

**AICPA Peer Review Board Meeting – Open Session Highlights  
January 13, 2016  
Sarasota, FL**

**Meeting Participants**

*PRB Members:*

Anita Ford  
Dawn Brenner  
Jeannine Birmingham  
Bill Calder  
James Clausell  
Bert Denny  
Mike Fawley  
Larry Gray  
Karen Kerber  
Mike LeBlanc  
Bill Lajoie  
Alan Long  
Barbara Lewis  
Tom Parry  
Andrew Pope  
Bob Rohweder  
Keith Rowden\*  
Debra Seefeld  
Todd Shapiro  
Tom Whittle

*AICPA Staff:*

Jennifer Capoccia  
Jim Brackens  
Rachelle Drummond  
Jaime Henderson  
Kim Ellis\*  
Gary Freundlich  
Tim Kindem  
Sue Lieberum  
Fran McClintock  
Carl Mayes  
Donna Roethel  
Beth Thoresen  
LaVonne Montague\*  
Lisa Joseph\*  
Andrew Volz\*  
Tracy Peterson\*  
Susan Rowley\*  
Tricia VanVliet\*

*Guest Participants:*

See Exhibit 1

\*via phone.

**Agenda Item 1.2: Approval of Revisions to Standards and Interpretation for Qualifying for Service as a Peer Reviewer - Mr. Parry**

*Discussion Summary:*

1. The revised reviewer qualifications guidance, barring the revised education requirements which have an effective date of May 1, 2016, became effective as of December 31, 2015. The additions to the interpretations presented in Agenda Item 1.2A are meant to enhance the understanding of these changes through;
  - a. Reinforcing the idea that an exception to the minimum requirements would be rare.
  - b. Outlining a process for exceptions.
  - c. Providing illustrious examples with responses to probable questions that may arise.
  - d. Defining “presently involved” and clarifying transition issues.

*Resolutions:*

1. The revisions were approved as presented
2. Staff will issue a Reviewer Alert, in January 2016, detailing the approval process for exceptions.

## **Agenda Item 1.3: Update on Revisions to the Termination Process- Ms. Lieberum**

### **Agenda Item 1.3A: Expediting firm Drops and Hearings**

#### *Discussion Summary:*

1. The proposal keeps all fair procedures as they exist today for firms, however it lessens the time between warning letters.
2. Currently a firm is typically not dropped before its due date, this proposal would allow a possible drop to occur prior to the firm's peer review due date.
3. Agenda Item 1.3A1 outlines the current and proposed timelines for a firm going through the drop process, which is the process a firm would go through prior to commencement of the peer review.
  - a. Failure to submit background information; currently takes 133 days for a firm to go through the drop process, the proposal would decrease the timeframe to 94 days.
  - b. Failure to submit team or association information; currently takes 94 for a firm to go through the drop process, the proposal would decrease the timeframe to 79 days.
  - c. Failure to submit other information, such as scheduling documents; currently takes 129 days to go through the drop process, the proposal would decrease the timeframe to 94 days.
4. Agenda 1.3A2 outlines the current and proposed timelines for a firm going through the hearing process, which is the process a firm would go through once fieldwork has commenced.
  - a. Failure to sign acknowledgement of corrective action; currently takes 43 days for a firm to be assigned to a hearing panel, the proposal would lessen the timeframe to 42 days.
  - b. Failure to complete corrective/monitoring action; currently takes 84 days for a firm to be assigned to a hearing panel, the proposal would lessen the timeframe to 36 days.
  - c. Any other firm non-cooperation detailed in Interpretation 5h-1; currently takes 53 days for a firm to be assigned to a hearing panel, the proposal would lessen the timeframe to 35 days.

#### *Resolutions:*

1. The proposed changes were approved as presented in Agenda Items 1.3A1-1.3A2, effective May 1, 2016.

### **Agenda Item 1.3B: Increase Hearing Panel Capacity**

#### *Discussion Summary:*

1. With the recent changes to the standards related to firm terminations, re-enrollment and reviewer performance, staff anticipates an increase in hearings.
2. Currently, we schedule one hearing panel per month, for about 3 hours each month. This scheduling would not allow us to meet the anticipated increase in hearings per the previously proposed changes in Agenda Item 1.3A1-A2.
3. Since the goal is to accelerate the termination of a firm's enrollment when they are not cooperating coupled with the changes in guidance, we will need to schedule two hearings a month.
3. To lessen the burden on board members, we would like to appoint designees that would be approved by the board chair. The hearing panels would maintain at least 2 board members per panel.
  - a. The initial list of designees will contain past board members and OTF members not currently on the Board.

4. The Rules of Procedure Section 3.3 Notification of Proceeding (page E-10) outlines the changes to the notification process for firms. The Rule of Procedure indicate firms should receive notification of a hearing at least 30 days prior to the hearing date.
5. Currently, a firm is sent a Hearing of Notice the month prior to the hearing date. That will continue under the new proposal. However, when a firm requests to participate in the hearing, we don't want to start the 30-day notification cycle. The Rules of Procedure have been changed to let the firm know they will receive rescheduled date within five days of notification that they want to participate and that the rescheduled date will be less than 30 days.
6. Another important change being proposed is to eliminate the ability for firms to participate in person but continue to allow them to participate via conference call.
  - a. The primary reason for this is timing. When a firm wants to participate before the board, we ordinarily schedule it in conjunction with an in person board meeting, which further delays the process.
  - b. Section 1.3 Hearings on Page E-6 of the Rules of Procedure changes the ability for a firm to attend the hearing and replaces that with participate by telephone.

*Resolutions:*

1. The revised Rules of Procedures were approved as presented in Agenda Item 1.3B1, effective upon adoption.

**Agenda Item 1.3C: Firm Termination Language and Communication**

*Discussion Summary:*

1. In an effort to increase transparency and provide interested parties the ability to determine the reason for the firm's termination from the peer review program, Agenda Item 1.3C proposes language describing underlying reasons for terminations.
2. The agenda item provides various reasons a firm would be terminated and the text that would be provided when a firm is terminated for that reason.
3. The language would be used in the publication of terminations in Peer Review Board open session materials, on the AICPA's website, and used in letters provided to state boards on a monthly basis.

*Resolutions:*

1. The revised termination language was approved as presented in Agenda Item 1.3C; subject to verbiage change in the title to "Firm Termination in the Peer Review Program Language and Communication," effective for terminations resulting from hearing panels after January 13, 2016.

**Agenda Item 1.4: Update on Planning Task Force – Ms. Ford**

*Discussion Summary:*

1. The Planning Task force consists of the chairs of each of the standing committees, a representative from the Big 4 and a regulatory member.
2. In an effort to improve audit quality and utilize our resources in the most effective and efficient manner, the PTF met January 12, 2015 to refine the proposed tactical plan
  - a. Clearing open peer reviews
  - b. PRISM 2
  - c. Enhanced oversight (Debra Seefeld, OTF chair, provided a brief update later in the meeting)
  - d. Evolution of peer review administration-will have a brief update later in the agenda
  - e. Nonconforming engagements

- i. Addressed mainly through enhanced communication and education efforts.
- f. Peer Review Website enhancements to be more user friendly
- g. Improving reviewer performance, training and technical reviewer training

*Resolutions:*

None

## **Agenda Item 1.5: Task Force Updates**

### ***Agenda Item 1.5A: Standards Task Force-Mr. Parry***

*Discussion Summary:*

1. Agenda items recently or expected to be discussed by Task Force in the near future
  - a. The first half of the year, the STF anticipates spending time working on conforming changes in response to the recently approved transparency ED. These changes would be applied throughout the PRPM.
  - b. Enhancing peer review of QC systems: To assist reviewers in holding firms accountable for non-conformity with SQCS 8, a Guidelines checklist is being considered. The checklist lays out model policies and procedures, providing reviewers with insight into the ways a firm might meet the objectives of the standard. The Guidelines checklist, which was approved by the PRB's Quality Control Task Force and presented to the PRB in September 2015, has been distributed to the STF for advance review. It is the STF's objective to present the Guidelines checklist to the May 2016 Open PRB session with an effective date of January 2017.
    - a. It is currently being piloting by reviewers in the field to provide feedback.
2. In addition to ongoing discussion of potential guidance changes as a result of EAQ initiative, STF continues to have several other topics that will be addressed over time.

*Resolutions:*

None

### ***Agenda Item 1.5B: Education and Communication Task Force Report – Ms. Kerber***

*Discussion Summary:*

1. Subsequent to the last Peer Review Board Meeting, the following accomplishments occurred;
  - a. During the September 2015 meeting;
    - i. Approved 22 individuals for peer review course instructors. Should any further applicants come forward, they will be approved on an ad-hoc basis.
    - ii. Review of formal and informal conference feedback in consideration of the planning process for the 2016 peer review conference.
    - iii. Discussed requiring additional training for RAB Members
  - b. On December 1, 2015, Tom Parry and Richard Hill delivered an optional RAB Member and Technical Reviewer training webinar; approximately 160 people attended.
  - c. Ongoing review of the revised training modules for peer reviewers;
    - i. The first part of "Becoming an AICPA Peer Review Team or Review Captain" is expected to launch May 2016

- ii. The second part of “Becoming an AICPA Peer Review Team or Review Captain” will have a consistent format as the previous offering, 8 hour live seminar.
    - iii. The “AICPA Peer Review Update” course, as well as the on-demand courses that meet the must-select training requirements, are currently available for purchase on the CPA2Biz website.
  - d. Revisions to the Peer Review FAQ document were approved and will be posted to the website shortly.
- 2. Ongoing projects discussed during the January 12, 2016 meeting;
  - a. Conference planning
  - b. Training framework for new and RAB Members, with a proposed effective date of January 1, 2017.
  - c. Technical reviewer training framework for new and existing reviewers, with a proposed effective date of January 1, 2017.

*Resolution:*

None

**Agenda Item 1.5C: Oversight Task Force Report – Ms. Seefeld**

*Discussion Summary:*

1. Please see Agenda Item 1.5C for a bullet list of accomplishments for the year.
2. The current focus of the OTF is Enhanced Oversight;
  - a. Wrapping up pilot year 2014 (calendar year); 90 engagements reviewed (74 random, 16 targeted), performed by SMEs approved by the OTF
  - b. 25/74 oversights, 34%, SME identified nonconforming engagements not detected by the reviewer.
  - c. 10/25 resulted in a change to the peer review report, some have not completed the process
  - d. 33/90 oversights, 37%, SME identified nonconforming engagements not detected by the reviewer.
  - e. 13 Enhanced Oversights reviewed to identify the correspondence issued from the RABs and AEs
    - i. Changed 5 of those communications to the next level
3. The pilot year was in response to the DOL study; as we plan for 2015 consideration will be made for the OMB study (Single Audits)
  - a. Originally 75 random and 75 targeted Enhanced Oversights were planned for 2015, with 25 being performed on-site; revised the statistical sample. 81 A133 engagements selected, random sample would increase to 85.
4. OTF has been charged with overseeing the Open Review clean-up initiative
  - a. More detailed tracking approach with a report including the firm name and where it is in the process.
5. Accepted Plans of Administration, completion date of January 30, 2016
6. 3 RAB Observations planned for each AE from August 1, 2015 through July 31, 2016.
  - a. Currently performed 18 observations, covering 17 AEs and 109 reviewers

*Resolutions:*

None

**Agenda Item 1.6: Operations Director’s Report – Ms. Thoresen**

*Discussion Summary:*

1. Apologized for the telephone sound issues at the meeting

2. PRISM staff and developers are continuing to work on member login issues, and system performance issues as a priority. IT is committed to better performance testing prior to roll-out of new systems.
3. Replacing current PRISM system is a top priority. Vendor will provide a proof of concept demo in early February. Cannot specify a particular date at this point in time.
4. Peer Review Conference dates for 2017, August 14-16 at the Loews Vanderbilt Hotel in Nashville, TN. Slightly later to accommodate the AICPA Board meetings. Monday the 14<sup>th</sup> is slated for the optional session.

*Resolutions:*

None

### **Agenda Item 1.7: Report from State CPA Society CEOs – Mr. Shapiro**

*Discussion Summary:*

1. State Society CEOs are committed to Enhancing Audit Quality and Peer Review.
2. Evolution of the peer review administration objective of increasing quality, consistency, effectiveness and efficiency.
  - a. Over 40 AE's today, the future state would be significantly fewer with a goal of increased consistency and effectiveness of administration.
  - b. A discussion paper outlining proposed plan will be issued to State Society CEOs in February 2016. Looking for Board support as this initiative will have impact to Administrative processes and RAB and AE Manuals.

*Resolution:*

None

### **Agenda Item 1.8: Update on National Peer Review Committee – Mr. Gray**

*Discussion Summary:*

1. The 2014 Oversight Report was accepted during the October 2015 meeting, as was the NPRC's internal inspection report. This review was performed by members of the NPRC OTF. There was one comment that there were a few signed confidentiality letters missing for NPRC members. Staff has obtained those letters and will revise the process to ensure all letters are maintained in the future. The oversight report, internal inspection report and staff's response have been posted to the NPRC's website on .org.
2. Mr. Gray also provided an update of the other activities of the NPRC since the PRB's last meeting.

*Resolutions:*

None

### **Agenda Item 1.9: Update on the Peer Review Program Manual - Susan Rowley**

*Discussion Summary:*

1. Since our September update, OPL was updated to:
  - a. Reflect conforming changes to 4 Engagement Review checklists (the 23200s and 23300s) to update incorrect references
  - b. Reflect updates to the Not-for-Profit, Governmental, Yellow Book and Single Audit/A133 Checklists.
  - c. Include the System Review Engagement Profiles, and the Practice Management Toolkits, in OPL's 24,000 "Other Peer Review Practice Aids" section. Users were reminded to bookmark the Tables of Contents/Effective Dates to more easily navigate

- to these documents. This tip had been originally provided in the September Reviewer Alert's "TIPS" article.
- d. Include the "Reviewer Performance, Disagreements, and Qualifications Changes" affecting Standards, Interpretations and the RAB Handbook, effective for reviews commencing on or after December 31, 2015.
  - e. These changes were communicated via the Oct-Dec Reviewers Alerts.
2. Communication re: PRPM to all enrolled firms
    - a. In November, we sent a communication to the peer review contacts at all enrolled firms. The intent was to reach those that weren't already peer reviewers receiving our Reviewer Alert communications, who might use .org to access engagement checklists for free for internal monitoring purposes. The email informed them of:
      - i. The migration to OPL and that some content on the peer review webpages, including the engagement checklists, would be available on a subscription basis in OPL after 12/31/15.
      - ii. Our free 90 day trial of the PRPM on OPL
      - iii. A new subscription product to be offered in early 2016 that will provide them with tools to develop or improve its system of quality control, including engagement checklists to perform internal inspections.
  3. Changes to .org webpages
    - a. .org was updated in late December to more clearly communicate the upcoming January 2016 changes
    - b. In January it will also be updated to provide a dedicated "OPL Transition" page of all prior communications to reviewers and enrolled firms
    - c. We will update the site in late January to
      - i. only reflect the PRPM sections that will be 'available to the public' and
      - ii. eliminate PRPM sections that have been on OPL since May 2015 and are now intended to be only available from OPL
  4. Transition to OPL
    - a. We first started communicating our transition to OPL to reviewers via Alert articles in January 2015, and continued in the April, May, July, Sept and Nov Alerts and planned Jan 16 Alert
    - b. In order to assist with the transition, the team/review captain packages remained on .org. for the past 7 months, since PRPM went live in OPL in May 2015.
    - c. Despite this transition time, we believe many reviewers still need to transition to OPL.
    - d. We expect that once the team /review captain checklists come down from .org in late January, and we start gearing up for new reviews in April/May, reviewers will start to use OPL more consistently.
    - e. We have been communicating some of the benefits of OPL, which are:
      - i. Content links to a user's other subscriptions
      - ii. Ability to bookmark and add notes
      - iii. More advanced platform which is 1 step closer to our building an integrated system that will allow all of a peer review to be performed in 1 program
      - iv. More timely updates
    - f. Feedback we have received;
      - i. Some users are finding it difficult to transition to a new and different platform. In response
      - ii. Some users are frustrated that the team/review captain packages will no longer be "free"
        - In the process of completing a new, lower cost, subscription product, planned release of April/May 2016, for enrolled firms who do not

perform peer reviews, therefore don't need the full PRPM product which would include;

- Tools for a firm to develop or improve its system of quality control, including engagement checklists to perform internal inspections.
- This product will be on OPL and will pull or link to the PRPM's engagement checklists/profiles
- It may include some items that are currently "free" from different resources, but we will package up conveniently in one place; such as SQCS 8, PRPM 10,000 Monitoring Guidance, and "QC Practice Aids" from the ASB.

*Resolutions:*

None

**Agenda Item 1.10: For Informational Purposes – Ms. Ford**

*Discussion Summary:*

1. Peruse Agenda Item 1.10A, Report on Firms Whose Enrolment was Dropped or Terminated. Please feel free to contact AICPA staff if there are any questions.

*Resolutions:*

None

**Agenda Item 1.11: Future Open Session Meetings – Ms. Ford**

1. May 2-3, 2016 Task force meetings/open/closed sessions – Durham, NC
2. August 11, 2016 Open/closed sessions (AM) – San Diego, CA
3. September 26-27, 2016 Open/closed sessions – Conference call



**Exhibit 1:  
AICPA Peer Review Board Meeting – Open Session  
Guest Participants**

<b>In Person</b>	
Robert Heemer	Michigan Peer Review Committee
Jerry Cross	TSCPA
Brian Bluhm	Eide Bailly LLP
<b>Via Phone</b>	
Leona Johnson	NASBA
Richard Hill	Mitchell Emert & Hill
Lisa Brown	The Ohio Society of CPAs
Heather Trower	PICPA
Stacey Lockwood	LCPA
Ernest Markezin	NYSSCPA
David Holland	Holland & Reilly
Mark Mersmann	Missouri Society/Georgia Society
Mary Kline-Cueter	Kline Group, PC
Tiffney Duncan	Texas State Board of Public Accounting
Daniel Weaver	Texas State Board of Public Accountancy
Phyllis Barker	Oregon Society of CPAs
Patty Hurley	Oklahoma Society of CPAs
Linda McCrone	California Society of CPAs
Nichole Favors	Indiana CPA Society
Michael Jack	Indiana CPA Society
Julie Salvaggio	Kentucky Society of CPAs
Paul Brown	FICPA
Abby Dawson	FG Briggs Jr., CPA PA
Dipesh Patel	Texas Society of CPAs
Susan McCracken	Dixon Hughes Goodman, LLP
Rebecca Gehbhardt	NASBA
Jacki Handcock	AZ Board of Accountancy
Patti Bowers	CA Board of Accountancy
Thomas Singleton	Virgin Islands Society of CPAs
Wade Watkins	Utah Board of Accountancy
Reza Mahbod	RMA Associates, LLC
Cheryl Hartfield	Thomas Reuters
Jeff DeLyser	CA Board of Accountancy-PROC
Nadia Rogers	Peer Review Oversight Committee
Ashley Sellers	ASCPA
Derrel Curry	Barfield, Murphy, Shank & Smith, LLC
Mary Jo Richard	Eide Bailly LLP
Glen Tesch	NYS EDU Dept.
Paul Pierson	Illinois CPA Society