

**AICPA Peer Review Board (PRB)
January 27, 2015 Open Session Meeting Highlights**

Meeting Participants

PRB Members

Anita Ford, Chair
James Clausell
Michael A. Fawley
Lawrence Gray
Richard W. Hill
Richard Jones
Karen Kerber
Michael LeBlanc*
Toni Lee-Andrews
G. Alan Long
Michael McNichols*
Thomas Parry
Andrew Pope
Thad E. Porch*
Robert Rohweder
Keith Rowden
Debra Seefeld
Todd Shapiro
Thomas W. Whittle III

* via telephone

AICPA Staff

Fran McClintock, Staff Liaison
Jim Brackens
Rachelle Drummond
Kim Ellis*
Gary Freundlich
Tim Kindem
Sue Lieberum
LaVonne Montague*
Lisa Joseph*
Carl Peterson
Donna Roethel
Karl Ruben
Beth Thoresen

Guests Participating In Person and Via Telephone

See Exhibit 1

Purpose of the Meeting

Regularly scheduled meeting to review and discuss proposed guidance and other topics. Ms. Ford called the meeting to order at 10:30am AST. The meeting was adjourned at 12:25pm AST.

Discussion Points

1.1 Welcome Attendees

Ms. Ford called the open session to order and welcomed the Peer Review Board (PRB) members and all participants.

1.2 Approval of Revisions to Reviewer Performance Guidance

Mr. Parry presented the proposed revisions to the reviewer performance guidance. In November 2014, the PRB issued an exposure draft related to reviewer performance. The Standards Task Force (STF) considered responses to the exposure draft and related responses to the EAQ paper that was issued in 2014. The STF is proposing the guidance be adopted by the PRB with minor changes.

Decisions, Next Steps and Action Items:

- Standards revisions and peer review alert were approved with minor changes.

1.3 Approval of Revisions to AICPA Peer Review Program Guidance on Preparation Services

Mr. Parry presented the revisions to the AICPA Peer Review Program guidance on preparation services. In November 2014, the PRB issued an exposure draft related to preparation of financial statements performed under SSARs and the impact on the scope of peer review. The STF considered responses to the exposure draft and are proposing the standards, interpretation and correlating manual changes be adopted by the PRB. The PRB discussed which firms would be required to sign a no A&A letter if the firm only performs preparatory services. The firms required to sign the letters will be limited to firms that are licensed in states that have a requirement to enroll in the peer review program. Those firms will be required to sign a no A&A letter if they only perform preparatory services. All other firms would not be required to sign the no A&A letter if they only perform preparatory services. Mr. Parry indicated that conforming changes were noted by the STF and those changes would be incorporated into the guidance.

Decisions, Next Steps and Action Items:

- Standards revisions and peer review alert were approved with conforming changes.

1.4 Update on Enhancing Audit Quality Initiative

A. Peer Reviewer Quality Task Force

Mr. McNichols discussed the activities of the Peer Reviewer Quality Task Force. The task force worked on the reviewer performance exposure draft that was issued in the fall of 2014 and the guidance changes were presented earlier in this meeting. The task force will now work on developing wraparound guidance needed as a result of the exposure draft. Also, the task force will reassess the current technical reviewer qualifications and processes. The task force expects to present new guidance on these items at the August PRB meeting.

B. Emerging Risk Industries and Areas Task Force

Ms. Ford discussed the activities of the Emerging Risk Industries and Areas Task Force. This task force was focused on targeting problem areas within the profession and within audit quality. The task force has identified five initial risk areas to focus their attention. The five areas are:

- Independence for nonattest services
- Evaluation of client and specialist skills, knowledge and experience (SKE)
- Sufficiency of audit evidence
- Employee benefit plan audits
- Issuers of municipal securities

The task force is working on various webinars, blog posts and potential changes to the peer review checklists to address these issues.

The task worked on the 2016 emerging risk industries and areas and will communicate them upon approval (Presented in Agenda Item 1.5).

C. Population Completeness Task Force

Ms. McClintock discussed the activities of the Population Completeness Task Force. The task force met on January 16, 2015 to discuss the comments received on EAQ Discussion Paper related to this initiative. The task force is working on changes to the background scheduling forms and the peer review checklists to address population completeness. The task force will also be requesting enhancements to the question on the SRM regarding the firm's methodologies for ensuring completeness.

D. Reporting Task Force

Mr. Long provided an update on the activities of the Reporting Task Force. On December 4, 2014, the task force met to discuss the report user group input and the EAQ paper responses and made recommendations to the STF based on the input. The task force is currently considering all feedback received and is waiting for input from the STF and the PRB to determine the next steps.

Decisions, Next Steps and Action Items:

- None

1.5 Approval of Enhanced Auditing Quality Initiative – Emerging Industries and Risk Areas

Ms. Ford presented the Enhanced Auditing Quality Initiative emerging industries and risk areas for 2016. The emerging industries and risk areas identified for 2016 are Single Audit and crowdfunding.

Decisions, Next Steps and Action Items:

- The emerging industries and risk areas for 2016 were approved.

1.6 Update on Practice Monitoring of the Future

Ms. Thoresen presented the update on practice monitoring of the future. The concept paper was launched on December 15, 2014. The concept paper is a thought provoking vision of what practice monitoring could look like in the future. AICPA Staff is currently collecting formal feedback through June 2015.

Decisions, Next Steps and Action Items:

- None

1.7 Approval of Administering Entity Plans of Administration

Mr. Hill presented the administering entity plans of administration for approval. Ms. Ford noted that the PRB is allowing the Oversight Task Force to approve (or conditionally approve any submitted with open items) the Plans of Administration submitted for 2015 when the administering entities with open items submit all necessary documentation.

Decisions, Next Steps and Action Items:

- The plans of administration were approved.

1.8 Oversight Task Force Report

Mr. Hill presented an update on the Oversight Task Force (OTF) activities. The OTF is working on the implementation of the new oversight processes approved by the PRB in May 2014. Mr. Hill presented the preliminary results for the enhanced oversights of must-select engagements. Mr. Hill also presented some of the findings from the RAB Observations that were performed in 2014. Overall, the results of the RAB observations were positive and RABs are properly performing their duties.

Decisions, Next Steps and Action Items:

- None

1.9 Standards Task Force Report

Mr. Parry presented the update from the STF. The STF is working on the following items:

- Enhancing peer review of QC systems,

- Making peer review results more informative,
- Serving on Joint Trial Board and Peer Review Board,
- Tone at the top guidance,
- Requiring pre-issuance or post-issuance review in all instances of nonconformity for must-select engagements,
- Evaluating “new” must-select engagements promptly, and
- Evaluating how new or incomplete must-select engagements should be considered when the firm is engaged and issues the engagement after the peer review commences but before the peer review is accepted.

Decisions, Next Steps and Action Items:

- None

1.10 Education and Communication Task Force Report

Ms. Lee-Andrews presented the update for the Education and Communication Task Force (ECTF). Ms. Lee-Andrews presented updates for the following items: the 2015 Conference, training courses and materials, webinars, live seminar courses, proposed revisions to the educational framework and communications.

Decisions, Next Steps and Action Items:

- None

1.11 Update on DOL Research Project

Ms. Lieberum presented an update on the DOL Research Project. AICPA Staff has been working on the project for almost two years. A listing of 4,918 firms was provided to the AICPA by the DOL. Seventy-nine percent of the firms were in compliance. Twenty-one percent, or over 1,000 firms, were either not enrolled in the program or were not in compliance with AICPA bylaws or state board of accountancy rules. For non-AICPA firms that could not prove that they had a peer review, those firms will be referred to their state board of accountancy. Several hundred firms have been referred to the AICPA Professional Ethics division based on the project. So far, two firms have been expelled and 20 firms received a two-year suspension.

Decisions, Next Steps and Action Items:

- None

1.12 Operations Director Report

Ms. Thoresen presented the Operations Director report. For the customer satisfaction survey, questions were added regarding peer reviewer capacity and their willingness to take on more reviews. Based on the survey results, there is more than enough capacity for peer reviewers to perform reviews. Ms. Thoresen also indicated that there have been issues with aicpa.org login access, preventing access to PRISM over the last few months. Most of the issues have been resolved, and long-term resolution is underway. Finally, Ms. Thoresen indicated that the AICPA will be launching a new member database using a system called NetFORUM that will replace Oracle. While some features of NetFORUM will be launched this spring, based on the testing that has been done so far, the launch of the Peer Review features have been postponed until a later date to ensure a smooth transition. A new date will be communicated as soon as it is determined.

Decisions, Next Steps and Action Items:

- None

1.13 Report From State Society CEOs

Mr. Jones presented the report from State Society CEOs. State societies have been communicating with state boards of accountancy regarding how to approach replacement reviews.

Decisions, Next Steps and Action Items:

- None

1.14 Report on National Peer Review Committee

Mr. Gray presented the report on the National Peer Review Committee (NPRC). Since the last PRB meeting, the NPRC held a conference call on October 31, 2014 and had an in-person meeting in December. At the October 31 meeting, four large firm reviews were accepted. Also, the oversight report and the administrative review were approved. The administrative review performed by Jerry Hensley noted that some reviews were not assigned to AICPA Staff on a timely basis, but, most reviews were assigned timely. AICPA Staff has issued their response indicating that they are mindful of the comment and will work on ensuring that reviews are prioritized. At the December meeting, four large firm peer reviews were accepted. Also, the 2015 plan of administration and the policies and procedures manual for the NPRC were approved at the meeting. A conference call will be held on February 3, 2015. One large firm will be presented and a Quality Control Material (QCM) review will also be presented. Since September, the NPRC has held seven RAB calls. During those calls 90 reviews were presented. Of those 87 were pass, two were pass with deficiencies and one was a fail.

Decisions, Next Steps and Action Items:

- None

1.15 For Information Purposes

Ms. Ford asked if there were any comments about these items. The PRB members had no comments.

Decisions, Next Steps and Action Items:

- None

1.16 For Information Purposes

Ms. McClintock noted the dates of the future open session meetings:

- A. Monday/Tuesday, May 4-5, 2015 Task force meetings/open/closed sessions – Durham, NC
- B. Wednesday, August 5, 2015 Open/closed sessions (AM) – New Orleans, LA
- C. Thursday/Friday, September 17-18, 2015 Open/closed sessions – Conference call
- D. Thursday/Friday, January 21-22, 2016 (Subject to Change) Task force meetings/open/closed sessions – Location TBD
- E. Monday/Tuesday, May 2-3, 2016 Task force meetings/open/closed sessions – Durham, NC
- F. Thursday, August 11, 2016 Open/closed sessions (AM) – Location TBD
- G. Monday/Tuesday, September 26-27, 2016 Open/closed sessions – Conference call

**Exhibit 1: PRB Open Session
Guests Participating In Person and Via Telephone
January 27, 2015**

1. Sharon Romere-Nix	Thomson Reuters (PPC)
2. Gloria Snyder	LCPA
3. Marsha Moffitt	AR Society of CPAs
4. Ryan Murnick	Illinois CPA Society
5. Roger Johnson	Tennessee Society of CPAs
6. Karen Condon	Tennessee State Board of Accountancy
7. Mark Mersmann	MSCPA
8. Julie Salvaggio	Kentucky Society of CPAs
9. Rita Barnard	KSCPA
10. Wendy Garvin	Tennessee Society of CPAs
11. Abby Dawson	F.G. Briggs Jr., CPA Professional Association
12. Dipesh Patel	TSCPA
13. Paul Brown	Florida Institute of CPAs
14. Nichole Favors	Indiana CPA Society
15. Cheryl Hartfield	Thomson Reuters
16. Phyllis Barker	Oregon Society of CPAs
17. Stacey Lockwood	LCPA
18. Patty Hurley	Oklahoma Society of CPAs
19. Joel Sanchez Berlingeri	Sánchez Berlingeri & Co. CPA PSC
20. Janice Gray	Gray, Blodgett & Company, PLLC
21. Brittany Lewin	WI Dept of Safety and Professional Services
22. Jerry Cross	TSCPA
23. Steve Stucky	CPA
24. Nancy Corrigan	California PROC
25. Carolee Lindsey	Cummings, Keegan & Co., PLLP
26. Maria LaBoy	Colegio de Contadores Públicos Autorizados de Puerto Rico
27. Judy Chaplin	Iowa Society of CPAs
28. Luis Martínez Renta	Zayas Morazzani & Company
29. Carlos De Angel	De angel & Compañía, CPA, CSP
30. Brian Bluhm	Eide Bailly LLP