

**AICPA Peer Review Board Meeting – Open Session Highlights  
May 5, 2015**

**Meeting Participants**

*PRB Members:*

Anita Ford  
James Clausell  
Mike Fawley  
Larry Gray  
Richard Hill  
Rich Jones  
Karen Kerber  
Mike LeBlanc  
Toni Lee-Andrews  
Alan Long  
Mike McNichols  
Tom Parry  
Andrew Pope  
Thad Porch  
Bob Rohweder  
Keith Rowden  
Todd Shapiro  
Debra Seefeld  
Tom Whittle

*AICPA Staff:*

Sue Coffey  
Jim Brackens  
Gary Freundlich  
Fran McClintock  
Sue Lieberum  
Rachelle Drummond  
Carl Mayes  
Lisa Joseph  
Beth Thoresen  
Donna Roethel  
Kim Ellis  
Tim Kindem  
Jaime Henderson

*Guest Participants:*

See Exhibit 1

**Agenda Item 1.2: Approval of Peer Reviewer Performance Wrap Around Guidance – Mr. Parry**

*Discussion Summary:*

1. The Board is being asked to consider and approve the following:
  - a. Proposed reviewer performance guidance changes as laid out in Agenda Items 1.2A-1.2E
  - b. Proposed Peer Review Alert as presented in Agenda Item 1.2F
2. Items of note:
  - a. Materials were initially approved by the PRB at the January 2015 meeting with the understanding that additional changes to guidance would be presented at this session
  - b. Materials have been reviewed by the STF, AICPA Legal Counsel and the Technical Reviewer Task Force
  - c. Guidance would have a significant impact on PRISM and AEs
3. Proposed reviewer guidance changes
  - a. Three main categories of changes:
    - i. Reviewer qualifications
      1. Defines the concept of “currently active”
      2. States a reviewer should have 5 years of A&A experience
    - ii. Addressing disagreements between the reviewer and the reviewed firm
    - iii. Reviewer performance

1. Discusses the evaluation process for reviewers, reviewer feedback and reviewer removal (when necessary)
- b. Effective for reviews commencing on or after December 31, 2015
4. Discussion of Interpretation question 31g-2 (page 7 of Agenda Item 1.2A)
  - a. Guidance would be effective for reviews commencing on or after May 1, 2016
  - b. Compliance would be confirmed by the AE when performing the reviewer resume verification process
  - c. Training would include a competency assessment
  - d. The proposed guidance should further clarify who determines the acceptability of “replacement” courses

*Resolutions:*

1. Board unanimously approved guidance changes laid out in Agenda Items 1.2A-1.2E and the Peer Review Alert presented in Agenda Item 1.2F.

*Open Items:*

None

**Agenda Item 1.3: Approval of Guidance Related to Common SSARS 21 Noncompliance – Mr. Parry**

*Discussion Summary:*

1. The Board is being asked to consider and approve the following:
  - a. Peer Review Program Manual changes as laid out in Agenda Item 1.3A
  - b. Proposed Peer Review Alert as presented in Agenda Item 1.3B
2. Items of note:
  - a. PRB approved revisions to guidance related to SSARS 21 at the January 2015 meeting; specifically guidance related to preparation engagements
    - i. These engagements would not require enrollment but would be included in the scope of peer review for enrolled firms and would be required to be selected (in certain circumstances) for engagement reviews
  - b. As a result of this approval, the STF discussed revising guidance related to areas of non-compliance as addressed in PRPM 6200, Appendix E
3. Notable revisions included in Agenda Item 1.3A; these items would generally result in a deficiency or significant deficiency:
  - a. For preparation engagements, the failure to issue a disclaimer report when the accountant is unable to include a statement on each page of the financial statements indicating that no assurance is provided
  - b. The performance of a management use only compilation engagement with a period end subsequent to December 15, 2015
  - c. For engagements performed in accordance with SSARS 21, failure to obtain all required signatures on the engagement letter

*Resolutions:*

1. Board unanimously approved guidance changes laid out in Agenda Item 1.3A and the Peer Review Alert presented in Agenda Item 1.3B.

*Open Items:*

None

**Agenda Item 1.4: Approval of Revisions to the Educational Framework – Ms. Lee-Andrews**

*Discussion Summary:*

1. The Board is being asked to consider and approve the following:
  - a. Proposed educational framework as laid out in Agenda Item 1.4A
  - b. Proposed Peer Review Alert presented in Agenda Item 1.4C
2. Highlights of Agenda Item 1.4A
  - a. Modifies the initial training requirements for potential team and review captains
    - i. Proposal is for an updated version of the “How To” Course
      1. Series of online, on-demand self-study modules, each requiring competency assessment before moving to next module
      2. 8 hours total
  - b. Modifies the ongoing training requirements for current team and review captains
    - i. Proposes peer review-specific CPE be completed every year (vs. current ongoing education requirement of 8 hours of peer review-specific CPE every three years)
    - ii. Proposes completion of a peer review update course
      1. To be offered every year
      2. On-demand, self-study format
      3. Approximately 2-4 hours in length, depending on content
      4. Would require competency exam for CPE credit
      5. Would cover latest peer review developments and how other developments in accounting standard could potentially impact peer review
    - iii. Peer review update course requirement could also be met by attending the annual peer review conference
  - c. Introduces training requirements for reviewers of certain “must-select” engagements
    - i. Proposes annual peer review-specific CPE related to “must-select” industry
      1. On-demand, self-study format
      2. Would require competency assessment
    - ii. Training requirement could also be met by attending the optional session (Sunday) of the peer review conference
3. Ensuing discussion topics
  - a. Potential additional option for ongoing qualification
    - i. Embed peer review topics into non peer review-related AICPA conferences as an optional breakout sessions
  - b. Clarification of “must-select” industries as referenced in materials
    - i. Currently focused on ERISA and governmental industries only; others may be added going forward
    - ii. Language within proposed Peer Review Alert presented in Agenda Item 1.4C to be clarified
  - c. Expectation on availability of on-demand course
    - i. Currently believe course would be available in early to mid-September
    - ii. Board approval is required before course content may be developed

*Resolutions:*

1. Board unanimously approved educational framework laid out in Agenda Item 1.4A, subject to addition of option for ongoing qualification requirements to be fulfilled through attendance of peer review-related breakout session at a non peer review-related AICPA conference
2. Board unanimously approved Peer Review Alert presented in Agenda Item 1.4C, subject to the following:

- a. Replacement of the term “webcast” with the term “course”
- b. Addition of clarifying language regarding “must-select” industries

*Open Items:*

None

### **Agenda Item 1.5: Update on Task Forces of Enhancing Audit Quality Initiative**

#### ***Agenda Item 1.5A: Peer Reviewer Quality – Mr. Mayes***

*Discussion Summary:*

1. Task force has primarily been focused on the following areas:
  - a. Reviewer performance wrap around guidance as discussed during closed session
  - b. Training guidance as discussed at Agenda Item 1.4
2. Next areas of focus include:
  - a. Technical reviewer process
  - b. RAB process

*Resolutions:*

None

*Open Items:*

None

#### ***Agenda Item 1.5B: Focus Reviews on Risky Industries and Areas of Concern – Ms. Joseph***

*Discussion Summary:*

1. Objective is to identify areas requiring increased peer review focus
2. Resource website: [aicpa.org/prfocus](http://aicpa.org/prfocus)
3. Most recent themes include:
  - a. Single audits
  - b. Crowdfunding
4. Expectation is that additional themes will be identified in the future

*Resolutions:*

None

*Open Items:*

None

#### ***Agenda Item 1.5C: Improve Engagement Tracking – Ms. McClintock***

*Discussion Summary:*

1. Objectives related to engagement tracking include:
  - a. Ensuring all firms that should be enrolled in the Program are actually enrolled
  - b. Ensuring all engagements that should be in the scope of review are actually included
2. Two-phased approach
  - a. Front-end initiatives
    - i. Increased communication and education related to the importance of population completeness
    - ii. Forthcoming updates to practice aids used by peer reviewers
  - b. Back-end initiatives

- i. EIN requirements
  1. Must be included on Background Scheduling Forms (beginning in March 2015)
  2. Must be included on Enrollment Forms
  3. If firms do not provide EIN information, they may be considered non-cooperating
- ii. Use of public information to ensure peer review population completeness
  1. Federal agencies
  2. State auditor offices
  3. NASBA

*Resolutions:*

None

*Open Items:*

None

***Agenda Item 1.5D: Make Peer Review Results More Informative – Ms. Drummond***

*Discussion Summary:*

1. Objective is to explore ways in which peer review reporting can be more beneficial to users
2. Feedback requested from various sources and is still being processed
  - a. Audit quality centers
  - b. Department of Labor
  - c. Broker-Dealer associations
3. Planned actions include:
  - a. Revising the webpage referenced in the peer review report that describes the peer review process
  - b. Revising the peer review report to be more similar to the clarified audit report

*Resolutions:*

None

*Open Items:*

None

***Agenda Item 1.6: Update on Practice Monitoring of the Future – Ms. Thoresen***

*Discussion Summary:*

1. Concept paper released in December 2014; feedback requested to be received through June 15, 2015
2. Currently moving forward with developing a self-monitoring tool; expectation is to roll this out in pilot mode by early 2016

*Resolutions:*

None

*Open Items:*

None

***Agenda Item 1.7: Oversight Task Force Report – Mr. Hill***

*Discussion Summary:*

1. Enhanced engagement oversight project
  - a. 2014 oversights
    - i. Selection process included a random sampling method along with a targeted selection of high volume reviewers
    - ii. 90 oversights performed
    - iii. Progress is ongoing; expect completion by August 2015
  - b. 2015 oversights
    - i. Program will continue; expectation is that approximately 150 oversights will be completed, some of which will be performed on-site
2. RAB observations
3. AE oversights to begin in July 2015
4. Creation of national RAB listing – compilation has begun

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.8: Standards Task Force Report – Mr. Parry**

*Discussion Summary:*

1. Main focus item has been the reviewer performance wrap around guidance; refer to discussion of Agenda Item 1.2
2. Task Force has identified areas for future focus; discussions are ongoing

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.9: Education and Communication Task Force Report – Ms. Lee-Andrews**

*Discussion Summary:*

1. Main focus items include
  - a. Peer Review Conference
    - i. To be held August 2-4, 2015 in New Orleans, LA
    - ii. Conference session agendas have been approved
    - iii. Additional conference cases have been approved
  - b. Reviewer Training Requirements
    - i. Refer to discussion of Agenda Item 1.4
2. Task Force has identified areas for future focus

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.10: Report from State CPA Society CEOs – Mr. Jones**

*Discussion Summary:*

1. State societies and the AICPA are working together to address a common suggestion regarding successful implementation of Enhanced Audit Quality initiatives for smaller firms by providing specialized training sessions
  - a. Session content will be developed by the AICPA
  - b. Sessions will be instructed by experienced peer reviewers provided by the AICPA
  - c. Sessions will be held in a live presentation format
  - d. Sessions will be 4 hours in length
  - e. Participation details (to date):
    - i. 24 experienced reviewers have volunteered to instruct
    - ii. 29 state societies have signed up to hold sessions

*Resolutions:*

None

*Open Items:*

None

### **Agenda Item 1.11: Update on National Peer Review Committee – Mr. Gray**

*Discussion Summary:*

1. One NPRC call has been held since the last PRB meeting
  - a. 1 review accepted
  - b. 1 QCM accepted
2. Seven RAB calls have been held since the last PRB meeting
  - a. 89 reviews accepted
    - i. 88 pass reports
    - ii. 1 fail report
3. Upcoming NPRC meetings
  - a. May 12, 2015 – via teleconference – 1 QCM report to be presented
  - b. October 22, 2015 – via teleconference – 2 large firm reviews to be presented
  - c. December 8, 2015 – Washington, DC – 1 large firm review to be presented

*Resolutions:*

None

*Open Items:*

None

### **Agenda Item 1.12: Update on Peer Review Program Manual – Ms. Rowley**

*Discussion Summary:*

1. A Manual update was posted to .org late last week and is effective for reviews commencing on or after May 1, 2015
  - a. Five new checklists were posted to address preparation services and SSARS 21
  - b. Several checklists were posted that have been revised to address emerging risk areas and professional standard updates
    - i. Independence issues related to providing non-attest services to attest clients
    - ii. Sufficiency of audit evidence
      1. Risk assessment
      2. Internal controls
      3. Sampling

2. Hard copy and CD-ROM Manuals that will be distributed in late May 2015 will be the last set of printed materials available
  - a. Future Manuals will be communicated through the Online Professional Library (OPL)
  - b. This information has been communicated through Focus Articles (March 2015 and April 2015), including a specific Q&A document
3. Future updates to .org will lag OPL updates by approximately one month

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.13: For Informational Purposes**

***Agenda Item 1.13A: Report on Firms Whose Enrollment was Dropped or Terminated***

*Discussion Summary:*

No discussion held

*Resolutions:*

None

*Open Items:*

None

***Agenda Item 1.13B: Update on the MFC Project***

*Discussion Summary:*

No discussion held

*Resolutions:*

None

*Open Items:*

None

***Agenda Item 1.13C: Approved Peer Review Web Events***

*Discussion Summary:*

No discussion held

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.14: Future Open Session Meetings – Ms. Thoresen**

*Discussion Summary:*

1. Future open session meetings are scheduled as follows:
  - a. August 5, 2015 – in person (New Orleans, LA)



- b. September 17-18, 2015 – via teleconference
- c. January 11-13, 2016 – in person (location TBD)
- d. May 2-3, 2016 – in person (Durham, NC)
- e. August 11, 2016 – in person (San Diego, CA)

*Resolutions:*

None

*Open Items:*

None

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

Gloria Roberts	Gloria P. Roberts CPA
Mark Mersmann	MSCPA / GSCPA
Glen Tesch	NYS Education Department
Warren Morrison	MPK Group, PC
David DeSliva	NYS Board for Public Accountancy
Char Fox	WV Society of CPAs
Leona Johnson	NASBA – CAC
Gloria Snyder	LCPA
Stacey Lockwood	LCPA
Abby Dawson	F.G. Briggs, Jr., CPA Professional Association
Gerry Stifter	Minnesota Society of CPAs Technical Reviewer
Wendy Garvin	Tennessee Society of CPAs
Greg Coy	Deloitte
Cheryl Hartfield	Thomson Reuters
Darshae Dabney	VSCPA
Glenn Roe	NJCPA
Heather Reimann	PICPA
John Patterson	Accountancy Board of Ohio
Paul Brown	Florida Institute of CPAs
Jennifer Poff	The Georgia Society of CPAs
Phyllis Barker	Oregon Society of CPAs
Dipesh Patel	Texas Society of CPAs
Nichole Favors	Indiana CPA Society
Michael Jack	Indiana CPA Society Peer Review Committee
Beth Lyons	Massachusetts Society of CPAs
Rita Barnard	KSCPA
Ryan Murnick	Illinois CPA Society
Jack Goldberg	MSCPA
Julie Salvaggio	Kentucky Society of CPAs
Patty Hurley	Oklahoma Society of CPAs
Sharon Romere-Nix	Thomson Reuters (PPC)
James Rockwitz	Withum Smith & Brown PC
Shawn Antell	INCPAS
Jerry Cross	TSCPA
Froment Gonzales	Ferlita, Walsh, Gonzalez & Rodriguez, P.A.
Janice Gray	NASBA CAC / Gray, Blodgett & Company, PLLC
Rick Reeder	Reeder & Associates, PA
Roger Johnson	Tennessee Society of CPAs
Faye Hayhurst	MN Society of CPAs
Wade Jewell	VA Board of Accountancy
Brian Bluhm	Eide Bailly LLP
Sherry McCoy	CA PROC
Julie Phipps	Washington Society of CPAs
Nadia Rogers	Creedle, Jones & Alga, P.C.