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.

Interpretation—The AICPA Peer Review Board has issued a resolution regarding terminating a firm’s enrollment from the AICPA Peer Review Program that is as follows:

AICPA Peer Review Board Resolution

(Adopted April 29, 1996 with amendments through January 1, 2009, ~~May 3, 2011, and August 8, 2012, and~~ January 29, 2014)

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

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

NOW, THEREFORE, BE IT RESOLVED: A firm is deemed as failing to cooperate once the review has commenced by actions including but not limited to:

- Not responding to inquiries,
- Withholding information significant to the peer review, for instance but not limited to failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing or attestation engagements from regulatory, monitoring or enforcement bodies; omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, including, but not limited to, engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].
- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas,
- Not responding to MFCs or FFCs timely,
- Limiting access to offices, personnel or other,
- Not facilitating the arrangement for the exit conference on a timely basis,
- Failing to timely file the report and the response thereto related to its peer review, if applicable,
- Failing to cooperate during oversight, or
- Failing to timely acknowledge and complete required corrective actions or implementation plans.

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; and

BE IT FURTHER RESOLVED: That a firm's failure to cooperate with the administering entity would also include failing to receive a report with a rating of pass after (1) receiving at least two consecutive peer reviews prior to the third that had a report with a peer review rating of *pass with deficiencies* and/or *fail* (previously referred to as modified or adverse reports) AND (2) receiving notification via certified mail after the second consecutive report with a peer review rating of *pass with deficiencies* and/or *fail* (previously referred to as modified or adverse reports), that a third consecutive failure to receive a report with a peer review rating of pass (previously referred to as an unmodified report) may be considered a failure to cooperate with the administering entity. Report Reviews¹ containing significant comments are considered equivalent to failing to receive a report with a peer review rating of pass (previously referred to as an unmodified report) for the purposes of this resolution.

¹ Although standards no longer permit the performance of Report Reviews as of January 1, 2009, a firm's last peer review could have been a Report Review.

BE IT FURTHER RESOLVED: The administering entity has the authority to determine if a firm's response is substantive. If the administering entity determines that a response is not substantive, and the firm does not revise its response or submits additional responses that are not substantive as determined by the administering entity, this would also be deemed as a firm's failure to cooperate.

BE IT FURTHER RESOLVED: The administering entity has the authority to determine if erroneously provided or omitted information by a firm ~~discovered after acceptance of the firm's review that~~ results in a significant change in the planning, performance, evaluation of results, or peer review report is a matter of non-cooperation. The firm's failure to provide substantive responses during the process of resolving such a matter may also be deemed as a firm's failure to cooperate.

BE IT FURTHER RESOLVED: That a firm's failure to cooperate with the administering entity would also include 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 by written communication to the administering entity that it was no longer performing and had no plans to perform, in response to a related corrective action or implementation plan wherein the corrective action or implementation plan was eliminated by the administering entity based on the representation.

BE IT FURTHER RESOLVED: 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; and BE IT FURTHER RESOLVED: That 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.

AICPA Peer Review Administrative Manual, CHAPTER 7 Types and Timing of Reviews
Annual Confirmation for Firms with No Accounting, Auditing, or Attestation
Engagements section

Evidence Contrary to the Representation Contained in the Annual Confirmation

When AICPA staff or an administering entity (“AE”) becomes aware of evidence contrary to the representation contained in the annual confirmation form for firms that do not have an accounting, auditing, or attestation engagements (“No A&A letter”), the firm’s enrollment in peer review should be dropped. The firm name and address will be verified by matching the peer review information in PRISM to the evidence and the No A&A letter. Upon verification and approval by the Peer Review Board, the Letter to Drop Enrollment Due to Firm Misrepresentation, along with a copy of the signed no A&A letter and evidence of the engagement performed by the firm, should be sent to the firm and a copy sent to the administering entity. The firm will be advised in this letter that it may request a review of this decision by the AICPA Joint Trial Board.

NO_AA1 First Request for Annual Confirmation for Firms That Do Not Have an Accounting, Auditing, or Attestation Practice

[Date]

[Managing Partner]

[Firm Name]

[Firm Address]

Re: Firm Accounting, Auditing, or Attestation Practice

Dear [Mr./Ms.] [Managing Partner's Last Name]:

Firms in the AICPA Peer Review Program that do not have an accounting, auditing, or attestation practice are not required to have a peer review. However, enrolled firms must annually confirm this information by completing the confirmation below.

If your firm now ~~performs~~ conducts engagements performed under 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; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards) audits, or any engagement under the SASs, examinations of prospective financial statements under the SSAEs, reviews or compilations under SSARS, or attestation engagements under the SSAEs, it will be required to have a peer review within 18 months of the fiscal year end of the first engagement accepted. For attestation engagements, such as financial forecasts and projections, the firm will be required to have a peer review within 18 months from the date of the report.

Please complete the confirmation below and return a copy of this letter to me at the address noted on this letterhead within 15 days.– If you have any questions please contact me at (*telephone number*).

Sincerely,

[Name]

[Title]

Confirmation of the Firm:

____ My firm does not perform any of those engagements. Please continue to send an annual confirmation. I wish to remain enrolled in the Program. I understand that a failure to properly represent my firm's practice and/or timely notify my administering entity of our requirement to have a peer review may result in my firm's enrollment being dropped automatically and/or referral of my name to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

____ Authorization to unenroll the Firm: My firm does not issue and will not be issuing any of the engagements listed above. Under the AICPA by-laws, my firm is not required to be enrolled in a practice monitoring program and my State Board of Accountancy does not require my firm to be enrolled. Please unenroll my firm in the AICPA peer review program. I understand that by requesting that my firm be unenrolled in the peer review program, that I will no longer be receiving this annual confirmation in the future. If my firm does perform such type of engagement that requires me to enroll, I am responsible for notifying my administering entity.

____ My firm currently performs audits, reviews and/or compilations and attestation engagements. The fiscal year end of the first engagement accepted was _____. For financial forecasts or projections, or other engagements performed under the SSAE's, the date of the report of the first engagement accepted was _____.

Name (please print): _____

Signature _____ Date _____

Email: _____

NO_AA2 Second Request for Annual Confirmation for Firms That Do Not Have an Accounting, Auditing, or Attestation Practice

[Date]

[Managing Partner]

[Firm Name]

[Firm Address]

Second Request for Confirmation

Dear [Mr./Ms.] [Managing Partner's Last Name]:

On [date of NO_AA1], we sent you a request to confirm that your firm does not have an auditing, accounting, or attestation practice. Firms enrolled in the AICPA Peer Review Program that do not have an accounting, audit or attestation practice are not required to have a peer review. However, they must annually confirm this information. If your firms ~~perform~~ conducts engagements performed under 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; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards audits or any engagements under the SASs, examinations of prospective financial statements under the SSAEs, reviews or compilations under SSARS, or attestation engagements under the SSAEs, it will be required to have a peer review within 18 months of the fiscal year end of the first engagement accepted. For attestation engagements, such as financial forecasts and projections, the firm will be required to have a peer review within 18 months from the date of the report.

Please complete the confirmation below and return a copy of this letter within 15 days. If you have any questions, please contact me at [telephone number].

Sincerely,

[Name]

[Title]

Confirmation of the Firm:

____ My firm does not perform any of those engagements. Please continue to send an annual confirmation. I wish to remain enrolled in the Program. I understand that a failure to properly represent my firm's practice and/or timely notify my administering entity of our requirement to have a peer review may result in my firm's enrollment being dropped automatically and/or referral of my name to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

____ Authorization to unenroll the Firm: My firm does not issue and will not be issuing any of the engagements listed above. Under the AICPA by-laws, my firm is not required to be enrolled in a practice monitoring program and my State Board of Accountancy does not require my firm to be enrolled. Please unenroll my firm in the AICPA peer review program. I understand that by requesting that my firm be unenrolled in the peer review program, that I will no longer be receiving this annual confirmation in the future. If my firm does perform such type of engagement that requires me to enroll, I am responsible for notifying the administering entity above.

____ My firm currently performs audits, reviews and/or compilations and attestation engagements. The fiscal year end of the first engagement accepted was _____. For financial forecasts or projections, or other engagements performed under the SSAE's, the date of the report of the first engagement accepted was _____.

Name (please print): _____

Signature _____ Date _____

Email: _____

NO_AA3 Third Request for Annual Confirmation for Firms That Do Not Have an Accounting, Auditing, or Attestation Practice

[Date]

[Managing Partner]

[Firm Name]

[Firm Address]

Third Request for Confirmation

Dear [Mr./Ms.] [Managing Partner Last Name]:

Firms in the AICPA Peer Review Program that do not have an accounting, auditing, or attestation practice are not required to have a peer review. However, enrolled firms must annually confirm this information. We sent you a second request for this information on [date of NO_AA2].

If your firm now ~~performs~~ conducts engagements performed under Statements on Auditing Standards (SAs); 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; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards, it will be required to have a peer review within 18 months of the fiscal year end of the first engagement accepted. For attestation engagements, such as financial forecasts and projections, the firm will be required to have a peer review within 18 months from the date of the report.

Please complete the confirmation below and return a copy of this letter to me at the address noted on this letterhead within 7 days. If you do not respond, the AICPA will assign the firm a due date for its review.

Sincerely,

[Name]

[Title]

Confirmation of the Firm:

____ My firm does not perform any of those engagements. Please continue to send an annual confirmation. I wish to remain enrolled in the Program. I understand that a failure to properly represent my firm's practice and/or timely notify my administering entity of our requirement to have a peer review may result in my firm's enrollment being dropped automatically and/or referral of my name to the AICPA Professional Ethics Division for investigation of a possible of the AICPA Code of Professional Conduct.

____ Authorization to unenroll the Firm: My firm does not issue and will not be issuing any of the engagements listed above. Under the AICPA by-laws, my firm is not required to be enrolled in a practice monitoring program and my State Board of Accountancy does not require my firm to be enrolled. Please unenroll my firm in the AICPA peer review program. I understand that by requesting that my firm be unenrolled in the peer review program, that I will no longer be receiving this annual confirmation in the future. If my firm does perform such type of engagement that requires me to enroll, I am responsible for notifying the administering entity above.

____ My firm currently performs audits, reviews and/or compilations and attestation engagements. The fiscal year end of the first engagement accepted was _____. For financial forecasts or projections, or other engagements performed under the SSAE's, the date of the report of the first engagement accepted was _____.

Name (please print): _____

Signature _____ Date _____

Email: _____

Letter to Drop Enrollment Due to Firm Misrepresentation

[Date]

[Managing Partner]
[Firm Name]
[Firm Address]

Common Carrier – Return Receipt Requested

Dear [Mr./Ms.] [Managing Partner Last Name]:

The AICPA Peer Review Board has adopted the enclosed resolution (Attachment 1), which describes procedures for dropping firms from the AICPA Peer Review Program for failure to accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, and/or notify its administering entity of changes in that practice.

On (date), you signed a confirmation (Attachment 2) that your firm did not perform engagements performed under 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; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards (see interpretations). Recently, evidence to the contrary has come to our attention (Attachment 3). Therefore, under the established procedures, your firm has been dropped from the AICPA Peer Review Program.

However, Paragraph 145 of the *Standards for Performing and Reporting on Peer Reviews* provides that the firm may appeal this decision to the AICPA Joint Trial Board for a review. In order to file an appeal, the request must be in writing and must be received by the General Counsel at the AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775, within 30 calendar days of date of the hearing panel's decision. The appeal must state, in detail, the reasons for the request and may be supplemented by any relevant material, including material not presented to the hearing panel. If you chose to appeal to the AICPA Joint Trial Board, there will be no publication unless, after review of the matter, the AICPA Joint Trial Board affirms the decision of the hearing panel of the AICPA Peer Review Board.

Sincerely,

Beth Thoresen
Director
AICPA Peer Review Program

Enclosures

cc: [Administering Entity]

Firm Number: _____ Review Number: _____

Appendix B

Considerations and Illustrations of Firm Representations

1. 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. In connection with System and Engagement Reviews, specific representations should relate to the following matters, although the firm is not prohibited from making additional representations, and the firm 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 (see interpretations):

- a. Situations or a summary of situations where management is aware that the firm or its personnel has not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies (including applicable firm and individual licensing requirements in each state in which it practices for the year under review) and, if applicable, how the firm has or is addressing and rectifying situations of noncompliance (see interpretations).
- b. 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 obtained in sufficient detail to consider its effect on the scope of the peer review (see interpretations). In addition, the reviewer may inquire if there are any other issues that may affect the firm's practice.
- c. 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.
- d. Completeness of the engagement listing provided to the reviewer, including, but not limited to, inclusion of all 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, as applicable, and availability of the engagements with periods ending during the year under review, except 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.
- e. Discussions of significant issues from reports or communications, or both (see interpretations), from other practice monitoring or external inspection programs, such as the Public Company Accounting Oversight Board's (PCAOB's) (see interpretations), with the team captain.
- f. Accepting responsibility for understanding, tailoring, and augmenting the quality control materials that the firm develops or adopts for use in its accounting and auditing practice.
- g. Other representations obtained by the team captain or review captain will depend on the circumstances and nature of the peer review.

2. The written representations should be obtained for the entire firm and not for each individual engagement the firm performs. Firm management's refusal to furnish written representations to the team captain or review captain constitutes a failure to cooperate with the reviewer and thus the administering entity and with the AICPA Peer Review Board, and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated (see interpretations).

3. On System Reviews, the written representations should be addressed to the team captain. Since the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review

report that may require an adjustment to the report or other peer review documents, the representations should be dated the same date as the peer review report. The written representations should be signed by those members of management whom the team captain 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 or manager in charge of the firm's system of quality control. If a representation made by management is contradicted by other information obtained, the team captain should investigate the circumstances and consider the reliability of the representations made and any effect on the report.

4. On Engagement Reviews, the representations should be addressed to the review captain (for example, "To John Smith, CPA" or on committee-appointed review team reviews where appropriate, it may be addressed "To the Review Captain") and dated the same date that the firm submits the list of engagements to the reviewer or the administering entity. The written representations should be signed by those members of management whom the reviewer 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 (even though an Engagement Review). Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control. If a representation made by management is contradicted by other information obtained, the reviewer should investigate the circumstances and consider the reliability of the representations made and any effect on the report.

Illustration of a Representation Letter That has No Significant Matters to Report to the Team Captain or Review Captain

(The firm may tailor the language in this illustration and may refer to attachments to the letter as long as adequate representations pertaining to the matters discussed above, as applicable, are included to the satisfaction of the team captain or review captain.)

October 31, 20XX

To the Team Captain or Review Captain

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

-We have also provided a list of all engagements to the [team captain, review captain, or administering entity] with periods ending during the year under review. This list included, but was not limited to, all 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, as applicable. For financial forecasts or projections and agreed upon procedures, the list included those engagements with report dates during the year under review. review. We understand that failure to properly include engagements on the list could be deemed as failure to cooperate. We also understand that a failure to properly represent the firm's practice may result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

We have also provided the [team captain or review captain] with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. In addition, there are no known 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.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

-We have also discussed the content of our PCAOB inspection report with the [team captain or review captain] (if applicable).

Sincerely,

[Signature(s)]

Illustration of a Representation Letter That Has Been Tailored to Report to the Team Captain a Matter of Noncompliance With a Regulatory Requirement

(The firm may tailor the language in this illustration and may refer to attachments to the letter as long as adequate representations pertaining to the matters discussed above, as applicable, are included to the satisfaction of the team captain or review captain.)

October 31, 20XX

To the Team Captain or Review Captain

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. Other than the firm not having a practice unit license during the year under review in one state where the firm practices (which has been subsequently obtained), we confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have also provided a list of all engagements to the [team captain, review captain, or administering entity] with periods ending during the year under review. This list included, but was not limited to, all 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, as applicable. For financial forecasts or projections and agreed upon procedures, the list included those engagements with report dates during the year under review. We understand that failure to properly include engagements on the list could be deemed as failure to cooperate. We also understand that a failure to properly represent the firm's practice may result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

-We have also provided the [team captain] with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. In addition, there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting within three years preceding the current peer review year-end.

-We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

| -We have also discussed the content of our Public Company Accounting Oversight Board inspection report with the team captain (if applicable).

Sincerely,
[Signature(s)]

Agenda Item 1.6D

25-1 Question—Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review’s completion, with the exception of certain documents that are maintained until the subsequent peer review’s acceptance and completion. What period of time should peer review documentation be retained and what documentation should be maintained until the subsequent peer review’s acceptance and completion?

Interpretation—Peer review documentation prepared during system and Engagement Reviews, with the exception of those documents described in the following paragraphs, should be retained by the reviewing firm, the administering entity, and the association in an association formed review team (if applicable) until 120 days after the peer review is completed (see Interpretation No. 25-2). The reviewing firm and administering entities should retain the following documents until the firm’s subsequent peer review has been completed:

- a. Peer review report and the firm’s response, if applicable
- b. Letter notifying the firm that its peer review has been accepted
- c. Letter indicating that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions, if applicable. The administering entity should retain the version signed by the firm
- d. Letter notifying the firm that certain required actions have been completed, if applicable
- e. Finding for Further Consideration (FFC) forms, if applicable
- f. Letter requesting the reviewed firm’s completion of an implementation plan, if applicable (the administering entity should retain the version signed by the firm)
- g. Letter notifying the firm that the implementation plan has been completed, if applicable
- h. Letter(s) relating to peer review document recall considerations
- i. Written representations from management of the reviewed firm
- j. Scheduling information

Administering entities may also retain the following administrative materials until the firm’s subsequent peer review has been completed:

- a. Engagement letters
- ~~b. Scheduling information~~
- be. Review team appointment acceptance letters
- ~~c~~. Due date extension and year-end change requests and approvals
- ed. Settlement agreements received by the administering entity from the AICPA Professional Ethics Division related to individual members’ performance on accounting, auditing, or attestation engagements The administering entity’s peer review committee or the board may indicate that any or all documentation for specific peer reviews should be retained for a longer period of time than specified in the preceding paragraphs because, for example, the review has been selected for oversight. All peer review documentation is subject to oversight or review by the administering entity, the board, or other bodies the board may designate, including their staff. All peer review documentation prepared by the administering entities is subject to oversight.

If a firm has been enrolled in an institute-approved practice-monitoring program but has not undergone a peer review in the last three years and six months since its last peer review because the firm has not performed engagements and issued reports requiring it to have a peer review, the documents previously noted should still be retained. The administering entity may also choose to retain the administrative documents noted, as applicable. The documents for a firm that has not been enrolled in an Institute-approved practice monitoring program for the last consecutive three years and six months are not required to be retained.

Peer Review Alert
Completeness of Peer Review Scope

Firms are required to accurately represent their accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, for the purposes of including them in peer review scope. Recently, staff has received public evidence that indicates some firms are not including all engagements in the scope of peer review. The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the nature of a firm's practice. Peer review scope is critical to the effectiveness of peer review. Accordingly, the Peer Review Board has approved revisions to guidance when a firm omits, withholds, or misrepresents information about its accounting and auditing practice. The revised guidance:

- Adds failure to accurately represent its accounting and auditing practice, as defined by the *AICPA Standards for Performing and Reporting on Peer Reviews*, and/or notify its administering entity of changes in that practice to the list of reasons for which a firm's enrollment in the AICPA Peer Review Program will be dropped, which may occur without a hearing, by the AICPA Peer Review Board to Interpretation 5h-1.
- Clarifies Interpretation 5h-1 to state that a firm's failure to cooperate once a review has commenced includes omission or misrepresentation of information relating to its accounting and auditing practice as defined by the *AICPA Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements] and will result in the termination of the firm's enrollment in the AICPA Peer Review Program, subject to a hearing.
- Adds to the letter communicating that a firm does not have an accounting and auditing practice (No A&A letter) a representation that of understanding that a failure to properly represent the firm's practice or immediately notify their administering entity of any changes in it may result in the firm's enrollment being dropped automatically.
- Adds to the minimum the minimum representations that are made to the team captain or review captain completeness of the engagement listing provided to the reviewer, including, but not limited to, inclusion of all 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, as applicable.
- Adds the written representations from management of the reviewed firm to the documents to be maintained by the administering entity until the subsequent peer review's acceptance and completion.

These changes can be found as the January 29, 2014 Board Open Session Agenda Item 1.6 and will be included in the 2014 Peer Review Program Manual. The guidance is effective for peer reviews commencing on or after April 1, 2014.

Firms that find themselves in these or similar positions may correct the situation by immediately contacting their administering entity to determine the appropriate course of action in order to avoid their peer review enrollment being dropped, their membership being terminated, and/or possible referral to the AICPA Professional Ethics Division for investigation of a possible violation of the *AICPA Code of Professional Conduct*.

Impact of ARSC Exposure Draft on Peer Review

Why is this on the Agenda?

On October 23, 2013, the Accounting and Review Services Committee (ARSC) issued an exposure draft titled “*Proposed Statements on Standards for Accounting and Review Services: Preparation of Financial Statements, Compilation Engagements, and Association With Financial Statements.*” These proposed standards were developed in part to help determine whether the accountant, management or both prepared the financial statements. In order to address this issue, ARSC has determined to revise the applicability of the compilation standards, so the standards apply only when the accountant is engaged to perform a compilation engagement. Staff would like the Board to consider whether engagements conducted under the proposed Preparation SSARS and Association with Financial Statement SSARS (both non-attest services) should be in scope for peer review purposes. The following link contains the aforementioned exposure draft:

http://www.aicpa.org/Research/ExposureDrafts/CompilationReview/DownloadableDocuments/20131023a_SSARS_ED_Prep_Comp_Assoc.pdf

The following chart, included in the Exposure Draft, highlights the differences between the proposed Preparation Standards, Association Standards and Compilation Standards:

	Compilation	Preparation	Association
Is an engagement letter required?	Yes	Yes ²	No
Is the accountant required to determine if he or she is independent of the client?	Yes	No	No
If the accountant is not independent, is that fact required to be disclosed?	Yes	N/A	N/A
Does the engagement require a report?	Yes	No ¹	Yes ¹
May the financial statements go to users outside of management?	Yes	Yes	Yes
May the financial statements omit notes?	Yes	Yes	Yes
When does this standard apply?	When an accountant is engaged to perform a compilation	When an accountant is engaged to prepare financial statements	When an accountant permits the use of its name in a report, document or written communication containing financial statements on which it has not issued an audit, review or compilation report.

¹ When an accountant is engaged to prepare financial statements, the accountant is required to include an adequate statement on each page of the financial statements indicating that no CPA provides any assurance on the financial statements. If the accountant is unable to include an adequate statement on each page of the financial statements, the accountant is required to issue a disclaimer report on the financial statements. Additionally, when the Association SSARS apply, the accountant should issue a disclaimer report on the financial statements. The example disclaimer included in the Proposed Standards is as follows: “The accompanying financial statements of XYZ Company as of and for the year ended December 31, 20XX, were not reviewed or audited by me (us) and, accordingly, I (we) do not express an opinion, a conclusion, nor provide any assurance on them.”

² Paragraph .A20 of the proposed Preparation SSARS (beginning on page 20 of the linked Exposure Draft) provides an illustrative engagement letter for practitioners.

AICPA bylaws state that firms (or individuals in certain situations) are only required to enroll in the program if they perform services that are within the scope of the AICPA’s peer review standards and issue reports purporting to be in accordance with AICPA Professional Standards. Numerous State Boards of Accountancy (SBAs) have similar licensing requirements. Therefore, firms that issue any such reports (including only disclaimer reports for preparation or association with financial statement services) under SSARS may be subject to peer review. It is also possible that SBAs could require firms performing preparation/association services under SSARS (with no report issued) to undergo a peer review similar to the previous SSARS 8 requirement.

Currently, if existing peer review standards remain unchanged, engagements performed under the proposed Preparation SSARS would be treated similarly to current management use only compilation engagements for peer review scope purposes as normally no report would be issued. Whether an engagement performed under the Association SSARS (or any instance where a disclaimer report is issued under the Preparation SSARS) is included in peer review scope depends on whether or not the disclaimer report is viewed as meeting the definition of a report purporting to be in accordance with AICPA Professional Standards. See Agenda Item 1.6A for the relevant guidance establishing scope for firms that are enrolled or should be enrolled.

The comment period for this Exposure Draft ends on May 2, 2014. The proposed SSARS would be effective for financial statements with periods ending on or after December 15, 2015 with early implementation permitted.

Feedback Received

Several comment letters have been received on the Statements. The majority of comments are silent with peer review ramifications. However, a selection of responses were inquisitive on the SSARS impact to peer review, with one response from a practitioner stating that they were supportive of the Preparation SSARS provided they were exempt from peer review.

PRISM Impact

N/A at this time.

AE Impact

N/A at this time.

Communications Plan

N/A at this time.

Manual Production Cycle (estimated)

N/A at this time.

Effective Date

N/A at this time.

Board Consideration

Preliminary discussion to explore the issue and provide input as to the timing and next steps to be taken to proactively address the peer review implications of the proposed SSAR changes.

Discussion topics include:

- Consider treating the preparation and association standards in a similar manner as the Management Use Only (MUO) reports they replace.
- Are there any compelling reasons to treat these items differently than provided in the MUO exception?
- Should any substantive changes to existing peer review guidance be considered?
- What other factors should be considered in this discussion?
- What other information or input is needed?
 - Consider the state board licensing requirements.
 - Consider a joint task force meeting with members of ARSC and the PRB.
- Discuss timing considerations.

Impact of ARSC Exposure Draft on Peer Review – Current Enrollment Requirements

1) When should a firm (or individual) enroll in the AICPA Peer Review Program

According to Interpretation 13-1, “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 (or individual) should enroll in the program and submit an enrollment form by the report date of the initial engagement.”

2) What is the scope of the AICPA’s peer review program?

According to paragraph .05 of the Standards, “Firms (and individuals) enrolled in the program have the responsibility to (c) Have independent peer reviews of their accounting and auditing practices. All firms that an AICPA member is associated with should undergo a peer review if the services performed and reports issued by the firm require a peer review.”

Paragraph .06 of the Standards continues, “An *accounting and auditing practice* for the purposes of these standards is defined as all engagements covered by 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; and audits of non-SEC issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)”

3) What are the current exceptions for SSARS engagements?

Interpretation 6-1: Question—Statement on Standards for Accounting and Review Services (SSARS) No. 19, Compilation and Review Engagements (AICPA, Professional Standards, AR sec. 80), includes compilations of financial statements where in very specific situations the accountant may document his or her understanding with the entity through the use of an engagement letter instead of issuing a compilation report. This approach is only available when the accountant submits unaudited financial statements to his or her client that are not expected to be used by a third party (in other words, compilation for management’s use only). AICPA bylaws state that firms (or individuals in certain situations) are only required to enroll in the program if they perform services that are within the scope of the AICPA’s practice-monitoring standards and issue reports purporting to be in accordance with AICPA Professional Standards. Therefore, for purposes of individual AICPA membership admission and retention, firms (or individuals) that only perform these types of compilations, where no report is issued and no other engagements within the scope of peer review as discussed in paragraph .06 of the standards, would not be required to enroll in the program. Would the compilations for management’s use only be subject to peer review when the firm is already enrolled in the program because, for example, it performs services and issues reports on other engagements that are within the scope of the standards?

Interpretation — Yes. For firms enrolled in the program, compilations for management’s use only would fall within the scope of peer review. The standards (and Statement on Quality Control Standards No. 7, A Firm’s System of Quality Control [AICPA, Professional Standards, QC sec. 10]) include, within the definition of an accounting and auditing practice, all

engagements covered by SSARs except where SSARs provide an exemption from those standards.

4) The following chart shows what type of review would be necessary based on an enrolled firm's highest level of service:

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
<i>Statements on Auditing Standards (SAs)</i>		
Audits	X	
<i>Government Auditing Standards (GAS)</i>		
Audits	X	
<i>Statements on Standards for Attestation Engagements (SSAEs)</i>		
Examinations performed under AT section 101, <i>Attest Engagements (AICPA, Professional Standards)</i>	X	
Reviews performed under AT section 101		X
Agreed-upon procedures performed under AT section 201, <i>Agreed-Upon Procedures (AICPA, Professional Standards)</i>		X
Examinations of prospective financial statements performed under AT section 301, <i>Financial Forecasts and Projections (AICPA, Professional Standards)</i>	X	
Compilations of prospective financial statements and application of agreed-upon procedures to prospective financial statements performed under AT section 301		X
Examinations performed under AT section 401, <i>Reporting on Pro Forma Financial Information (AICPA, Professional Standards)</i>	X	
Reviews performed under AT section 401		X
Examinations performed under AT section 501, <i>An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements (AICPA, Professional Standards)</i>	X	
Examinations performed under AT section 601, <i>Compliance Attestation (AICPA, Professional Standards)</i>	X	
Agreed-upon procedures performed under AT section 601		X
Examinations performed under AT section 701, <i>Management's Discussion and Analysis (AICPA, Professional Standards)</i>	X	
Reviews performed under AT section 701		X
Examinations performed under AT section 801, <i>Reporting on Controls at a Service Organization (AICPA, Professional Standards)</i>	X	

If a Firm Performs These Types of Engagements as Its Highest Level of Service, the Firm Would be Required to Have:	System Review	Engagement Review
<i>Public Company Accounting Oversight Board (PCAOB) Standards</i>		
Audits of non-SEC issuers	X	
<i>Statements on Standards for Accounting and Review Services (SSARs)</i>		
Reviews of financial services		X
Compilations of financial statements with disclosures		X
Compilations of financial statements without disclosures		X
Compilations performed when the compiled financial statements are not expected to be used by a third party (management use only), when no compilation report is issued ¹		X

¹ Refer to Interpretations 6-1 to 6-6.

Engagement Review Reports: Pass with Deficiencies vs. Fail

Why is this on the Agenda?

The peer review community has been expressing concerns regarding the guidance for Engagement Review reports and when it is appropriate for a firm to receive a pass with deficiencies vs. a fail report. Of particular concern is the treatment of deficiencies when the same deficiency is identified on more than one engagement. The community has indicated that the application of the guidance results in inconsistencies in peer review report ratings. The following guidance is included in the Peer Review Standards:

.110 Determining the relative importance of matters noted during the peer review, individually or combined with others, is a matter of professional judgment. Careful consideration is required in forming conclusions. The descriptions that follow, used in conjunction with practice aids (MFC, DMFC, and FFC forms) described below to document these items, are intended to assist in determining the nature of the peer review report to issue:

- a. A *matter* is noted as a result of evaluating whether an engagement submitted for review was performed and/or reported on in conformity with applicable professional standards. The evaluation includes reviewing the financial statements or information, the related accountant's reports, and the adequacy of procedures performed, including related documentation. Matters are typically one or more "No" answers to questions in peer review questionnaire(s). A matter is documented on a Matter for Further Consideration (MFC) form.
- b. A *finding* is one or more matters that the review captain has concluded result in financial statements or information, the related accountant's reports submitted for review, or the procedures performed, including related documentation, not being performed and/or reported on in conformity with the requirements of applicable professional standards. A review captain will conclude whether one or more findings are a deficiency or significant deficiency. If the review captain concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate. A finding not rising to the level of a deficiency or significant deficiency is documented on a Finding for Further Consideration (FFC) form.
- c. A *deficiency* is one or more findings that the review captain concludes are material to the understanding of the financial statements or information and/or related accountant's reports or that represent omission of a critical procedure, including documentation, required by applicable professional standards. When the review captain concludes that deficiencies are not evident on all of the engagements submitted for review, **or when the exact same deficiency occurs on each of the engagements submitted for review and there are no other deficiencies**, such deficiencies are communicated in a report with a peer review rating of *pass with deficiencies*.
- d. A *significant deficiency* exists when the review captain concludes that deficiencies are evident on all of the engagements submitted for review **(with the exception of when more than one engagement has been submitted for review, the exact same deficiency occurs on each of those engagements, and there are no other deficiencies, which ordinarily would result in a report with a peer review rating of *pass with deficiencies*)**. When a significant deficiency is noted, the review captain concludes that all engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. Such significant deficiencies are communicated in a report with a peer review rating of *fail*.

When the Peer Review Standards were revised in 2009, the Peer Review Board created the above guidance in response to feedback received. The Board originally proposed that the same deficiency on multiple engagements, with no other deficiencies, would result in a fail report. However, the community didn't believe that was fair to the firm as it was the same deficiency on multiple engagements. In response to the feedback, the Board created the exception as they

believed it was a fair and appropriate method of handling this situation. The exception does result in inconsistent report rating but was believed to be the best guidance.

Feedback Received

For the last two years, Peer Review Conference attendees have suggested this is an area where the Board needs to reconsider the Standards. It has also been area of concern raised by administrators.

One of the reasons no changes have been made is that a fair and appropriate alternative hasn't been agreed upon. For example, some think that if you have only one engagement, that more than one deficiency needs to be identified in order for the report to result in a fail rating. Others disagree and think it's better that if you have one deficiency on multiple engagements, even if it is the same exact deficiency, that the firm should get a fail.

In the December Reviewer Focus, staff requested input from the peer review community on this topic. One comment was received. Refer to Agenda Item 1.8A.

PRISM Impact

N/A at this time.

AE Impact

N/A at this time.

Communications Plan

N/A at this time.

Manual Production Cycle (estimated)

N/A at this time.

Effective Date

N/A at this time.

Board Consideration

Discuss the guidance presented above and whether there is a fair and appropriate alternative.

AICPA Peer Review Program
and WSCPA Peer Review Program
Administered by the Washington Society of CPAs



WASHINGTON SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

January 9, 2014

PEER REVIEW PROGRAM

Richard Reeder, CPA, Chair
Peer Review Board
American Institute of Certified Public Accountants
Palladian I Corporate Center
220 Leigh Farm Rd
Durham, NC 27707-8110

JAN 13 2013

Dear Mr. Reeder:

Per your request in the December 2013 edition of Reviewer Focus, we are providing our input regarding Engagement Review reports when one engagement has a deficiency and only one engagement was performed.

In instances where the firm performs only one engagement, and there is one deficiency on that engagement, the firm is to receive a fail report, while firms that had only the same one deficiency but repeated the one deficiency on more than one engagement, are to receive a pass with deficiency report. We believe this is punitive to firms that perform only one engagement. It seems counter-intuitive that the firm that only made a mistake once is treated more harshly than the firm that made the same mistake multiple times.

We encourage the Peer Review Board to change their guidance so that firms which perform only one engagement, and there is one deficiency on that engagement, the firm would receive a pass with deficiency report.

Respectfully,

Abby Sanders, Chair
WSCPA Engagement RAB

Jeffrey K. Mock, Chair
WSCPA Peer Review Executive Committee

Approval of Administering Entity Plans of Administration

Why is this on the Agenda?

Administering Entities were requested to advise the AICPA Peer Review Board (Board) of the level of involvement they desire in the administration of the AICPA Peer Review (Program). The table below shows the status of plans for the administration of the Program for 2014.

Feedback Received

See below.

PRISM Impact

N/A

AE Impact

See below.

Communications Plan

Upon acceptance, individual letters will be sent.

Manual Production Cycle (estimated)

N/A

Effective Date

Immediately upon Peer Review Board approval.

Board Consideration

The Peer Review Board is requested to approve the Plans of Administration for the administering entities listed below and to allow the OTF to approve (or conditionally approve any submitted with open items) the Plans of Administration submitted for 2014 when the administering entities with open items submit all necessary documentation.

Licensing Jurisdiction

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Guam
Hawaii
Idaho
Illinois

Entity Administering

**Entity Administering
AICPA Peer Review Program**

Alabama Society of CPAs
California Society of CPAs
California Society of CPAs
Arkansas Society of CPAs
California Society of CPAs
Colorado Society of CPAs*
Connecticut Society of CPAs
Pennsylvania Institute of CPAs
Virginia Society of CPAs*
Florida Institute of CPA
Georgia Society of CPAs
Oregon Society of CPAs
Hawaii Society of CPAs
Idaho Society of CPAs
Illinois CPA Society

Licensing Jurisdiction

Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Northern Mariana Islands
Ohio
Oklahoma
Oregon
Pennsylvania
Puerto Rico
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Virgin Islands
Washington
West Virginia
Wisconsin
Wyoming

AICPA Peer Review Program

Indiana CPA Society
Iowa Society of CPAs
Kansas Society of CPAs
Kentucky Society of CPAs*
Society of Louisiana CPAs
New England Peer Review, Inc.
Maryland Association of CPAs
Massachusetts Society of CPAs
Michigan Association of CPAs
Minnesota Society of CPAs*
Mississippi Society of CPAs
Missouri Society of CPAs
Montana Society of CPAs
Nevada Society of CPAs
Nevada Society of CPAs
New England Peer Review, Inc.
New Jersey Society of CPAs
New Mexico Society of CPAs
New York State Society of CPAs
North Carolina Association of CPAs
North Dakota Society of CPAs
Oregon Society of CPAs
Ohio Society of CPAs
Oklahoma Society of CPAs
Oregon Society of CPAs
Pennsylvania Institute of CPAs
Colegio de Contadores Publicos Autorizados
New England Peer Review, Inc.
South Carolina Association of CPAs
Oklahoma Society of CPAs
Tennessee Society of CPAs
Texas Society of CPAs
Nevada Society of CPAs
New England Peer Review, Inc.
Virginia Society of CPAs*
Pennsylvania Institute of CPAs
Washington Society of CPAs
West Virginia Society of CPAs
Wisconsin Institute of CPAs
Nevada Society of CPAs

Also, the National Peer Review Committee has submitted a plan for the administration of the Program for 2014.

*As of January 10, 2014, no POA had been received from an administering entity covering this licensing jurisdiction. An update on the status of these will be provided.

Update on the MFC Findings to Date and Use of Information by Other AICPA Teams

Why is this on the Agenda?

Since December 2012, peer review has been collecting data on matters identified during a firm's peer review. The MFC Project is about capturing this information, using it to learn about the trouble spots, and developing resources within the AICPA that will allow firms to have a more focused remedy for their findings. Our ultimate goal is to assist firms with the hurdles they've faced in the past, provide them with tools to drive up their quality and overall "up the game on quality" in the profession. See Agenda Item 1.10A for some of the trends identified.

Each AICPA team has been trained on how to access the MFC data and has begun to analyze the information. Some examples of how other teams in the Institute have indicated they'll utilize the information gathered are:

- Accounting & Auditing - will incorporate information into audit guides and alerts
- Center for Plain English Accounting (CPEA) – has already used the information in their December Report, incorporating peer review findings related to clarified standards implementation issues. The team plans to use the information regularly to write reports and articles on common findings.
- Ethics – will use the information to identify areas that should be looked at during investigations
- Financial Reporting Executive Committee - will utilize information to develop Technical Practice Aids for accounting issues
- GAQC – used the data for a December 2013 YB webcast and is using it to gather common deficiencies for its 2014 conference presentations
- Peer Review – monitors the data on an ongoing basis and reports common trends to reviewers on at least a quarterly basis. The top trends identified are reported along with more specifics on hot topics (e.g., detailed clarified standard implementation issues).
- Private Companies Practice Section (PCPS) - will use the information for alerts including the common matters by firm size with tips on how to avoid them
- Professional Development (CPE) - will incorporate practice points into existing courses, develop timely webinars on new standard implementation issues, and provide information to CPA2Biz to market courses

With this project and the related collaborative efforts we believe we'll make a significant positive impact on audit quality in the profession.

Feedback Received

The other AICPA teams seem excited about the opportunity to have access to this type of information and the benefits it will provide the profession.

PRISM Impact

N/A

AE Impact

N/A

Communications Plan

Peer Review will communicate findings from the MFC project in a quarterly Reviewer Focus Article.

Manual Production Cycle (estimated)

N/A

Effective Date

N/A

Board Consideration

N/A. Informational only.

Program Questionnaire Matters [System of Quality Control (QC) Related]

- Most of the QC related MFCs were from firms with 2-5 personnel.
- 56% of the QC related MFCs were associated to monitoring. The matters included instances where firms:
 - Did not have a policy related to monitoring and inspections
 - Had a policy but were either not following it or the policy was inadequate as it did not identify matters or cover all risky areas
- 17% of the QC related MFCs were associated to engagement performance, most notably not establishing appropriate engagement quality control review criteria.
- 14% of the QC related MFCs were associated to human resources (HR).
 - Of the HR related MFCs, the majority did not establish appropriate procedures to ensure staff had adequate CPE. Examples include:
 - Lack of checkpoints to ensure staff met the governmental CPE requirements
 - Review of ERISA CPE for staff where the majority of a firm's clients were ERISA
 - Staff was taking CPE after audits were performed instead of before

Engagement Questionnaire (Related to Specific Engagements)

- Most of the QC related MFCs were from firms with 2-5 personnel.
- Overall, the biggest trends identified were related to FASB, SSARS, and the clarified auditing standards (consistent across industries and levels of service).
 - FASB
 - No disclosure of tax years that remain subject to examination by major tax jurisdictions
 - No disclosure of the date through which subsequent events were evaluated
 - Incorrect classifications on the cash flow statement
 - SSARS
 - Failure to implement SSARS 19 (e.g. engagement letters and report changes)
 - Engagement letters or reports contain references to financial statements being prepared in accordance with GAAP for a Special Purpose Framework (SPF) engagement
 - Failure to include a title on the accountant's report
 - The financial statement titles do not match those identified in the accountant's report
 - Clarified Audit Standards
 - Failure to update the audit report to conform to the audit standards.
 - Failure to appropriately document planning procedures, including risk assessment, planning analytics, and internal control testing
 - Representation letters that were dated incorrectly, did not cover the appropriate periods or were missing required representations
- The largest trends for the must select categories are as follows:
 - GAS
 - No disclosure of tax years that remain subject to examination by major tax jurisdictions

- Representation letters that were dated incorrectly, did not cover the appropriate periods or were missing required representations
- Insufficient Planning documentation – mainly risk assessment
- On A-133 engagements, insufficient documentation in relation to sampling procedures for tests of controls and tests of compliance
- On A-133 engagements, incorrect completion of the Schedule of Findings and Questioned Costs
- ERISA
 - No disclosure of tax years that remain subject to examination by major tax jurisdictions
 - Insufficient procedures and documentation for reliance upon SOC 1 reports in lieu of testing income allocations and investment options at the participant level
 - Missing or insufficient fair value disclosures related to fair value hierarchy of investments, description of the levels, descriptions of the methods used and tabular presentation of amounts. Also included insufficient procedures and documentation regarding the procedures to obtain assurance of the fair value measurements.
 - Failure to disclose investments that represent five percent or more of net assets
 - Auditors' report did not conform to the new clarified standards.
- FDICIA
 - Failure to include all elements required by professional standards in the accountant's report on internal controls
 - Failure to understand and comply with the independence rules applicable to these engagements, i.e. SEC independence rules do not allow the auditor to also prepare the client's financial statements
 - No disclosure of tax years that remain subject to examination by major tax jurisdictions
- Broker-Dealers (Carrying and Non-Carrying)
 - Failure to comply with SEC Independence Rules, including not preparing financial statements for clients
 - No disclosure of tax years that remain subject to examination by major tax jurisdictions
 - Audit reports on financial statements were not updated to conform with clarified audit standards and inappropriately referenced use of the PCAOB standards to perform the audits (when SAS were followed)
 - Audit reports on internal controls were not appropriate, including using the non-carrying format for a carrying firm, outdated definitions of internal control and restrictions of the report to management and regulations
 - Failure to use a broker-dealer specific financial statement checklist thus missing required disclosures
- SOC
 - SOC 1
 - The service auditor lacked the experience and training required under SSAE 16 to properly complete a Service Organization Control Report.
 - The client acceptance, the description of controls and the audit documentation omitted reference to the need for complimentary user controls if any exist, the risks that threaten the achievement of the control objectives and the linkage between the controls

-
- included in the control description, and the proper identification of subservice organizations and related services and ultimate use of the carve out method.
- The information included in the report did not have sufficient support in the workpapers, such as
 - No documentation to assess the nature, timing, and extent of the procedures (specifically sampling methodology)
 - Control testing did not address the elements of the control, all IT general controls and change management controls
 - No documentation of procedures to support the Other Information included in the report
 - Incorrect references included or incorrect language used in the report including user controls, carve outs, and other information.
 - SOC 2 (only one MFC has been reported)
 - The report issued included non-standard wording regarding complementary user entity controls

Agenda Item 1.16A

**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation between
September 11, 2013 and January 15, 2014, and Not Enrolled as of January 15, 2014.**

Firm Number	Firm Name	State	Admin By
10152635	Darlene E. Wood	CA	CA
1141937	James E. Phillips	CA	CA
6938408	Robert Wm. Wheeler, CPA, Inc.	CA	CA
10061215	Singer, Traynor & Co.	CA	CA
10128305	Wilcox Hokokian & Bains, LLC	CA	CA
10102003	Willis & Tomlinson, LLP	CA	CA
4924003	Mayer & Associates, CPA, LLC	CT	CT
10081148	J. J. Luckey & Company	FL	FL
5728491	Kilgour & Associates, LLC	FL	FL
1047761	McDonald & Osborne P. A.	FL	FL
10111022	Morning Star Financial Services, PA	FL	FL
4850484	Ronald M. Shultz, CPA, PA	FL	FL
5918136	Barry H. Franklin, CPA, LLC	GA	GA
10120816	Bennie R. King P. C.	GA	GA
4148289	North Georgia Accounting Consultants, Inc	GA	GA
5144466	Stein Accounting, CPA	GA	GA
10126399	The Willeford Group, CPA, P. C.	GA	GA
639153	Richard M. Okuna	HI	HI
5355499	Keith C Germann, Certified Public Accountant	IA	IA
6202149	James J. Burrell CPA LTD	IL	IL
10082473	Lawrence J. Ollearis & Assocs.	IL	IL
10105844	Ronald D. Bouska, CPA	KS	KS
4938059	James W. Reynolds, CPA, PLLC	KY	KY
4518548	Brian S. Miller	LA	LA
10146289	Vasil & Dowd, CPA's	MA	MA
5386755	Isaac Ogunsola & Co.	MD	MD
10074700	Webster, Evans, Tyler	MD	MD
10017764	Doyle, Litt, Kuras and Company, P. C.	MI	MI
10142943	Midwest Accounting, P.C.	MI	MI
10136537	Nienhuis Financial Group	MI	MI
4509901	Pikstein & Metzger, P.L.L.C	MI	MI
10104239	Walter G. Bojan CPA, P. C.	MI	MI
1169018	Kevin L. Applequist	MN	MN
10104171	Coates & Troeger, P.C.	MO	MO
1192548	S. Vincent Juska	NC	NC
10124635	Kangas & Kangas	NH	NH
10143032	Banker Associates CPAs PC	NJ	NJ
1124538	Frank A. Piarulli	NJ	NJ

Firm Number	Firm Name	State	Admin By
10068874	Goldfinger, Block, Glickenhau, Dinar, LLP	NJ	NJ
10145577	Peter A West	NJ	NJ
10115248	Stanley Goldschmidt, CPA	NJ	NJ
6428319	Wagner, Schields & Jennings, PC	NJ	NJ
5184490	Filener & Associates PC dba Filener & Company	NM	NM
10132377	Anthony Imbimbo, CPA	NPRC	NPRC
10094626	Baumann, Raymondo & Company, P.A.	NPRC	NPRC
10133718	BehlerMick PS	NPRC	NPRC
10007656	Braver PC	NPRC	NPRC
10147393	Dorothea M Kelly CPA LLC	NPRC	NPRC
10028903	Harb, Levy & Weiland LLP	NPRC	NPRC
10124247	Jeffrey & Company	NPRC	NPRC
10117795	Smart and Associates LLP	NPRC	NPRC
10114223	Dennis J. Hayes, CPA	NY	NY
542017	John J. Marsh Jr.	NY	NY
10139235	K SRA CPA PC	NY	NY
5317981	Lambrides, Lamos, Taylor CPAs LLP	NY	NY
6627484	Marlies Y Hendricks CPA LLC	NY	NY
10081521	Morgenstern & Baer	NY	NY
10108601	Sejour & Associates, P.C.	NY	NY
10039326	Theodore Ranzal	NY	NY
10130599	Taranto & Associates, CPA's Inc.	OH	OH
4630529	Integrity First CPA's, LLC	OR	OR
4169332	Accounting & Tax Solutions LLC	PA	PA
10123192	Conway & Associates, PC	PA	PA
5060768	CPA Elisamuel Rivera Rivera	PR	PR
10134958	Ismael Velazquez-Perez	PR	PR
10151662	RTC Roman & Co., PSC	PR	PR
4825755	Silvagnoli CPA Group, PSC	PR	PR
6125315	JJA Investment, LLC	TN	TN
5147589	Alexander and Spencer, P.C.	TX	TX
6117338	Anna Swenson CPA PLLC	TX	TX
5771474	Claudell Bradby CPA	TX	TX
5643850	Allred & Associates	VA	VA
5552170	Brian Davis, CPA, PLLC	VA	VA
5272856	Cato Gordon and Company	VA	VA
10150657	Cheryl R Morrow	VA	VA
5907892	Hassan Sultan	VA	VA
5890868	J.W. Morris & Associates, P.C.	VA	VA
5870893	Jackson & Company CPAs, P.C.	VA	VA
10137818	Ken Perkins	VA	VA
10106496	McKee CPA Office, PC	VA	VA

Firm Number	Firm Name	State	Admin By
10143775	Michael L. Weiser	VA	VA
10148544	Mills, Bowman & Dayton P. C.	VA	VA
10084682	R. J. Singleton, CPA	VA	VA
10154932	Robert W. Young CPA & Associates	VA	VA
10100762	Thatcher & Benson, P. C.	VA	VA
5708216	Vellocido & Associates, PC	VA	VA
930870	Ivan Wilson S. C.	WI	WI

Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program

Effective August 20, 2013 - The AICPA Peer Review Program terminated the following firm for failure to cooperate with the AICPA Peer Review Board:

Marcus N. Petruzzi CPA - Warminster, PA

Effective November 7, 2013 - The AICPA Peer Review Program terminated the following firm for failure to cooperate with the AICPA Peer Review Board:

Colabella & Company LLP - New York, NY

Approved 2014 Association Information Forms for Associations of CPA Firms

Why is this on the Agenda?

As of January 9, 2014, the Associations Task Force has accepted the 2014 Association Information Form (AIF) from 24 associations of CPA firms on behalf of the Board. Three associations have requested permission to assist their members in forming review teams. An asterisk indicates those associations below.

Association Name

AGN International - North America
Alliott Group North America
Associated Regional Accounting Firms
BDO Seidman Alliance, The
BKR International
CPA Affiliates of Virginia Ltd.
CPA Associates International Inc.*
CPA Management Systems, Inc. T/A INPACT Americas
CPAConnect
CPAmerica International
CPA-USA Association
DFK International/USA*
Enterprise Worldwide
Firm Foundation
Florida CPA Group, The
HLB USA, Inc.
Integra International
Leading Edge Alliance, The
McGladrey Alliance
National Association of Black Accountants Division of Firms
National Conference of CPA Practitioners (NCCPAP)
Nexia International
PrimeGlobal*
Texas Management Group

Feedback Received

N/A

PRISM Impact

PRISM has been updated to reflect the approval of the 24 associations for 2014.

AE Impact

N/A

Communications Plan

Administering entities have been notified via email of the 24 associations that have been approved for 2014.

Manual Production Cycle (estimated)

N/A

Effective Date

Upon ATF approval and notification of AEs.

Board Consideration

None. For informational purposes only.

Education and Communication Task Force Future Agenda Items

Why is this on the Agenda?

The Education and Communication Task Force will provide this information to the Board at each open session meeting as a way to garner feedback and input on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

Feedback Received

N/A

PRISM Impact

N/A

AE Impact

N/A

Communications Plan

N/A

Manual Production Cycle (estimated)

N/A

Effective Date

N/A

Board Consideration

Review the list of Education and Communication Task Force future agenda items below and provide feedback.

- Conference
 - Plan and coordinate the 2014 AICPA Peer Review Program conference (speakers, topics for exchange of ideas and presentations as needed)
- Training Courses/Materials and Programs
 - Plan various webinars for 2014 including an Are You Ready webinar, A Peer Review Update Webinar and a Back to Basics Webinar
 - Develop other webinars which would meet the requirements for continued peer review education for reviewers (minimum of two 2-hour webinars per calendar year)
 - Determine the need to develop additional training materials and learning opportunities specifically for individual groups (administrators, technical reviewers, committee members, and reviewers).
 - Update the existing courses for guidance changes and updates as well as input from instructors and participants
 - Evaluate the adequacy of ongoing training requirements for existing or future peer reviewers
- Peer Reviewer Pool

-
- Survey reviewers to determine if succession planning is in place or whether reviewers have capacity/desire to add additional peer reviews to their peer review practice.
 - Communications
 - Review and approve the development of additional communications to administrators, technical reviewers, committee members, and reviewers
 - Communicate changes to pertinent groups regarding changes adopted by the Peer Review Board or other task forces

Oversight Task Force Future Agenda Items

Why is this on the Agenda?

The Oversight Task Force will provide this information to the Board at each open session meeting as a way to garner feedback and input on the nature and timing of agenda items that the Oversight Task Force will consider in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to new information and circumstances.

Feedback Received

N/A

PRISM Impact

N/A

AE Impact

N/A

Communications Plan

N/A

Manual Production Cycle (estimated)

N/A

Effective Date

N/A

Board Consideration

Review the list of items below and provide feedback.

- Conduct Oversight Visits to each Administering Entity at least every other year (approximately 24 visits are planned for 2014).
- Consider the timing of Oversight Visits to each Administering Entity.
- Review and approve comments on desk reviews of system and engagement reviews selected for oversight.
- Evaluation of the desk review oversight process.
- Review and update the Oversight Handbook as necessary.
- Communicate changes to pertinent groups regarding changes adopted by the Peer Review Board or other task forces.
- Review reviewer performance issues and requests for national suspension.
- Maintain National RAB listing, including approval of SOC specialists.
- Issue Annual Report on Oversight.



Peer Review Program