

Peer Review Board Open Session Materials

May 5, 2015

Durham, NC

**AICPA Peer Review Board
Open Session Agenda
May 5, 2015 10:30 AM – 12:30 PM (Eastern Time)
Durham NC**

Location: AICPA offices in Durham, NC

- 1.1 Welcome Attendees**- Ms. Ford
- 1.2 Approval of Peer Reviewer Performance Wrap Around Guidance*- Mr. Parry
- 1.3 Approval of Guidance Related to Common SSARS 21 Noncompliance*- Mr. Parry
- 1.4 Approval of Revisions to the Educational Framework*- Ms. Lee-Andrews
- 1.5 Update on Task Forces of Enhancing Quality Initiative**
 - A. Peer Reviewer Quality - Mr. Mayes
 - B. Focus Reviews on Risky Industries and Areas of Concern- Ms. Joseph
 - C. Improve Engagement Tracking- Ms. McClintock
 - D. Make Peer Review Results More Informative- Ms. Drummond
- 1.6 Update on Practice Monitoring of the Future**- Ms. Thoresen
- 1.7 Oversight Task Force Report*- Mr. Hill
- 1.8 Standards Task Force Report*- Mr. Parry
- 1.9 Education and Communication Task Force Report*- Ms. Lee-Andrews
- 1.10 Report from State CPA Society CEOs**-Mr. Jones
- 1.11 Update on National Peer Review Committee**-Mr. Gray
- 1.12 Update on Peer Review Program Manual**-Ms. Rowley
- 1.13 For Informational Purposes:
 - A. Report on Firms Whose Enrollment was Dropped or Terminated*
 - B. Update on the MFC Project*
 - C. Approved Peer Review Web Events**
 - a. June 3 – Peer Review Update
- 1.14 Future Open Session Meetings** -Ms. Thoresen
 - A. Wednesday, August 5, 2015 Open/closed sessions (AM) – New Orleans, LA
 - B. Thursday/Friday, September 17-18, 2015 Open/closed sessions – Conference call
 - C. Tuesday/Wednesday, January 11-13, 2016 Task force meetings/open/closed sessions – Location TBD
 - D. Monday/Tuesday, May 2-3, 2016 Task force meetings/open/closed sessions – Durham, NC
 - E. Thursday, August 11, 2016 Open/closed sessions (AM) – Location TBD
 - F. Monday/Tuesday, September 26-27, 2016 Open/closed sessions – Conference call

*- Document Provided

**-Verbal Discussion

Peer Reviewer Performance Wrap Around Guidance

Why is this on the Agenda?

On January 27, 2015, the Peer Review Board (PRB) approved revisions to Standards and interpretations relative to peer reviewer performance, disagreements and qualifications. The revisions were approved with the understanding that changes to additional guidance (such as the RAB Handbook) would be presented to the PRB for approval at their May meeting.

The PRB is being asked to consider proposed changes to the following areas of guidance:

- Conforming changes to Standards and Interpretations (highlighted in Agenda Item 1.2A)
- RAB Handbook (Agenda Item 1.2B)
- Rules of Procedures for Reviewers (Agenda Item 1.2C)
- Reviewer Feedback Form (Agenda Item 1.2D)
- Reviewer Resume Codes (Agenda Item 1.2E)

Feedback Received

Staff provided the wraparound guidance to the AATF, TRATF, Peer Reviewer Quality Task Force and AICPA legal counsel. These groups were asked to perform detailed reviews of the guidance prior to submission to STF. Overall, respondents expressed support for the proposed revisions, and Staff worked with them to ensure any concerns were addressed. STF reviewed the proposed guidance on April 20 and their revisions and suggestions were incorporated into the materials being presented to the PRB.

PRISM Impact

The wraparound guidance will have a PRISM impact. Staff has discussed implementation strategies with the AICPA PRISM team and the effective dates below were proposed giving consideration to PRISM programming requirements.

AE Impact

The recommended guidance will impact the way administering entities schedule reviews, in that reviewers will be required to meet additional requirements before they can be approved to review must-select engagements.

The guidance envisions a new process for handling disagreements whereby a panel of the PRC is required to reach a resolution on the disagreement (not required today), appeals to the full PRC will be eliminated, and any appeals to the national level will go to an ad hoc committee.

Finally, the guidance significantly impacts the handling of reviewer performance matters, such that a reviewer may be removed from the reviewer pool in 90 days compared to 330 days under the current system.

Communications Plan

Staff will issue the Peer Review Alert included at Agenda Item 1.2F upon PRB approval. In addition, a robust communication plan targeting AEs, technical reviewers, RABs and reviewers will be developed and executed shortly after approval.

Manual Production Cycle (estimated)

If the wraparound guidance is approved by the PRB, the guidance would be included in the January 2016 manual.

Effective Date

When the revisions to Standards and interpretations were presented to the PRB, they were approved for all reviews commencing on or after May 1, 2016.

At the recommendation of AICPA leadership, the AICPA Board of Directors and the AATF, Staff proposes that all guidance relative to reviewer performance and reviewer qualifications be effective for reviews commencing on or after December 31, 2015.

To provide adequate time for PRISM programming and development of training courses, we propose that the guidance relative to training continue to be effective for reviews commencing on or after May 1, 2016.

Task Force Consideration

- Review and approve the changes to guidance appearing in Agenda Items 1.2A – 1.2E.
- Review and approve the Peer Review Alert in Agenda Item 1.2F.

Proposed Revisions

Peer Review Standards

Qualifying for Service as a Peer Reviewer

System and Engagement Reviewers

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

- a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.
- b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see interpretations), as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.⁴ ² 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 a~~ firm’s accounting or auditing engagements or carrying out a quality control function on ~~the a~~ firm’s accounting or auditing engagements (see interpretations). CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise (see interpretations).
- c. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass*³—~~for~~ its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see interpretations).⁴
- 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

~~¹—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.~~

² 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.

~~³—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.~~

~~⁴—If a firm’s most recent review was a report review, then the firm’s members are not eligible to perform peer reviews.~~

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).⁵

- e. Have ~~spent the last five years at least five years of recent experience~~ in the practice of public accounting in the accounting or auditing function.⁶
- f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see interpretations).

g. If the reviewer will review engagements that must be selected in a System Review under paragraph .63, possess specific additional qualifications (see interpretations).

hg. If the reviewer is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of quality control materials and is required to have a QCM review under these standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of pass for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.

Team Captain or Review Captain

.32 In addition to adhering to the ~~general~~ requirements in paragraph .31(a) – (f) to be a peer reviewer, a System Review team captain must be a partner.⁷ 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 (see interpretations).

.33 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.

Other Peer Reviewer or Reviewing Firm Qualification Considerations

.34 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).

.35 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 (see interpretations). For

⁵ A reviewer should be cautious of those high-risk engagements or industries in which new standards or regulations 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.

⁶ ~~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.~~

⁷ If the peer reviewer's firm's (see paragraph 31c) most recent peer review was an Engagement ~~or Report~~ Review, then the peer reviewer is not eligible to be a System Review team captain.

example, computer specialists, statistical sampling specialists, actuaries, or experts in continuing professional education (CPE) may participate in certain segments of the review.

Performing System Reviews

Addressing Disagreements Between the Reviewer and the Reviewed Firm

.93 Disagreements may arise ~~during attempts to resolve on the resolution of~~ various issues, for instance, related to the review of particular engagements, the systemic cause ~~of for~~ a deficiency, or issues related to a design deficiency. In addition, there could be a disagreement on the appropriate approach to be taken in performing and/or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement ~~during~~ the resolution of an issue may persist in some circumstances. The reviewed firm or reviewer should ~~be aware that they may~~ consult with their administering entity and, if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the hearing panel's decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.~~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.~~

Performing Engagement Reviews

Addressing Disagreements Between the Reviewer and the Reviewed Firm

.116 Disagreements may arise ~~during attempts to resolve on the resolution of~~ various issues. For instance, there could be a disagreement on the appropriate approach to performing and/or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement ~~during~~ the resolution of an issue may persist in some circumstances. The reviewed firm and reviewer should ~~be aware that they may~~ consult with their administering entity and, if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the hearing panel's decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.~~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 to refer the issue to the board.~~

Peer Reviewers' Performance and Cooperation

.147 A team captain, review captain, or reviewer (hereinafter, reviewer) has a responsibility to perform a review in a timely, professional manner. This relates not only to the initial submission of the report and materials on the review, but also to the timely completion of any additional actions necessary to complete the review, such as completing any omitted documentation of the work performed on the review and resolving questions raised by the committee or technical reviewer accepting the review as well as the board and AICPA staff.

.148 In considering peer review documents for acceptance, the committee evaluates the reviewer's performance on the peer review. In addition to the committee's evaluation, the board and AICPA staff also evaluate and track reviewers' performance on peer reviews. If a pattern of reviewer performance deficiencies⁸ by a particular reviewer is noted, then the board or committee should require the reviewer to complete one or more corrective actions. If significant reviewer performance deficiencies are noted, then the board or committee should either require the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future. ~~serious weaknesses in the reviewer's performance are noted on a particular review, or if a pattern of poor performance by a particular reviewer is noted, then the board or committee, depending on the particular circumstances, will consider the need to impose corrective actions on the service of the reviewer.~~

.149 In situations in which one or more of such corrective actions are required~~is imposed~~, the administering entity must inform AICPA staff and such actions will ~~will inform the board and may request that the board ratify the action(s) to be~~ recognized by all other administering entities. Any ~~condition imposed on or corrective action required of~~ a reviewer will generally apply to the individual's participation in the performance of any peer review~~service as a team captain, review captain, team member, or QCM reviewer~~ unless the condition is specific to the individual's service as only a team captain, review captain, team member, or QCM reviewer.

.150 If the reviewer disagrees with the corrective action(s) required by the committee or board, he or she may appeal the decision by writing the board and explaining why he or she believes that the action(s) are unwarranted. A hearing panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.

.151¹⁵¹ If a reviewer fails to correct reviewer performance deficiencies after a corrective action has been required or has committed egregious acts⁸ in the performance of a peer review, the committee should recommend to the board that the reviewer be prohibited from performing peer reviews in the future.~~If a reviewer refuses to cooperate with the committee or board, fails to revise peer review documents as requested by the committee or board, fails to correct the poor performance, or is found to be deficient in his or her performance, and education or other corrective or monitoring actions are not considered adequate to correct the poor performance, the committee may recommend to the board that the reviewer be prohibited from performing peer reviews in the future. In such situations imposed by a committee, the board shall appoint a hearing panel to consider ratifying the action(s) taken by the committee for the reviewer's name to be removed from the list of qualified reviewers or if some other action should be taken. The board may decide, with or without committee recommendation pursuant to fair procedures that it~~

⁸ These terms are defined in the AICPA Peer Review Program Report Acceptance Body Handbook.

~~has established, to consider whether the reviewer should be prohibited from performing peer reviews or whether some other action should be taken.~~

~~.152 When a committee recommends that a reviewer should be prohibited from performing peer reviews in the future, the board shall appoint a hearing panel to consider, pursuant to fair procedures that it has established, whether the reviewer should be removed from the list of qualified reviewers or whether some other action should be taken. The board may appoint such a hearing panel without a committee recommendation. If the reviewer disagrees with the decision of the panel, he or she may appeal the decision by writing the board and explaining why he or she believes removal from the list of qualified reviewers is unwarranted. The board will take further action pursuant to fair procedures that it has established.~~

~~.152 Corrective or other action(s) can only initially be appealed to the committee that imposed the action(s). For actions previously appealed to the committee or imposed or ratified by the board, if the reviewer disagrees with the corrective action(s), he or she may appeal the decision by writing the board and explaining why he or she believes that the action(s) are unwarranted. The board will review and consider the request upon its receipt.~~

.153 If a reviewer has a corrective or other action(s) imposed on him or her by the committee or board, and the reviewer had previously been approved to perform a peer review that has either begun or has yet to begin, then the committee or board will need to consider whether the review should be performed by another reviewer, or if the review should be overseen by a member of the committee at the reviewer's expense, or other actions, if any (whether or not the reviewer has filed an appeal with the **committee or** board). If the reviewer has completed the fieldwork on one or more peer reviews prior to the imposition of the corrective action, then the committee or board will consider what action, if any, to take regarding those peer reviews based on the facts and circumstances.

Peer Review Standards Interpretations

Qualifying for Service as a Peer Reviewer

31b-5 *Question*—Paragraph .31(b) of the standards states that, to be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of a firm's accounting or auditing engagements or carrying out a quality control function on a firm's accounting or auditing engagements. How is a "quality control function" defined?

Interpretation— In the context of standards paragraph .31(b), a quality control function is defined as performing an Engagement Quality Control Review as part of the Engagement Performance element of a firm's system of quality control or supervising or performing the inspection as part of the Monitoring element of a firm's system of quality control. Definitions of these terms appear in SQCS No. 8.

31b-6 *Question*—Paragraph .31(b) of the standards states that 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. What factors should a reviewer consider when determining whether their day-to-day involvement is sufficiently comprehensive?

Interpretation— The reviewer should consider whether he or she is currently involved in supervising (or carrying out a quality control function on) the same types of accounting or auditing engagements they will review. For example,

- a. A reviewer of auditing engagements should be presently involved in supervising (or carrying out a quality control function on) a firm's auditing engagements;
- b. A reviewer of engagements performed under Statements on Standards for Attestation Engagements (SSAE) should be presently involved in supervising (or carrying out a quality control function on) a firm's SSAE engagements; and
- c. A reviewer of compilation or preparation engagements with disclosures should be presently involved in supervising (or carrying out a quality control function on) engagements with disclosures.

A reviewer that only currently supervises (or carrying out a quality control function on) compilation or preparation engagements should not review auditing, SSAE or review engagements.

31g-1 *Question*—Paragraph .31(g) of the standards states that reviewers must possess specific additional qualifications to review engagements that must be selected in a System Review under paragraph .63. What additional qualifications must the reviewer possess?

Interpretation—The additional qualifications that reviewers must possess in order to review must-select engagements are

- a. The reviewer should have completed additional training focused on must-select engagements that meets the requirements of the board. Peer review training and criteria for demonstrating proficiency in the standards, interpretations and guidance of the program is established by the board. Those criteria are located on the Peer Review page of the AICPA website.
- b. The reviewer must be currently (presently involved in) supervising or performing engagements, in his or her own firm, in the must-select industry or area; performing Engagement Quality Control Reviews on engagements in the must-select industry or area in his or her own firm; or performing the inspection of engagements in the must-select industry or area as part of his or her firm's monitoring process; of engagements in the must-select industry or area in his or her own firm as part of the firm's monitoring or inspection process and currently meeting relevant, industry specific educational requirements, as applicable.
- c. Where AICPA Audit Quality Centers exist (such as, but not limited to, the Employee Benefit Plan and Governmental Audit Quality Centers), reviewers of must-select engagements must be associated with firms that are members of the respective Audit Quality Center.

31g-2 Question—Are there any exceptions to the additional training requirements described in 31g-1?

Interpretation—Ordinarily, the must-select training courses developed and issued by the board are to be used to meet the requirements to review must-select engagements. However, reviewers may undergo training which includes the same elements as, and is as comprehensive as, the must-select training required by the board.

Peer Reviewers' Performance and Cooperation

~~149-1 Question—When one or more corrective actions are imposed on a reviewer, the administering entity will inform the board and may request that the board ratify the action(s) to be recognized by other administering entities. When can these actions be imposed by other administering entities without board ratification?~~

~~Interpretation—When the reviewer is notified of performance issues through deficiency letters, corrective actions or restrictions placed upon the reviewer. For reviewers who perform reviews in multiple administering entities, any corrective action or restriction included in a deficiency letter should be considered by other administering entities regarding whether they want to enforce the action or restriction on all or some reviews performed by the reviewer in their jurisdiction.~~

~~151-1 Question—When the board or committee requires the reviewer to comply with such corrective actions and the reviewer fails to correct the poor performance or refuses to cooperate, what procedures should be followed?~~

~~Interpretation—The committee or board must assess if the reviewer is making a reasonable effort to improve performance. After being provided reasonable time to improve performance, if the prescribed actions are not resulting in the necessary performance improvements, the committee or board may determine that the reviewer's action warrant board consideration. If a reviewer is referred to the board, the board will consider whether the reviewer should be prohibited from performing reviews or whether some other action should be taken.~~

PRP Section 3300

AICPA Peer Review Program

Report Acceptance Body

Handbook

CHAPTER 1

Formation, Qualifications and Responsibilities of the Administering Entity Peer Review Committee and Report Acceptance Bodies

III. Responsibilities of the Committee, RAB, and Committee Chair

- E. ~~Form panels to address disagreements between the committee, peer review teams and reviewed firms, referring~~ Refer instances of noncooperation to the board where appropriate and disagreements between the committee and peer review teams or reviewed firms to the board. Only the committee will be responsible for determining whether a disagreement exists that cannot be resolved and, as a result, the matter should be referred to the board.

IV. Guidance Materials for the AICPA Peer Review Program

~~G. Reviewer Monitoring Report~~

- ~~— The AICPA staff maintains a reviewer monitoring report that includes all reviewers with open or closed restrictions. Annually, the administering entities are requested to review the report to determine if a reviewer's name should be removed (for reviewers whose name was placed on the report at the administering entity's request). See chapter 8, section VII for further information regarding the purpose and use of the reviewer monitoring report. This report is made available to approved administering entities and located on the AICPA SharePoint extranet.~~

CHAPTER 2

Formation, Qualifications and Responsibilities of the Administering Entity Peer Review Committee and Report Acceptance Bodies

Exhibit 2-2: AICPA Peer Review Program System Review Technical Reviewer's Checklist

CONCLUSIONS/RECOMMENDATIONS:

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

1. Do you recommend that 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. Do you recommend that 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. _____

3. Do you recommend that the reviewed firm should be asked to complete an implementation plan in addition to or as an affirmation of the plan described in its response to the findings on the FFC forms? Yes No N/A

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

4. Did you identify one or more reviewer performance deficiencies? ~~team captain feedback is recommended from the report acceptance body?~~ Yes No If reviewer performance deficiencies are noted, team captain feedback should be recommended to the report acceptance body even if the answer to 5 is "yes".

If yes, please describe. _____

5. Did you identify significant reviewer performance deficiencies or a pattern of reviewer performance deficiencies? Yes No The Peer Review Committee should be notified when such situations are identified so that appropriate action can be taken.

If yes, please describe. _____

Exhibit 2-3: AICPA Peer Review Program Engagement Review Technical Reviewer’s Checklist

~~CONCLUSIONS~~RECOMMENDATIONS:

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

- 1. Do you recommend that 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. Do you recommend that 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. _____

- 3. Do you recommend that the reviewed firm ~~should~~ be asked to complete an implementation plan in addition to or as an affirmation of the plan described in its response to the findings on the FFC forms? Yes No N/A

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

- 4. Did you identify one or more reviewer performance deficiencies? Yes No If reviewer performance deficiencies are noted, team captain feedback should be recommended to the report acceptance body even if the answer to 5 is “yes”.

- 5. Did you identify significant reviewer performance deficiencies or a pattern of reviewer performance deficiencies? Yes No The Peer Review Committee should be notified when such situations are identified so that appropriate action can be taken.

If yes, please describe. _____

CHAPTER 7

Consultations and Disagreements

II. Disagreements

~~Professional judgment often becomes a part of the peer review process, and each party has the right to challenge the other on an issue. It is important that personal preferences do not override professional standards. Equally important is the ability for the peer review process to recognize unreasonable professional judgments that lack support under professional standards. When a disagreement arises between the reviewed firm and reviewer, the parties should consult with their administering entity to resolve the matter (sec. 1000 par. .93 and .116). The reviewed firm and reviewer should be aware that they may consult with their administering entity and, if necessary, request that the administering entity's peer review committee resolve the disagreement (sec. 1000 par. .93 and .116). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process, and each party has the right to challenge the other on an issue. Nevertheless, a disagreement on the resolution of an issue may occur in some circumstances. In these circumstances, all parties should understand that personal preferences cannot override professional standards.~~

~~An administering entity should establish written policies and procedures that describe the process for handling disagreements. The written policies and procedures should address disagreements that can occur among the various parties involved. Although it is a very important process, resolution of disagreements should be handled on an informal basis such that all parties involved have the opportunity to discuss the matter and present documentation supporting their opinion.~~

~~A.—Disagreements may arise between the reviewer, reviewed firm, or administering entity (the disagreeing parties). Such disagreements may include, but are not limited to, (sec. 1000 par. .93, .100, and .116) the following:~~

- ~~• Type of peer review report to be issued to the reviewed firm~~
- ~~• Application of professional standards related to the review of particular engagements.~~
- ~~• The systemic cause for a deficiency or issues related to a design or compliance deficiency.~~
- ~~• Performance, reporting, or both, in conformity with applicable professional standards.~~
- ~~• Actions planned or taken by the firm, if any, that the review team does not believe are appropriate, (for example, if the reviewed firm believes that it can continue to support its opinion on a previously issued report, and the review team continues to believe that the firm will fail to reach appropriate conclusions in the application of professional standards).~~

~~—After a discussion with the reviewer, if the reviewed firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm should contact the administering entity for assistance in the matter. If the reviewed firm still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for the disagreement. The administering entity could attempt to resolve the disagreement through discussions with the technical reviewer or through oversight procedures at the administering entity's discretion. The reviewed firm and the reviewer should be aware that additional matters may be identified in this process and may result in findings or deficiencies.~~

~~—Disagreements may also arise after the acceptance of a peer review, such as when the reviewed firm, reviewer, or committee disagree about whether peer review documents should be recalled. See chapter 3 of the *Report Acceptance Body Handbook*.~~

AB. Committee-Administering Entity Considerations in Handling Disagreements

~~—An administering entity should-must establish written policies and procedures that describe the process for handling disagreements. The following is an outline of procedures that should be included when establishing the policy and procedures.~~

1. ~~After a discussion with the reviewer, if the reviewed firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm or review team should consult with the administering entity. If the reviewed firm still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for the disagreement. The administering entity could~~ should attempt to resolve the disagreement through discussions with the technical reviewer or through oversight procedures at the administering entity's discretion. The reviewed firm and the reviewer should be aware that additional matters may be identified in this process and may result in findings or deficiencies.

2. ~~After consultation with the administering entity, if the reviewed firm still disagrees with one or more of the review team's conclusions, the reviewed firm should describe the reasons for the disagreement in the FFC form or the letter of response, whichever is applicable.~~

~~The administering entity should refer the disagreement to a panel of its~~ their peer review committee members ("disagreement panel") for consideration. The disagreeing parties should provide details of the basis for their conclusions in writing along with supporting documentation. This communication may be made via electronic mail or by letter.

~~The disagreeing parties should provide reasons for the disagreement in writing. This communication can be made via electronic mail or by letter with the suggested content in exhibit 7-1.~~

- ~~An expectation exists that all disagreeing parties are timely and responsive during this process. If at any time during this process, one of the disagreeing parties is not responsive and timely, the administering entity may follow the noncooperation guidance for timely and professional performance. Examples include failure to respond to questions or submit documents or other information requested by the administering entity within the specified time.~~

3. ~~Along with the notification of disagreement and supporting documentation provided by the disagreeing parties, the administering entity should prepare a memorandum summarizing the disagreement and provide additional supporting documentation where possible. The memorandum should, at a minimum, contain the following key elements:~~

- ~~Issue(s) to be resolved~~
- ~~Chronology of events with references to supporting documents~~

~~Examples of supporting documents might include peer review documents, including the team captain or review captain working papers; administrative and technical reviewer checklists; and oversight reports.~~

The memorandum and all supporting documents should be submitted to the disagreement panel, the reviewer, the reviewed firm and any other parties involved in the disagreement.

III. Objective and Procedures for Disagreement Panel

~~An administering entity must arrange for a disagreement panel within 60 days of initial written notification that there is a disagreement. The objective of the panel is to assist the disagreeing parties in resolving issues.~~

- ~~Any supporting documentation from the disagreeing parties must be received by the administering entity 14 days prior to the teleconference for it to be considered. If new information relevant to the disagreement becomes available subsequent to the original submission of supporting documentation, it may be submitted; however, the subsequent date it was obtained must be substantiated.~~
2. ~~At least 30 days in advance of the teleconference, the peer review committee should form a panel to consider the disagreement as follows:~~

- ~~A panel should be formed of at least three members of the committee who are independent of the disagreeing parties and not involved in the acceptance of the review. A reasonable effort should be made to assemble members with practice experience commensurate with the area or industry reviewed.~~
- ~~One member should serve as the panel chair.~~

- The teleconference ~~information, arrangements, including the~~ date and conference call number should be communicated to the disagreeing parties and the panel members at least 30 days in advance of the date of the teleconference. See exhibit 7-~~12~~.
- Each disagreeing party will have the right to participate during the teleconference in addition to providing written comments for the panel's consideration prior to the teleconference. ~~Any supporting documentation from the disagreeing parties must be received by the administering entity 14 days prior to the teleconference for it to be considered.~~ If new information relevant to the disagreement becomes available subsequent to the original submission of supporting documentation, it must be received by the panel 14 days prior to the teleconference for it to be considered. The date the new information became available must be substantiated. it may be submitted; however, the subsequent date it was obtained must be substantiated. ~~Copies of the information received by the administering entity will be forwarded to the panel members for review in advance of the teleconference date.~~
- Each party will have the opportunity to make a presentation or respond to questions, or both. If either party is unable or chooses not to participate, the panel will consider his or her position based on written correspondence received prior to the teleconference.
- At the discretion of the panel, AICPA staff may participate in the teleconference to provide guidance related to peer review standards.
- At the teleconference, the panel should discuss the disagreement, including the supporting documentation submitted by the disagreeing parties, the basis for the disagreement, and how it should resolve the disagreement. The panel may ask any questions and request additional information from the disagreeing parties, the administering entity or AICPA staff to assist it in making its decision.
- ~~In some cases, the panel may recommend performing oversight on the peer review or engagement allowing the results of the oversight to assist them in resolving the disagreement. The reviewed firm and the reviewer should be aware that additional matters may be identified in this process and may result in findings or deficiencies.~~
- ~~The panel should ask any questions to the disagreeing parties to assist it in making its decision.~~
- The panel (and, at the discretion of the panel, AICPA staff) should then discuss the matter in ~~private executive session (including AICPA staff, at the discretion of the panel)~~ without the disagreeing parties. In some cases, the panel may recommend performing oversight on the peer review or engagement allowing the results of the oversight to assist them in resolving the disagreement. The reviewed firm and the reviewer should be aware that a~~Additional matters may be identified in this process and may result in findings or deficiencies.~~ The panel must reach a decision to resolve the disagreement.
- The decision of the panel should be provided to all parties immediately following the panel's decision. A written communication of the panel's decision should be sent (exhibit 7-~~23 or 7-4~~) ~~to the disagreeing parties~~ within three business days.

Once the panel has reached a decision, even if the firm and/or reviewer still disagree, the matter is considered resolved by the administering entity. The decision will be communicated to the firm and review team along with actions required by each party in order to cooperate with the peer review committee.

Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the disagreement panel's decision is warranted. The party requesting the appeal shall bear the burden of convincing the ad hoc committee of the board that the matter should be referred to a review panel of the board and must provide support for the request by submitting evidence.

IV. Appeal to an Ad Hoc Committee of the Board

Ad hoc committees are formed when a disagreeing party requests an appeal of the disagreement panel's decision. The board Chair or the Chair's designee shall appoint three members to the ad hoc committee. Members of the ad hoc committee may be board members or other designees with appropriate expertise.

The ~~other~~ disagreeing party(ies) will be notified of the request, sent a copy of the evidence submitted, and informed of the ad hoc committee meeting date. The other party(ies) may submit additional evidence supporting the decision of the disagreement panel to the ad hoc committee not later than 14 days prior to the meeting date.

The ad hoc committee will meet in an executive session. At the discretion of the committee, AICPA staff may participate in the meeting to provide guidance related to peer review standards. The disagreeing parties, administering entity representatives and general counsel shall not be present during the meeting. No transcript will be prepared based on the meeting. The ad hoc committee will decide whether such request for review by a review panel shall be granted. The ad hoc committee's decision will be communicated to the disagreeing parties and administering entity. See exhibit 7-3.

A decision by the ad hoc committee denying a request for consideration by a review panel is final and not subject to further review. If the ad hoc committee decides ~~that~~ the matter should be referred to a review panel, the disagreeing parties will receive notification of the date and time that a review panel will meet to review the matter. The review panel will review and consider the disagreement and take further action pursuant to fair procedures ~~that~~ the board has established.

Decisions by the review panel are final and not subject to any further review.

After a ~~final~~ decision of the review panel is reached, a letter detailing that decision will be sent to the reviewer, reviewed firm and administering entity. The reviewer's failure to cooperate (for example, failure to submit documents or other information requested by the administering entity) within 30 days of the delivery of the letter will result in immediate removal from the list of qualified peer reviewers without the opportunity for further appeal.

If a reviewed firm does not cooperate after a final decision is reached (for example, by failing to respond to questions or submit documents or other information requested by the administering entity within the specified time), the board may decide to terminate the firm's enrollment in the program without further hearing. If the firm's enrollment is terminated, the firm will have the right to appeal to the AICPA Joint Trial Board ~~for a review of the board's decision~~, which will consider reversing the decision to terminate the firm's enrollment. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

- ~~3.— If after considering the facts presented, if the panel is able to make a decision on the issues in question, even if the firm or reviewer still disagree, for purposes of the standards, the matter is considered resolved. The decision shall be communicated to the firm and review team along with actions required by each party in order to cooperate with the peer review committee.~~
- ~~4.— If the panel is unable to make a decision, it should refer the matter to the administering entity's full peer review committee. Then, if after considering the facts presented, the administering entity's full peer review committee is able to make a decision on the issues in question, even if the firm or reviewer still disagree, for purposes of the standards, the matter is considered resolved. The decision shall be communicated to the firm and review team along with actions required by each party in order to cooperate with the peer review committee.~~
- ~~5.— If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity's full peer review committee may refer unresolved issues to the board for a final determination. Only the administering entity's full 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 (sec. 1000 par. .93, .116, and .135) (see section IV).~~
- ~~6.— If the firm does not agree with the panel or committee's decision or does not cooperate, the board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether a firm's enrollment in the program should be terminated or whether some other action should be taken. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.~~

~~III. Referral of Disagreements With Reviewed Firms to the AICPA Peer Review Board~~

~~The following outlines the procedures to be followed by an administering entity when referring disagreements to the board for a final resolution. This should only occur in rare circumstances.~~

~~A. The administering entity should prepare a letter referring the disagreement to the board for resolution within 30 days of the panel or committee teleconference. See exhibit 7-5.~~

~~B. Along with the referral letter, the administering entity should prepare a memorandum summarizing the disagreement with the reviewed firm. The memorandum will be provided to the panel and should contain the following key elements:~~

- ~~• Issue(s) to be resolved~~
- ~~• Chronology of events with references to supporting documents~~

~~Examples of supporting documents might include peer review documents, including the team captain and review captain working papers; administrative and technical reviewer checklists; and oversight reports. The administering entity should also submit the disagreement letter(s) and all supporting documentation submitted to the administering entity's panel. The reviewed firm, reviewer, or firm representative may not introduce information that was not previously presented to the administering entity's panel. If new information relevant to the disagreement becomes available subsequent to the original submission of supporting documentation, it may be submitted; however, the subsequent date it was obtained must be substantiated.~~

~~IV. Objective and Procedures for AICPA Board Panel~~

~~The AICPA staff will arrange for a board panel to review the submitted documents. The objective of the board panel is to assist the administering entity in resolving issues.~~

- ~~• A panel should be formed of at least three members of the board.~~
- ~~• One member should serve as the panel chair.~~
- ~~• At the discretion of the AICPA board panel, the disagreeing parties and the administering entity's panel chair may participate in the teleconference.~~
- ~~• The teleconference information, date, and conference call number should be communicated to the panel members and the disagreeing parties, as applicable, at least 30 days in advance of the date of the teleconference.~~
- ~~• Copies of the information received from the administering entity will be forwarded to the panel members for review well in advance of the teleconference date.~~
- ~~• At the teleconference, the panel should ask any questions or request additional information from the disagreeing parties, the administering entity's panel chair or AICPA staff to assist it in making its decision.~~
- ~~• The decision of the panel should be provided to all parties immediately following the panel's decision. A written communication of the panel's decision should be sent (exhibit 7-6) to the disagreeing parties within three business days.~~

~~The board panel's decision is final. If a reviewed firm does not cooperate, the board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether a firm's enrollment in the program should be terminated or whether some other action should be taken. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.~~

Exhibit 7-1
**Letter to Administering Entity Requesting Panel to
Resolve Disagreement Between the Reviewer and the Firm**

~~[Date]~~

~~To: [Name]
—— [Chair], [Administering Entity] Peer Review Committee
—— [Administering Entity Name]
—— [Administering Entity Address]~~

~~Re: Request for Teleconference to Resolve Disagreement Between the Reviewer and Firm~~

~~We have encountered a disagreement between [Name of Team or Review Captain] and [Name of Reviewed Firm] and request the [Administering Entity] peer review committee to consider and resolve the disagreement.~~

~~We understand that the committee may form a panel to consider the disagreement and once we receive written notification of the teleconference, we must submit any supporting evidence or documentation such that it is received by the administering entity no later than 14 days prior to the teleconference for it to be considered.~~

~~Sincerely,~~

~~[Name of Team or Review Captain] or [Name of Representative of Reviewed Firm]~~

~~cc: [Name of Team or Review Captain] or [Name of Representative of Reviewed Firm]~~

Exhibit 7-12
**Notice of Teleconference to Resolve Disagreement
Between the Reviewer and the Firm**

[Date]

Common Carrier—Proof of Delivery

To: [Name of Team or Review Captain], CPA
[Firm Name]
[Firm Address]

[Name of Reviewed Firm's Managing Partner], CPA
[Firm Name]
[Firm Address]

Re: Notice of Teleconference to Resolve Disagreement Between the Reviewer and Firm

A panel of at least three members of the [Administering Entity] peer review committee (committee) will consider the disagreement between [Name of Team, Review Captain, or Oversight Reviewer] and [Name of Reviewed Firm] at a teleconference scheduled for [date, time, and phone number]. Each party will have the right to participate during the teleconference allowing the opportunity to make a presentation or respond to questions, or both. If either party is unable or chooses not to participate, the panel will consider his or her position based on written correspondence received prior to the teleconference.

~~If new information relevant to the disagreement may become available subsequent to the original submission of supporting documentation, for such information to be considered, it must be received by the panel 14 days prior to the teleconference. The date the new information became available must be substantiated, it may be submitted; however, the subsequent date it was obtained must be substantiated.~~

Please note that this teleconference will be conducted on an informal basis. It is designed to allow each party and the panel an opportunity to discuss the disagreement. Following the presentation of each party, the panel will deliberate the basis for the disagreement and ~~how it should resolve the disagreement, determine a resolution. In some cases, the panel may recommend performing oversight on the peer review or engagement causing the disagreement to assist them in their decision. The reviewed firm and the reviewer should be aware that additional matters may be identified in this process and may result in findings or deficiencies.~~

The committee will issue the panel's decision regarding the disagreement in writing to the disagreeing parties. ~~If after considering the facts presented, if the panel is able to make a decision on the issues in question. Once the panel has reached a decision, even if the firm and/or reviewer still disagree, for purposes of the standards, the matter is considered resolved. The decision will be communicated to the firm and review team along with actions required by each party in order to cooperate with the peer review committee. If the panel is unable to resolve the issues to its satisfaction, it will refer the matter to the administering entity's full peer review committee. Then, if after considering the facts presented, the administering entity's full peer review committee is able to make a decision on the issues in question, even if the firm and/or reviewer still disagree, for purposes of the standards, the matter is considered resolved. If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity's full peer review committee may refer unresolved issues to the board for a final determination.~~

Please contact [Name] by [date], to make arrangements for the timing of your participation. If you have any questions regarding the teleconference or the procedures governing your participation, please contact [Name].

Sincerely,

[Name]
[Chair], [Administering Entity] Peer Review Committee

cc: AICPA Peer Review Board
[Administering Entity] Peer Review Program Administrator

Exhibit 7-23

Notification to Reviewer and the Firm of Disagreement Panel ~~or Full Peer Review Committee~~ Decision

[Date]

Common Carrier—Proof of Delivery

To: [Name of Team or Review Captain], CPA
[Firm Name]
[Firm Address]

[Name of Reviewed Firm's Managing Partner], CPA
[Firm Name]
[Firm Address]

Re: Panel Decision in the Review of [Firm Name]

On [date], ~~a panel of~~ the [Administering Entity] peer review committee met to consider the disagreement between [Reviewed Firm Name] and [Team, Review Captain, or Oversight Reviewer Name]. The panel [state decision].

If any of the disagreeing parties believe a review of the disagreement panel's decision is warranted, they may request an appeal by writing the board at:

American Institute of Certified Public Accountants
Attn: Peer Review Board – Disagreements
220 Leigh Farm Road
Durham, NC 27707

~~If such a request is made, the board will form an ad hoc committee to meet in executive session in order to decide whether further review by a review panel of the Peer Review Board is warranted. the firm does not agree with the [panel or committee]'s decision or does not cooperate, the board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether a firm's enrollment in the program should be terminated or whether some other action should be taken. The firm will receive a series of letters before the hearing panel is scheduled. The firm will receive a hearing notice 30 days in advance of the date of the hearing. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.~~

Sincerely,

[Name]
[Chair], [Administering Entity] Peer Review Committee

cc: AICPA Peer Review Board
[Administering Entity] Peer Review Program Administrator

Exhibit 7-4
**Letter Referring Disagreement to the Administering
Entity's Full Peer Review Committee**

~~{Date}~~

~~Common Carrier—Proof of Delivery~~

~~To: {Name of Team or Review Captain}, CPA
—— {Firm Name}
—— {Firm Address}~~

~~—— {Name of Reviewed Firm's Managing Partner}, CPA
—— {Firm Name} ——
—— {Firm Address}~~

~~Re: Panel Decision in the Review of {Firm Name}~~

~~On {date}, a panel of the {Administering Entity} peer review committee met to consider the disagreement between {Reviewed Firm Name} and {Team, Review Captain, or Oversight Reviewer Name}. The panel was unable to make a decision and is referring the matter to the {Administering Entity} full peer review committee.~~

~~Sincerely,~~

~~{Name}
{Chair}, {Administering Entity} Peer Review Committee~~

~~cc: AICPA Peer Review Board
—— {Administering Entity} Peer Review Program Administrator~~

Exhibit 7-3
Notification to the Reviewer, Firm and Administering
Entity of Ad Hoc Committee Decision

[Date]

Common Carrier—Proof of Delivery

To: [Name of Team, Review Captain, or Oversight Reviewer], CPA
[Firm Name]
[Firm Address]

[Name of Reviewed Firm's Managing Partner], CPA
[Firm Name]
[Firm Address]

[Administering Entity] Peer Review Program
[Administering Entity]
[Administering Entity Address]

Re: Panel Decision in the Review of [Firm Name]

On [date], an ad hoc committee of the AICPA Peer Review Board met to consider the disagreement between [Disagreeing party] and [Disagreeing party]. The panel determined [the decision of the disagreement panel was appropriate/the disagreement requires further review by a review panel of the AICPA Peer Review Board].

(If the matter is being referred to a review panel) The disagreeing parties will receive notification of the date and time that the review panel will meet to review the matter. The review panel will review and consider the disagreement and take further action pursuant to fair procedures that the board has established.

(If further review is denied and the decision is not favorable to firm) The ad hoc committee's decision is final. If a reviewed firm does not cooperate, the board may decide to terminate the firm's enrollment in the program without further hearing. If a decision is made by the board to terminate a firm's enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the board's decision. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

(If further review is denied and the decision is not favorable to reviewer) If the reviewer does not cooperate within 30 days of the date of this letter, the board will remove the reviewer's name from the list of qualified reviewers.

Please contact [AICPA staff name] at [phone number] if you have any questions.

Sincerely,

[Name]
AICPA Peer Review Board

cc: [Name], [Chair], [Administering Entity] Peer Review Committee

Exhibit 7-5
Letter Referring Disagreement to the
AICPA Peer Review Board for Resolution

[Date]

AICPA Peer Review Board
American Institute of CPAs
Palladian Corporate Center
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Board Members:

On *[date]* the *[Name of the Administering Entity]* full peer review committee met to consider a disagreement between *[Reviewed Firm Name]* and *[Team, Review Captain, or Oversight Reviewer Name]*. The *[Name of Administering Entity]* full peer review committee was unable to resolve the issues to its satisfaction, and the committee hereby requests the AICPA Peer Review Board to review the matter and reach a final resolution.

Enclosed you will find a memorandum summarizing the facts of the disagreements along with supporting documents.

If you need any further information, please feel free to contact us.

Sincerely,

[Name]

[Title]

cc: *[Name of Representative of Reviewed Firm]*
—— *[Name of Team, Review Captain, or Oversight Reviewer]*

Exhibit 7-6
**Notification to the Reviewer, Firm and Administering
Entity of AICPA Board Panel Decision**

[Date]

Common Carrier — Proof of Delivery

To: ~~[Name of Team, Review Captain, or Oversight Reviewer], CPA
—— [Firm Name]
—— [Firm Address]~~

~~—— [Name of Reviewed Firm's Managing Partner], CPA
—— [Firm Name]
—— [Firm Address]~~

Re: ~~Panel Decision in the Review of [Firm Name]~~

~~On [date], a panel of the AICPA Peer Review Board met to consider the disagreement between [Reviewed Firm Name] and [Team, Review Captain, or Oversight Reviewer Name]. The panel [state decision].~~

~~The board panel's decision is final. If a reviewed firm does not cooperate, the board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether a firm's enrollment in the program should be terminated or whether some other action should be taken. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.~~

~~Please contact [AICPA staff name] at [phone number] if you have any questions.~~

Sincerely,

[Name]
AICPA Peer Review Board

cc: ~~[Name], [Chair], [Administering Entity] Peer Review Committee~~

CHAPTER 8

Reviewer Qualifications, Responsibilities, and Performance

I. Overview

Individuals performing peer and quality control material (QCM) reviews (reviews) are required to ~~meet and maintain~~ possess various reviewer qualifications and to fulfill the responsibilities associated with being a ~~team captain, review captain or review team member (hereinafter,~~ reviewer), which include, but are not limited to, timely and professional performance. This chapter highlights the qualifications, responsibilities, and expected performance of a reviewer, along with procedures when those are not met.

To become a reviewer, individuals need to ~~meet~~ possess certain qualifications, including reviewer training. ~~Once those qualifications are met, reviewers~~ Reviewers should continually monitor ~~those~~ their qualifications to ensure that they remain qualified. Not ~~meeting~~ possessing one or more of the qualifications will impede the reviewer's ability to continue to schedule and perform reviews. If a reviewer performs a review while not possessing all qualifications, this may lead to recall of the peer review report and deemed an egregious act.

Fulfilling all reviewer responsibilities is required as a matter of cooperation with the administering entity (AE),¹ peer review committee (committee), AICPA Peer Review Board (board),² and AICPA staff (staff). ~~Failure to fulfill any reviewer responsibilities (whether directly or indirectly associated with the performance of a review) may be deemed as a failure to cooperate by the committee, board, or staff. Reviewers who are deemed as not cooperating with the committee, board, or staff may have their ability to perform reviews suspended, limited, or restricted based on the completion of some action(s), as determined by the committee, board, or both.~~

~~If a reviewer refuses to cooperate, is deemed as failing to cooperate, fails to correct performance deficiencies, is found to be so seriously deficient in his or her performance that corrective actions are not adequate, or has committed egregious acts in the performance of a review, the board may decide, pursuant to the following guidance, to appoint a hearing panel to consider whether the reviewer should be allowed to continue performing reviews in the future or whether some other action should be taken.~~

~~Any condition imposed on a reviewer will generally apply to the individual's service as a team captain, review captain, team member, QCM reviewer, committee member, report acceptance body (RAB) member, or technical reviewer, unless the condition is specific to the individual's service as only a team captain, review captain, team member, or QCM reviewer.~~

The following outlines the guidance and procedures for administering entities, ~~a~~ the board ~~and~~ or staff when a reviewer ~~fails to meet~~ does not possess reviewer qualifications; fails to submit documents or revisions in a timely manner; has performance deficiencies; commits egregious acts; or has allegations, investigations, restrictions, or limitations placed upon him or her by various sources. It also outlines the fair procedures provided to a reviewer who is deemed as not cooperating, suspended, or restricted by the AE, board, or staff.

II. ~~Meeting and Maintaining~~ Reviewer Qualifications

A. Eligibility to Schedule and Perform Peer Reviews

The standards (sec. 1000 par. .31 and .34) discuss the minimum requirements that an individual must meet and maintain in order to fulfill reviewer qualifications. Those qualifications must be continually maintained in order to schedule and perform reviews. Situations may arise in which the AE, board, or staff determines that the reviewer currently no longer ~~meets~~ possesses one or more of the qualifications. Such situations may include, but are not limited to, the following:

- AICPA membership is no longer active or is suspended.
- Failure to maintain valid license(s) to practice as a CPA.

¹ Reference to administering entity (AE) in this guidance includes the AE staff, technical reviewer, or peer review committee.

² The board has the discretion to delegate certain functions to staff. Delegations of functions from the board to staff are included in the AICPA Peer Review Board *Policy and Procedure Manual*.

- Failure to be currently active in public practice as a partner of the firm or as a manager or person with equivalent supervisory responsibilities.
- Not presently involved in the accounting ~~and-or~~ auditing practice of a firm supervising one or more accounting, ~~or~~ auditing, ~~or attestation~~ engagements or carrying out a quality control function on ~~the~~ firm's accounting and auditing engagements.
- No longer associated with an enrolled firm (unless the reviewer has transitioned to a new firm and meets the requirements of Interpretation 31b-1) that has received a peer review rating of pass for its most current System or Engagement review.
- The reviewer's firm's peer review was not accepted timely, ordinarily within the last three years and six months. If a valid extension is approved by the AE, the review working papers and report should be submitted by the approved extended due date. In other words, there is an expectation that the working papers would be received by the AE within six months after the reviewer's firm's peer review year-end (see Interpretation 31c-1).
- The reviewer's firm's most recent peer review resulted in a report rating of pass with deficiencies or fail.
- The reviewer has received communications from regulatory, monitoring, or enforcement bodies relating to limitations or restrictions on the reviewer or the reviewer's firm's right to practice or perform peer reviews.

When an individual does not ~~meet-possess~~ all of the qualifications required by the standards, he or she would no longer be eligible to schedule or perform peer reviews in any AE. This includes being a team captain, review captain, team member, QCM reviewer, committee member, ~~or~~ RAB member, ~~or technical reviewer~~. Once it is established that the qualification requirements are not met, the reviewer must not commence, continue to perform, or participate in a peer review until it has been determined that he or she ~~meets-pos-~~
~~sesses~~ the qualifications.

B. Process When a Reviewer Does Not ~~Meet-Possess~~ Reviewer Qualifications

Reviewers have a responsibility to inform their administering entity when they no longer possess one or more qualifications. In addition, Staff will monitor certain of the preceding qualifications using PRISM, public information, and communications from administering entities and others. If the reviewer does not ~~meet-possess~~ one or more of the qualifications, the reviewer will be ineligible to schedule or perform reviews for all administering entities. (See section V for procedures when a reviewer has allegations or investigations outstanding against him or her or is limited or restricted by a regulatory, a monitoring, or an enforcement body.) Once the reviewer ~~has-satisfactorily met~~possesses all reviewer qualifications, he or she will be allowed to continue to schedule and perform reviews.

1. *Staff to Contact Reviewer Before Issuance of Letter of Ineligibility*

If a reviewer ~~does not possess~~ ~~fails to meet~~ any of the qualifications required by the standards, staff will contact the reviewer by phone or e-mail (using the telephone number or e-mail address on the reviewer's resume). The purpose of contacting the reviewer is to validate the qualification(s) that the reviewer may no longer ~~possess~~meet. The reviewer is expected to respond to such communication within five business days. The reviewer's failure to respond to staff regarding the reviewer's qualifications will not delay the issuance of a suspension letter. Such communication and the results thereof should be documented.

It is important that the reviewer respond promptly to the staff's communication because it may result in the reviewer being able to continue to schedule and perform reviews. There may be situations in which the reviewer currently does not ~~meet-possess~~ the qualifications but may be in the process of ~~meeting-obtaining~~ them. Staff will make this determination on a case-by-case basis.

For example, the reviewer's firm has not had its most recent peer review completed by the due date. If the peer review working papers have been submitted to the AE, and the peer review is scheduled to be presented for committee acceptance, it may be determined that the reviewer should not be suspended. However, using the same situation, if the reviewer's firm's peer review has not been scheduled and is past the due date, including valid extension, this would likely lead to the reviewer being suspended

because the reviewer's firm ~~is not meeting~~does not possess the qualification to have its peer review accepted timely, ordinarily within the last three years and six months.

2. *Letter to Reviewer Indicating Ineligibility to Schedule or Perform Reviews*

After staff has communicated with the reviewer, and it has been confirmed that the reviewer does not currently ~~meet~~possess all reviewer qualifications, staff will send an ineligibility letter to the reviewer.

Ineligibility Letter

Upon issuance of an ineligibility letter, the reviewer will be prohibited nationally from scheduling or performing reviews until the reviewer ~~has met~~possesses all qualifications required for being a reviewer. The reviewer should either withdraw from or reschedule reviews that he or she was previously approved to perform. The reviewer will be instructed to contact any firm (or team captain, if applicable) for which a review is scheduled in the near future or for which the reviewer will not ~~meet~~possess the qualifications by the commencement of the review. For such reviews, the reviewer should inform the firm (or team captain, if applicable) that it would need to find another qualified reviewer. This includes reviews ~~about~~ which the reviewer was previously approved to participate, regardless of whether the review has commenced. It is at the reviewer's discretion to discuss with the firm the reason that he or she is not able to perform the firm's review. Reviewers should keep in mind that their ineligible status is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date.

A copy of the ineligibility letter will be sent to all AEs where the reviewer has performed reviews during the past year or has reviews scheduled. For reviews that are scheduled in the near future or have commenced, the reviewer should contact the respective AE to discuss the resolution of each review. This should be done within five business days of receipt of the ineligibility letter.

The reviewer should submit evidence or contact the AE indicating that the firms have been notified that they need to find a new reviewer. If the reviewer fails to submit evidence or contact the AE within five business days of receipt of the ineligibility letter, the AE may contact the reviewed firms to inform them that the reviewer will not be able to perform or continue to perform the firm's peer review. No details or explanation of the reason should be provided to the firm. This should be left to the reviewer's discretion to discuss with the firm if he or she chooses.

Once the reviewer has been deemed ineligible, the committee should establish policies and procedures for identifying and monitoring reviews of the ineligible reviewer, which may be in different stages of completion. The following section D. provides committees with considerations for establishing such policies and procedures.

3. *Release of Ineligibility*

In order to be reinstated to schedule and perform reviews, the reviewer must submit to staff documented evidence that indicates that the reviewer ~~meets~~possesses all the qualifications required of a reviewer. Once satisfactory evidence of compliance with the qualifications has been submitted to staff, staff will send evidence to three board members requesting approval to allow the reviewer to continue performing reviews. If approved, the reviewer will be sent a letter indicating that the reviewer is able to schedule and perform reviews. A copy of the letter will be sent to all AEs where the reviewer has performed reviews during the past year or has reviews scheduled. Reinstatement as a committee member, RAB member, or technical reviewer would be at the AE's or committee's discretion.

4. *Reviewer Feedback Form*

When a reviewer fails to maintain the required reviewer qualifications resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance deficiency. Consistent with the guidance in section IV of this chapter, a reviewer feedback form should be issued by staff to the reviewer documenting this matter.

Ineligibility Status Multiple Times

~~When a reviewer has been deemed ineligible multiple times for failure to meet and maintain reviewer qualifications, it may indicate a performance deficiency. (See section IV related to handling performance deficiency matters for reviewers who are deemed ineligible multiple times.)~~

~~4.—*Reviewer’s Ability to Appeal*~~

~~Reviewers who wish to appeal an ineligibility letter must request that a hearing panel be assembled. That request must be made in writing (via e-mail or letter) to the board within 30 days of receipt of the ineligibility letter. The reviewer should include any evidence to support the reviewer’s position. It will be at the board’s discretion whether a hearing panel will be assembled.~~

~~If granted, the procedures outlined subsequently and included in the *Rules of Procedure for Peer Reviewers* will be followed. The request for an appeal will not lift or delay the ineligible status of the reviewer. Once the ineligibility letter has been issued, it may only be lifted if the reviewer meets the qualifications or if, after the hearing, the hearing panel determines that the reviewer meets all reviewer qualifications.~~

~~A hearing panel is not necessary if the reviewer has submitted information or documents to the satisfaction of staff indicating that the reviewer has met all reviewer qualifications.~~

C. Appeals to the Board³

Reviewers who wish to appeal an ineligibility letter must request that a hearing panel be assembled. That request must be made in writing (via e-mail or letter) to the board within 30 days of receipt of the ineligibility letter. The reviewer should include any evidence to support the reviewer’s position.

The request for an appeal will not lift or delay the ineligible status of the reviewer. Once the ineligibility letter has been issued, it may only be lifted if the reviewer submits to staff documented evidence that indicates that the reviewer possesses all the qualifications required of a reviewer, or the hearing panel determines that the reviewer possesses all reviewer qualifications. A hearing panel is not necessary if the reviewer has submitted information or documents to the satisfaction of staff indicating that the reviewer possesses all reviewer qualifications.

See section VI of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

Reviewers are granted the opportunity to appeal the decision. The request for appeal must be made within 30 days of receipt of the ineligibility letter. The reviewer will remain ineligible to schedule or perform reviews during the appeal process.

The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider a reviewer’s appeal, a meeting via telephone conference should be scheduled ordinarily within 60 days of the date on the reviewer’s appeal letter. If not done within 60 days, this does not affect the actions of the panel. If the reviewer requests to present his or her case in person, it will be at the panel’s discretion whether to grant an in-person hearing. If a request for an in-person hearing is granted, the date and location will be determined based upon the panel members’ availability. The *Rules of Procedure for Peer Reviewers* includes the following:

- 1.—The hearing panel will consist of five board members or others designated by the board Chair.
- 2.—The hearings will ordinarily be held via conference call or, upon request and at the discretion of the panel, in person.
- 3.—The reviewer and AE will be given the opportunity to participate in the appeal process. Other AEs that indicate that they are interested in participating may do so at the discretion of the panel Chair.
- 4.—If the reviewer or approved (by the panel Chair) AE would like to appear via conference call, they must notify staff not later than 14 days prior to the hearing date of their desire to attend. If the reviewer or

³ Details of the [hearings and appeal processes](#) can be found in the AICPA Peer Review Board *Rules of Procedures for Reviewers* at www.aicpa.org.

~~AE desires to appear in person before the hearing panel, and the board agrees to the request, the date and location of the hearing will be determined based on panel members' availability.~~

- ~~5. The reviewer or approved (by the panel Chair) AE may request a postponement for good cause. To be considered, any request must be received by the board not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
- ~~6. If either the reviewer or AE does not advise staff that he, she, or it will attend the hearing, the hearing will proceed on the hearing date, even if neither party attends.~~
- ~~7. Decisions of the hearing panel are effective immediately. Staff may call or e-mail the decision to the party that does not participate in the hearing. A letter will be sent to the reviewer and AE via common carrier, which provides signed proof of delivery, indicating the decision of the hearing panel.~~

~~In accordance with the *Rules of Procedure for Peer Reviewers*, decisions made by a hearing panel may be appealed to an ad hoc committee. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal.~~

~~If the ad hoc committee agrees that the decision should be reviewed, it will be sent to a review panel of the board. Decisions of the review panel are final. *Rules of Procedures for Reviewers* outlining the procedures are available on www.aicpa.org.~~

D. Committee AE Considerations When a Reviewer Is Ineligible to Schedule or Perform Reviews

Because reviews performed by a reviewer may be in different stages of completion when the reviewer is determined to be ineligible to schedule or perform reviews, the following various scenarios should be considered by the committee when formalizing policies and procedures:

1. *The scheduled review has not commenced.* Within five business days of the reviewer being notified by staff of being ineligible or by the commencement date of a scheduled review, if earlier, the reviewer must discuss the matter with the reviewed firm. The reviewer should either withdraw from or reschedule reviews, including planning procedures, pending the reviewer's ineligible status being lifted or a final board decision if the reviewer appeals. Reviewers should keep in mind that their ineligible status is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date.

If the reviewer fails to contact the reviewed firm, the AE may contact the reviewed firm to inform it that the reviewer will not be able to perform or continue to perform the firm's peer review. No details or explanation of the reason should be provided to the firm by the AE. Details should be discussed with the firm at the reviewer's discretion. Contacting the firm may not be necessary if the firm's review is not scheduled to commence in the near future.

For example, if the reviewer is notified by staff of his or her disqualification on May 1, and a review originally scheduled to commence May 15 is not rescheduled by May 7, the AE may inform the firm that "its reviewer cannot perform the review at this time, and if further information is required, please contact your peer reviewer." The firm should be advised that it may need to hire a new reviewer in order to meet the firm's due date. However, if a review is scheduled to commence in September, it may not be necessary to contact the firm now.

If it is determined that a reviewer commenced a review after receiving the ineligibility letter and submitted the report and related working papers ~~without notifying the firm or the AE of the letter~~, the AE should contact the reviewer and inform him or her that the review cannot be presented to the RAB. In this situation, ~~the AE should follow the egregious act guidance in section IV and~~ the reviewer should contact the firm and advise the firm of the circumstances. This may cause the firm to have another peer review performed by an eligible reviewer.

2. *The scheduled review has commenced and is in process, in house, or accepted*

- a. *but the fieldwork is not complete.* The committee should consider which qualifications the reviewer did not possess and the impact that may have on the performance by the reviewer. Based on such assessment, the committee may decide that the remainder of fieldwork should be performed by an eligible reviewer or that on-site or off-site oversight at the reviewer's expense should be performed by a committee member, technical staff, or another qualified peer reviewer, ~~possibly at the reviewer's expense~~. See the following (b) for procedures to be considered by technical staff.
- b. *and the fieldwork is complete, but working papers have not yet been received by the AE, or the review is in house awaiting technical review.* The committee should consider which qualifications ~~were not met~~ the reviewer did not possess and the impact that may have on the performance by the reviewer. Based on such assessment, the committee may decide that (on-site or off-site) oversight should be performed, ~~possibly~~ at the reviewer's expense. Although the review would have already been performed, the oversight can still be performed afterward with the cooperation of the reviewed firm either providing or forwarding requested items to the person(s) performing the oversight.

If oversight is not performed, the committee should consider if the technical staff should perform a technical review of all working papers related to the peer review. If so, the technical reviewer should approach the review with a higher degree of skepticism with regard to the reasons for ineligibility. He or she should carefully consider the effect of the ineligibility on the reviewer's ability to perform and report on the review and whether, based on his or her procedures and any other procedures performed, including oversight, he or she was able to overcome concerns over the reviewer's qualifications during the performance of the review. Technical staff should fully report on these procedures to the committee.

- c. *and the review has been submitted to the committee for consideration.* Depending on the reason for ineligibility, the committee should consider deferring the review until the technical staff has performed the procedures previously described (b). Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
 - d. *and the review is accepted, but the acceptance letter has not been sent to the firm.* The AE should discuss the matter with the Chair of the RAB or the committee Chair and consider whether the acceptance letter should be delayed and the review deferred until the procedures previously described (b) are performed. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
3. *The review is accepted, and the firm has been sent acceptance letter, and*
 - a. *it is within the working paper retention period.* The procedures previously described in 2(b) should be considered by the committee. Those procedures should be performed as soon as practicable. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation. The working papers should not be destroyed until all procedures have been performed to the satisfaction of the committee and a resolution has been reached.
 - b. *it is outside the working paper retention period.* The AE should contact staff to discuss the impact of an ineligible reviewer. If it is apparent that the reviewer performed the review when he or she did not ~~meet~~ possess the qualifications, staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

III. Responsibility to Perform in a Timely and Professional Manner

A. Timely and Professional Performance

Firms undergo a peer review because they recognize its importance to the quality of their practice and to meet various regulatory and membership requirements. Therefore, performing the review in a timely and

professional manner is critical to a firm. A ~~reviewer team captain, review captain, or reviewer (hereinafter, reviewer)~~ has a responsibility to perform all aspects of a review in a timely, professional manner. This includes, but is not limited to, submission of reports, working papers, and additional actions or revisions requested by the RAB or the program's technical reviewer, as well as the board and staff.

If a reviewer fails to perform the review in a timely and professional manner, the reviewer may be deemed as not cooperating. Situations of failing to perform in a timely and professional manner may include, but are not limited to, the following:

- Failure to submit the report; findings for further consideration (FFC) forms, if applicable; and required review documents to the AE within the required specified time as indicated in the standards, ~~and~~ when the delay is not caused by the reviewed firm
- Failure to respond or resolve questions, including requests for additional procedures (such as the expansion of scope on the review) from the technical reviewer, committee or RAB, or board or staff within the specified time
- Failure to revise the report and FFC forms, if applicable, as requested by the committee or RAB or board or staff
- Failure to respond to requests from the technical reviewer, committee or RAB, or board or staff for documents (in addition to those originally required to be submitted) or requests to complete documentation of work or procedures performed during the review
- Failure to submit documents and other information requested as a result of oversight
- Failure to cooperate during or after an oversight
- Failure to update or revise reviewer résumé using the appropriate experience codes based on the reviewer's experience in his or her own firm or for work performed for another firm as an independent contractor
- Failure to verify résumé information upon request from the committee, board, or staff on a timely basis

B. Process When a Reviewer Fails to Perform in a Timely and Professional Manner

Situations, such as those previously indicated, may arise when the reviewer fails to ~~cooperate-perform~~ in a timely and professional manner. This warrants communication with the reviewer by the AE, board, or staff. It may result in his or her potential suspension from scheduling or performing peer reviews. AEs should confirm that it is the reviewer, not the reviewed firm, that is failing to ~~cooperate-perform in a timely and professional manner~~ prior to starting the suspension procedures. In addition, it is important to determine if there is a disagreement among the reviewer, firm, or committee. If there is a disagreement, then the procedures for handling a disagreement should be followed (see chapter 7).

For such matters as previously mentioned, the AEs should proceed as outlined in the subsequent list. (See section C for national suspension due to a reviewer not verifying resume information on a timely basis.)

- *Reminder letter one.* The AE should send the reviewer a reminder letter via e-mail or regular mail after ~~21-14~~ days of the documents being due. The letter reminds the reviewer of the questions or requests for documents and requires the reviewer to submit those within ~~21-5~~ days from the date of the e-mail or letter. It also asks the reviewer to inform the AE if he or she believes that the reviewed firm is causing the delays of such requested information. The reviewed firm should also receive a copy of the letter sent to the reviewer.
- *Contact reviewer.* If the reviewer does not respond, or the required documents are not received after ~~21-5~~ days of sending the letter, the AE should contact the reviewer by phone or e-mail (using the telephone number or e-mail address on the reviewer's résumé) to determine the reason for the failure to respond. The results of this call or electronic request should be documented. The AE should consider the reason for the failure to respond to requests when determining whether to suspend the reviewer from scheduling or performing peer reviews administered by that AE.

During this communication, the AE and reviewer may come to a mutually agreed upon due date of when the working papers will be received. If the reviewer fails to meet this due date, the reviewer should automatically be suspended.

It is the reviewer's responsibility to respond to requests communicated by letter, telephone call, or e-mail. If the reason for not submitting documents is related to the reviewed firm delaying the process or a disagreement, the AE should not suspend the reviewer. In this situation, the AE should either send appropriate warning letters to the firm or adhere to the disagreement guidance (see chapter 7).

- *Reviewer suspension.* Once the preceding procedures are completed, and it is determined that warning letters should not be sent to the reviewed firm, the AE should suspend the reviewer from scheduling future reviews that ~~it he or she~~ administers. A suspension letter should be mailed (with proof of delivery) to the reviewer notifying the reviewer that he or she is no longer permitted to schedule future reviews in the AE's jurisdiction.

In instances when the reviewer has not submitted appropriate documentation to support his or her résumé information, the AE should send a request to the board for a national suspension. See section C for board procedures for national suspension.

A suspension letter does not preclude AEs from issuing unrelated reviewer feedback; additional suspension warning letters related to another review; or other communications, if warranted. ~~If the reviewer continues to be delinquent in the performance of reviews, it may be deemed as failure to cooperate, which could lead to the reviewer being restricted from scheduling or performing reviews in the future.~~

- *Request to Suspend the Reviewer Nationally.* An AE or staff may refer the reviewer to the board for national suspension when a reviewer is sent the suspension letter. The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider this matter, a meeting via telephone conference should be scheduled, ordinarily within 60 days of the date on the letter. If not done within 60 days, this does not affect the actions of the panel.
- *Suspension removal letter.* The reviewer will remain suspended until he or she has answered questions or submits documents to the satisfaction of the AE related to the suspension.

If a reviewer fails to perform in a timely, professional manner multiple times, multiple suspension letters should be sent to the reviewer. The reviewer must address each suspension. Satisfying the outstanding items for one suspension does not lift all suspensions. If multiple suspensions are in place, the reviewer remains unable to schedule reviews until all outstanding situations have been resolved to the satisfaction of the AE, staff, or board. Once all suspensions are lifted, the reviewer will be able to schedule and perform peer reviews.

- ~~*Reviewer's ability to appeal.* Reviewers who wish to appeal a suspension letter must make such request in writing to the committee within 30 days of receipt of the suspension letter. The reviewer should include any evidence to support the reviewer's position. The appeal will not lift or delay the suspension. Once the suspension letter has been issued, the suspension may only be lifted if the reviewer has submitted the required documents to the satisfaction of the AE, or based on the appeal, the committee determines that the suspension is not warranted. See section D for procedures for appeals to the committee.~~
- *Reviewer Feedback Form.* When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance deficiency. Consistent with the guidance in section IV of this chapter, a reviewer feedback form should be issued to the reviewer documenting this matter.
- ~~*Monitoring reviewer suspensions.* The reviewer monitoring report (see section VII) will be used to determine if suspensions placed upon a reviewer become pervasive. This would occur even if the reviewer performs reviews in multiple AEs and is consistently late in submitting documentation. If a reviewer is continually being suspended or has multiple open suspensions, staff or the AE may request that the board consider suspending the reviewer nationally or restricting the reviewer from scheduling or performing future reviews.~~

C. Request to Suspend the Reviewer Nationally for Not Submitting Documentation to Support Experience Codes on Reviewer's Résumé

~~An~~ An active reviewer is defined as one who has updated his or her résumé or performed peer reviews under the AICPA Peer Review Program standards within the last three years. While reviewers are required to update their resume annually, as ~~As~~ part of required oversight procedures, AEs must request reviewers to verify their résumé information every three years, at a minimum. AEs are encouraged to perform the initial

verification of a reviewer's résumé within one year of the reviewer entering his or her résumé into the reviewer résumé database on the peer review administrative website. Thereafter, the résumé verification for that reviewer should follow the regular three-year résumé verification cycle, unless circumstances warrant an interim verification. The objective is to validate ~~that the~~ accuracy of the experience codes on the résumé ~~are accurate~~. The verification process must include documentation to support all industries noted on the reviewer's résumé.

The primary concern when reviewing the areas of experience on the reviewer's résumé is that the reviewer may not have sufficient experience to be able to identify when the reviewed firm has not performed engagements in accordance with professional standards. In such situations, an AE should refer the reviewer to the board for national suspension when he or she has not submitted documentation to support the experience codes reflected on his or her résumé. (See the following section for board procedures when an AE requests a national suspension.)

Initial Request for Résumé Information

A reviewer is expected to respond to requests for résumé information within 30 days of the date of the initial request. Once a reviewer has received the request for resume information, he or she should not ignore the request. If a reviewer is unable to provide the information within 30 days, he or she should contact the AE to provide a mutually agreed upon reasonable date when the information will be remitted.

Resume Warning Letter

If the reviewer has not responded within 30 days, a warning letter should be sent to the reviewer. The letter reminds the reviewer to submit the resume information within 14 days from the date of the letter. It also informs the reviewer that if he or she does not comply with the request, he or she will be suspended from being able to schedule and perform reviews for that AE, and the AE may request the board to suspend the reviewer nationally.

Contact Reviewer

After 14 days of sending the résumé warning letter, if the reviewer does not respond, or the required documents are not received, the AE entity should contact the reviewer by phone or e-mail (using the telephone number or e-mail address on the reviewer's resume) to determine the reason for the failure to respond. The results of this call or electronic request should be documented. ~~The~~ If the reason for the reviewer's failure to respond to requests is not substantive, should be considered by the AE should in determining whether to suspend the reviewer from scheduling or performing peer reviews administered by that AE. An example of a substantive reason for failing to respond would be a major illness of the reviewer.

During this communication, the AE and reviewer may come to a mutually agreed upon due date of when the information will be received. If the reviewer fails to meet this due date, the reviewer should be automatically suspended.

Resume Suspension Letter

After the preceding procedures have been completed, and the reviewer has not complied with the requests, the AE may suspend the reviewer from scheduling or performing reviews. A résumé suspension letter should be sent by common carrier (with proof of delivery) to the reviewer, indicating that the reviewer is no longer permitted to schedule or perform reviews for that AE. The reviewer may appeal this suspension. ~~(See section E for appeals to the committee.)~~

Request to Suspend the Reviewer Nationally (or Prohibit Scheduling or Performing Reviews in all Administering Entities)

An AE should refer the reviewer to the board for national suspension when a reviewer is sent the résumé suspension letter. The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider this matter, a meeting via telephone conference should be scheduled, ordinarily within 60 days of the date on the letter. If not done within 60 days, this does not affect the actions of the panel. ~~(See section E for hearing panel procedures.)~~

Suspension Removal Letter

If the board determines that the reviewer should be nationally suspended, the reviewer will remain suspended until he or she has answered questions or submitted documents supporting resume information to the satisfaction of the AE.

Reviewer Feedback Form

When a reviewer fails to perform in a timely, professional manner resulting in suspension of the reviewer's ability to schedule and/or perform reviews, this is considered a reviewer performance deficiency. Consistent with the guidance in section IV of this chapter, a reviewer feedback form should be issued to the reviewer documenting this matter.

Reviewer's Ability to Appeal National Ratification of the Suspension Letter

Reviewers who wish to appeal a résumé suspension letter must make such request in writing to the board within 30 days of receipt of the suspension letter. The reviewer should include any evidence to support the reviewer's position. The appeal will not lift or delay the suspension. Once the suspension letter has been issued, the suspension may only be lifted if the reviewer has submitted the required documents to the satisfaction of the AE, or based on the appeal, the committee determines that the suspension is not warranted. (See section E for appeals to the board.)

D.—Appeals to the Committee

~~When the AE suspends a reviewer, the reviewer is granted the opportunity to appeal the decision before the committee in person, via telephone conference, or in writing. The request for appeal must be made in writing within 30 days of the date on the letter suspending him or her. If an appeal is requested by the reviewer, the suspension will remain in effect until the reviewer has submitted documents to the satisfaction of the committee, or the panel, as described subsequently, determines that the suspension should be removed or revised, whichever occurs earlier.~~

~~If the reviewer chooses to appeal, the committee should have an appeal meeting via telephone conference, ordinarily within 60 days of the date of the reviewer's appeal letter. However, if the reviewer requests to have the appeal take place in person, the committee should have an appeal meeting in person, ordinarily within 120 days of the date of the reviewer's appeal. If not done within 60 or 120 days, this does not affect the actions of the panel.~~

~~For the appeal meeting, the committee should form a panel to consider a reviewer's appeal. The committee should follow the following steps:~~

- ~~1. A panel should be formed of at least three members of the committee. These three members should not have been involved in the decision to suspend the reviewer.~~
- ~~2. One member should serve as the panel chair.~~
- ~~3. The reviewer will be given the opportunity to participate in the appeal process.~~
- ~~4. If the reviewer would like to appear before the panel, he or she should notify the AE not later than 14 days prior to the appeal date. If the reviewer does not notify the AE that he or she would like to appear, the panel will still convene and decide on the matter.~~
- ~~5. If the reviewer requests to have the appeal take place in person, the panel meeting should be scheduled at a location convenient to members of the panel but also take into consideration the location from which the reviewer is traveling.~~
- ~~6. The meeting information (for example, date, location, and conference call number) should be communicated to the reviewer and panel members. If the reviewer is unable to attend or participate, the reviewer may request that the meeting be postponed for good cause. The postponement will be at the discretion of the panel and should be rescheduled at a date and location, if in person, determined by the Chair.~~
- ~~7. The reviewer may request a postponement for good cause. To be considered, any request must be received by the committee not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~

- ~~8. Supporting documentation from the reviewer must be received not later than 14 days prior to the appeal date in order for it to be considered by the panel.~~
- ~~9. The reviewer has the opportunity to present evidence and witnesses, if any, and be represented by counsel to support his or her position about why the action was inappropriate.~~
- ~~10. At the meeting, the panel should discuss the basis of the appeal, including the supporting documentation submitted by the reviewer.~~
- ~~11. If appearing in person or telephonically, the reviewer should have the ability to indicate why he or she believes that the action taken by the committee was inappropriate.~~
- ~~12. The reviewer and panel have the ability to ask questions of each party and their witnesses, if any.~~
- ~~13. Staff, if requested by the reviewer or AE to attend as an adviser, may be present and will only act as an adviser to the committee regarding the rules and guidance.~~
- ~~14. After hearing testimony, the panel should discuss the matter in private without the reviewer or other parties present to determine whether the panel should uphold the suspension.~~
- ~~15. The decision of the panel should be provided to the reviewer immediately following the panel's decision. The reviewer should be informed that he or she has the right to appeal to the board. A written communication of the panel's decision should be sent by common carrier (with proof of delivery) to the reviewer within three business days of the panel's decision, regardless of whether the reviewer was notified verbally. The decision of the panel is effective immediately.~~

~~This process is very important and should be conducted such that all parties have the opportunity to thoroughly discuss the matter prior to the decision of the panel.~~

~~A record of the appeal proceeding and summary of conclusions, either as minutes or a transcript, regardless if a party attends, should be maintained and, if requested, provided to those attending the appeal meeting. Copies of the minutes or transcript should be submitted to the board if the matter is appealed to the board by the reviewer. The documentation related to this appeal will be taken into consideration by the board if the reviewer exercises his or her right to appeal to the board. (See section E for procedures for appealing to the board.)~~

~~A reviewer will remain suspended until he or she has complied with requests from the AE to the satisfaction of the committee, or the board has concluded that the reviewer should not be suspended, whichever occurs earlier.~~

ED. Appeals to the Board⁴

Reviewers who wish to appeal a suspension letter must request that a hearing panel be assembled. That request must be made in writing (via e-mail or letter) to the board within 30 days of receipt of the suspension letter. The reviewer should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the suspension of the reviewer. Once the suspension letter has been issued, the suspension will remain in effect until the reviewer has submitted required documents to the satisfaction of the AE, or the hearing panel determines that the suspension should be removed or revised, whichever occurs earlier.

See section VI of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

Reviewers are granted the opportunity to appeal the decision. The request for appeal must be made within 30 days of receipt of the letter communicating the decision of the committee appeal panel. The reviewer will remain ineligible to schedule or perform reviews during the appeal process.

The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider a reviewer's appeal, a meeting via telephone conference should be scheduled, ordinarily within 60 days of the date on the reviewer's appeal letter. If not done within 60 days, this does not affect the actions of the panel. If the reviewer requests to present his or her case in person, it will be at the panel's

⁴ See footnote 345.

~~discretion whether to grant an in-person hearing. If a request for an in-person hearing is granted, the date and location will be determined based upon the panel members' availability. The *Rules of Procedure for Peer Reviewers* include the following:~~

- ~~1. The hearing panel will consist of five board members or others designated by the board Chair.~~
- ~~2. The hearings will ordinarily be held via conference call or, upon request and at the discretion of the panel, in person.~~
- ~~3. The reviewer and AE will be given the opportunity to participate in the appeal process. Other AEs that indicate that they are interested in participating may do so at the discretion of the panel Chair.~~
- ~~4. If the reviewer or approved (by the panel Chair) AE would like to appear via conference call, they must notify staff not later than 14 days prior to the hearing date of their desire to attend. If the reviewer or AE desires to appear in person before the hearing panel, and the board agrees to the request, the date and location of the hearing will be determined based on panel members' availability.~~
- ~~5. The reviewer or approved (by the panel Chair) AE may request a postponement for good cause. To be considered, any request must be received by the board not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
- ~~6. If either the reviewer or AE does not advise staff that he, she, or it will attend the hearing, the hearing will proceed on the hearing date, even if neither party attends.~~
- ~~7. Decisions of the hearing panel are effective immediately. Staff may call or e-mail the decision to the party that does not participate in the hearing. A letter will be sent to the reviewer and AE via common carrier, which provides signed proof of delivery, indicating the decision of the hearing panel.~~

~~In accordance with the *Rules of Procedure for Peer Reviewers*, decisions made by a hearing panel may be appealed to an ad hoc committee. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal.~~

~~If the ad hoc committee agrees that the decision should be reviewed, it will be sent to a review panel of the board. Decisions of the review panel are final. *Rules of Procedures for Reviewers* outlining the procedures are available on www.aiepa.org.~~

FE. Committee-AE Considerations When a Reviewer Is Suspended for Failing to Perform Reviews in a Timely and Professional Manner or Complete His or Her Résumé Verification

Suspension for Failing to Perform Reviews in a Timely and Professional Manner

If a reviewer has been suspended for not timely and professionally submitting documentation but has been scheduled and approved for other reviews at the time of the suspension, the reviewer will ordinarily be permitted to perform those previously scheduled reviews.

When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance deficiency. Late submission of documents on one review would not ordinarily create the need for oversight or disallow a reviewer from performing already approved and scheduled reviews. However, consistent with the guidance in section IV of this chapter, a reviewer feedback form should be issued to the reviewer documenting this matter.

Nothing nothing precludes the committee-AE from issuing multiple suspensions if the reviewer is not timely and professionally responding to the submission of documents on reviews subsequently performed by the reviewer. In instances when the reviewer is continuously late, leading to multiple suspensions, the AE, board, or staff should consider issuing a performance deficiency letter (see section IV). ~~may deem this as a reviewer performance matter (see section IV).~~

Suspension for Failing to Submit Documentation for Résumé Verification

If a reviewer is suspended for not verifying his or her résumé information, this may create the need for oversight at the reviewer's expense. For reviews that have been accepted within 120 days, the committee should review the facts and circumstances of each review. Based on that conclusion, the committee may determine that oversight is necessary.

If the results of the oversight indicate that the reviewer had performance issues, the results should be discussed with the reviewer. If the reviewer is unable to justify his or her conclusions by citing professional standards, this may indicate reviewer performance deficiencies. If there is concern about the reviewer's performance, and the acceptance letter has been issued, the AE should contact staff to discuss the situation. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation. See chapter 3 of the *Report Acceptance Body Handbook* for guidance on recall of peer review documents when a reviewer was not qualified to perform the review.

When a reviewer fails to perform in a timely, professional manner resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a performance deficiency. Consistent with the guidance in section IV of this chapter, a reviewer feedback form should be issued to the reviewer documenting this matter. In instances when the reviewer is suspended multiple times, the AE, board, or staff should consider issuing a performance deficiency letter. For reviews that have been scheduled, commenced, or accepted within 120 days, the committee should review the facts and circumstances of each review. Based on that conclusion, the committee may determine that oversight is necessary.

If the results of the oversight indicate that the reviewer had performance issues, the results should be discussed with the reviewer. If the reviewer is unable to justify his or her conclusions by citing professional standards, this may indicate performance deficiencies. If there is concern about the reviewer's performance, and the acceptance letter has been issued, the AE should contact staff to discuss the situation. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

IV. Reviewer Performance Deficiencies—~~Pattern of Poor Performance, Serious Weaknesses, Multiple Suspensions, and Egregious Performance Matters~~

A. Weaknesses Deficiencies in Reviewer Performance

During the review acceptance process, the committee evaluates the reviewer's performance. In addition to the committee's evaluation, the board and staff may also evaluate and monitor the reviewer's performance through other means, such as oversight. The committee should determine the severity of any identified ~~weaknesses~~reviewer performance deficiencies.

If a pattern of reviewer performance deficiencies by a particular reviewer is noted, then the board or committee should require the reviewer to complete one or more corrective actions. If significant reviewer performance deficiencies are noted, then the board or committee should either require the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future (standards sec. 1000 par. .148).

The following sections outline various degrees of reviewer performance deficiencies and the guidance for handling such matters.

~~Serious weaknesses in the reviewer's performance on a particular review or a pattern of weaknesses substantiated by multiple reviewer feedback forms or suspensions may be considered performance deficiencies. In these situations, the board or committee may require the reviewer to comply with certain actions in order for the reviewer to continue performing peer reviews (standards par. .148). The board or committee, as applicable, will consider the need to impose corrective actions or restrictions on the service of the reviewer. Upon notification and evidence of egregious performance matters, the board or committee may consider more stringent actions or restrictions against the reviewer. The following sections outline various degrees of reviewer performance weaknesses and the guidance for handling such matters.~~

B. Communicating Reviewer Performance Weaknesses

~~Performance weaknesses that are identified through the technical review process or other means should be brought to the attention of the committee. When those weaknesses are not severe in nature, committees~~

~~should treat such reviewers in a manner similar to the treatment of reviewed firms needing improvements. That is, attempts to achieve improvements in the reviewer's performance should first be sought through educational and remedial actions. Reviewers should be advised of the weaknesses so that the reviewer's performance will be enhanced and similar errors are not made on reviews performed in the future. Such advice or feedback, whether generated from the review acceptance process or other means such as oversight, should be communicated through appropriate methods. Performance matters that do not rise to a sufficient level to be included on the reviewer feedback form may be provided as other communication, such as an e-mail or a call from the technical reviewer (see section D). For weaknesses that rise to a sufficient level, a reviewer feedback form should be issued by the committee (see section C). The proper communication should be made regardless of the status of the reviewer. This includes reviewers currently suspended or subjected to other corrective actions, suspension, or restriction.~~

~~The committee should make the determination, based on the facts and circumstances, of whether a reviewer feedback form is warranted. A committee member must approve the reviewer feedback form. Feedback forms help the AE and staff to monitor the performance of a reviewer, including whether there is a pattern of weaknesses or if the reviewer has shown improvement since the issuance of previous feedback forms. When the reviewer fails to improve performance noted on feedback forms, and feedback forms are continually issued, the reviewer may be deemed as not cooperating, and deficiency letters may be issued. Written communications about a reviewer's performance weaknesses issued by one AE may be shared with another AE as part of monitoring performance.~~

~~If there are serious weaknesses in the reviewer's performance on a particular review, or if there exists a pattern of weaknesses substantiated by multiple feedback forms or suspensions, refer to the guidance in section E. If a reviewer's performance, based on facts, circumstances, and evidence, is deemed by the committee to be egregious, a feedback form is not the appropriate means of communication. For egregious performance matters, the AE should consider issuing a removal letter to the board after following guidance in section K.~~

CB. Reviewer Feedback Forms

Reviewer feedback forms document reviewer performance ~~weaknesses/deficiencies~~ on individual reviews. Committees should use reviewer feedback forms when performance ~~weaknesses/deficiencies~~ are noted during the review acceptance process or through other means such as oversight. Reviewer feedback forms should also be issued when a reviewer fails to perform in a timely, professional manner or maintain required reviewer qualifications resulting in suspension.

The purpose of issuing a reviewer feedback form is to document specific~~provide remedial and educational guidance on~~ areas of needed improvement. Reviewer feedback forms also help the AE and staff monitor the performance of the reviewer, including whether there is a pattern of reviewer performance deficiencies. ~~Reviewer feedback forms should not be considered a punitive action, nor should they be used to communicate trivial or preferential issues. Weaknesses/Deficiencies~~ noted on reviewer feedback forms should be able to be substantiated by peer review guidance. ~~If necessary, completion~~Completion of the explanation section of the reviewer feedback form ~~or other verbal or other~~ written correspondence with the reviewer (which is retained with the reviewer feedback form) is recommended-required to ensure that the reviewer understands the reviewer performance ~~weaknesses/deficiencies~~.

~~-~~The reviewer feedback form is designed to give reviewers feedback directly from the committee or board. The reviewer feedback form should be signed (electronic or typed signature is acceptable) and dated by a member of the committee or board and may be remitted to the reviewer electronically or via mail. Technical reviewers and staff may make recommendations for feedback to the committee or board but should not issue or sign reviewer feedback forms. ~~Each AE should have procedures in place to allow for periodic monitoring of reviewer feedback forms to determine whether there is a pattern of weaknesses/deficiencies in a reviewer's performance, which needs to be considered.~~

If the reviewer performs reviews for other AEs, it is important that feedback be shared with those AEs. As such, the AICPA has developed a web-based platform to house all feedback forms issued by committees or the board. The AE issuing the feedback is required to should provideupload all reviewer feedback forms upon the request of another AEto this platform within 30 days of issuance. This procedure enhances moni-

toring ~~of the~~ reviewers' performance. Each AE should have procedures in place to allow for periodic monitoring of reviewer feedback forms to determine whether there is a pattern of deficiencies in a reviewer's performance.

Significant Reviewer Performance Deficiencies ~~SIGNIFICANT REVIEWER PERFORMANCE DEFICIENCIES~~

The following is a listing of significant reviewer performance deficiencies that would be documented on a reviewer feedback form:

- Engagement Selection and Review: The reviewer did not
 - appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects prior to technical review, oversight or RAB consideration (standards sec. 1000 System Reviews par. .66-.67; Engagement Reviews par. .109)
- Assessment and Disposition of Matters: The reviewer did not
 - appropriately aggregate or evaluate matters noted on the review (standards sec. 1000 System Reviews par. .75-.86; Engagement Reviews par. .111-.115), such that the committee determined a deficiency was present when the reviewer did not elevate the matter beyond an MFC, or the committee determined a significant deficiency was present when the reviewer did not elevate the matter beyond an FFC.

Reviewer Performance Deficiencies

REVIEWER PERFORMANCE DEFICIENCIES

The following is a listing of reviewer performance deficiencies items (not all inclusive) that would be documented on a reviewer feedback form: ~~ordinarily be considered justification for feedback:~~

- Reviewer Cooperation and Qualifications: The reviewer did not
 - perform in a timely, professional manner resulting in suspension of the reviewer's ability to schedule and/or perform reviews. (standards sec. 1000 par. .147)
 - maintain the required reviewer qualifications resulting in suspension of the reviewer's ability to schedule and/or perform reviews. (standards sec. 1000 par. .31 and .34)
- Planning: The reviewer did not
 - obtain team member approval timely after determination that the review team or reviewer did not possess the proper qualifications or adequate experience to perform the review of an engagement in a particular practice area or industry. (standards sec. 1000 par. .30)
 - obtain ~~a~~ sufficient understanding of the firm's accounting and auditing practice or system of quality control when performing a peer review ~~resulting in the need and needed~~ to perform additional work ~~after the review working papers were submitted to the administering entity~~. This ~~may~~ would also include failure to address significant differences between the background information provided to the administering entity during scheduling and the information that the firm provides to the reviewer. ~~with a~~ A significant difference is defined as one that would have affected peer review planning or procedures. (standards sec. 1000. par. .41-.45)
 - adequately document a comprehensive risk assessment for the system review, and additional clarification was necessary ~~after peer review working papers were submitted to the administering entity~~. (standards sec. 1000 par. .49-.50)
- Engagement Selection and Review: The reviewer did not
 - select a sufficient or appropriate scope of engagements for review in accordance with guidance. This ~~also~~ includes selecting too many engagements on an engagement review. (standards sec. 1000 System Reviews par. .53-.63; Engagement Reviews par. .104-.109)

- properly select the “surprise” engagement or did not provide sufficient documentation of reasoning for selection. (standards sec. 1000 par. .61)
- Assessment and Disposition of Matters: The reviewer did not
 - identify matters, findings, deficiencies, or significant deficiencies appropriately ~~but responded timely to requested revisions.~~ (standards sec. 1000 System Reviews par. .70; Engagement Reviews par. .110)
 - appropriately dispose of matters noted on the review or properly complete the DMFC form. (standards sec. 1000 System Reviews par. .72–.74; Engagement Reviews par. .112–.114)
 - ~~— appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects. (standards sec. 1000 System Reviews par. .66–.67; Engagement Reviews par. .109)~~
 - properly consider or document the need to expand scope to other engagements or functional areas. (standards sec. 1000 par. .68 and Interpretation 84-1)
 - appropriately aggregate or evaluate matters noted on the review. (standards sec. 1000 System Reviews par. .75–.86; Engagement Reviews par. .111–.115)
- Completion of FFC Forms: The reviewer did not
 - systemically write findings in a System Review. (standards sec. 1000 par. .83)
 - sufficiently complete or write FFC forms or evaluate the firm’s response for completeness. (System Reviews sec. 4960; Engagement Reviews sec. 6600)
 - properly identify a repeat finding. (Interpretation 83-2)
 - provide proper recommendations to the firm to sufficiently address the findings. (System Reviews sec. 4960; Engagement Reviews sec. 6600)
- Reporting: The reviewer did not
 - properly identify that a deficiency was a repeat ~~deficiency.~~ (standards sec. 1000 System Reviews par. .96; Engagement Reviews par. .122n)
 - provide sufficient peer review working papers or documentation to support the report rating. (standards sec. 1000 System Reviews par. .87–.90; Engagement Reviews par. .117–.119)
 - systemically write deficiencies in a system review report, and a revision was required. (standards sec. 1000 par. .96m)
 - “close the loop” when reporting on deficiencies in a system review. (standards sec. 4200.54g)
 - provide proper recommendations to the firm to sufficiently address the deficiencies noted in the peer review report. (standards sec. 1000 System Reviews par. .96m; Engagement Reviews par. 122m)
 - represent the report in standard form in accordance with peer review guidance, or significant revisions to the report were needed. (standards sec. 1000 System Reviews par. .96; Engagement Reviews par. 122)
 - ~~— properly review, evaluate and comment on the reviewed firm’s letter of response when the reviewer received the letter prior to its submission to the administering entity (standards sec. 1000 System Reviews par. .97; Engagement Reviews par. .123)~~
- Completion and Submission of Workpapers: The reviewer did not
 - comprehensively complete peer review documentation, or the documentation that was submitted required revisions. (standards sec. 1000 par. .24)
 - properly report engagement statistics or did not properly discuss in other peer review practice aids when it was determined that the engagement was not performed or reported on in conformity with professional standards in all material respects. This also includes consideration of the reviewed

firm's response to such an engagement in accordance with professional standards. (Interpretation 66-1)

- Other departures from Standards for Performing and Reporting on Peer Reviews or other authoritative program guidance.

~~A reviewer feedback form should not be issued for inconsequential matters or matters that are communicated through other means in the peer review process. (See Section C). Nor should a reviewer feedback form be used when a reviewer commits an egregious act. If a reviewer's performance, based on facts, circumstances, and evidence, is deemed by the committee to be egregious, the AE should consider issuing a removal letter to the board after following guidance in section I. For instance, if peer review working papers are submitted late, there is a separate communications process and procedures that should be followed. Therefore, it is not necessary to communicate this through a reviewer feedback form. However, reviewer performance weaknesses noted as a result of oversight performed by the administering entity should be communicated through a reviewer feedback form in addition to communicating the general results of the oversight. This is to ensure that weaknesses are properly captured and communicated to the reviewer.~~

~~Committees considering recommendations of the technical reviewer should use judgment and weigh the nature, causes, and significance of the item(s) noted, individually and collectively, in deciding whether to issue a reviewer feedback form. For instance, if a certain working paper requires revision, but no other weaknesses are noted in the review, other communications may be appropriate. However, such an issue coupled with the reviewer not adequately documenting risk assessment and issuance of a poorly written FFC form with no consideration of a systemic cause would warrant a reviewer feedback form.~~

~~Regardless of whether the reviewer cooperated in revising documents requested by the technical reviewer or committee, a reviewer feedback form is required to be issued whenever one or more of the above reviewer performance deficiencies are noted during oversight, technical review or the RAB acceptance process. The committee should issue a reviewer feedback form when warranted. The feedback form documents the requests made of the reviewer.~~

~~The proper communication should be made regardless of the status of the reviewer. This includes reviewers currently suspended or subjected to other corrective actions, suspension, or restriction.~~

~~Issuing a reviewer feedback form is a critical step in assisting reviewers in understanding performance weaknesses. If performance weaknesses continue, the reviewer feedback forms provide support that there is a performance matter and that the reviewer should receive a deficiency letter. Note, however, there are certain situations when a reviewer feedback form may be bypassed (see sections E and K).~~

Self-Reported Reviewer Performance Deficiencies

~~When a reviewer notifies an AE that performance deficiencies are present on reviews that he or she submitted to the AE, and those reviews have not yet been subject to technical review, the reviewer should not receive a reviewer feedback form. The reviewer should be given the opportunity to make the appropriate corrections on those reviews. If the reviewer does not correct the situation, then feedback would be appropriate.~~

~~For example, if a committee notes that a reviewer failed to complete a proper risk assessment, and the reviewer knows that the same issue is present on other reviews which have been submitted to the AE but were not yet subject to technical review, the reviewer may contact the AE, notify them of the issue, and revise the risk assessments without receiving a reviewer feedback form on the other reviews.~~

DC. Other Communications to the Reviewer

~~Reviewer performance matters that do not rise to a sufficient level to be included on a reviewer feedback form may be provided as other communication, such as an e-mail or a call from the technical reviewer. Technical reviewers may provide other communications to reviewers for issues that are less critical in nature than the weaknesses-reviewer performance deficiencies generally considered on a reviewer feedback form; this is not considered feedback. For example, other communications would include notifying a reviewer that a checklist was not signed by the team captain or that the reviewer's handwriting was difficult to read.~~

Other communications should not be provided in lieu of issuing a reviewer feedback form ~~if the circumstances warrant such~~. Technical reviewers should consider communicating to the committee the aggregation of less critical departures from peer review guidance to determine if, collectively, the situation warrants the issuance of a reviewer feedback form. If a reviewer feedback form is warranted, the committee should issue it.

Other communications should not be retained in the peer reviewer's file but should be kept with the review working papers and destroyed (with the review working papers) 120 days after the review is completed.

~~E. Reviewer Performance Deficiencies~~

~~Performance deficiencies occur when there are serious weaknesses in the reviewer's performance on a particular review or if there exists a pattern of weaknesses substantiated by multiple feedback forms or suspensions. The committee or board, depending on the particular circumstances, will consider the need to impose corrective actions or restrictions on the service of such a reviewer. The committee or board may require the reviewer to comply with certain actions in order for the reviewer to continue performing peer reviews (standards par. .148). Reviewer performance deficiencies should be handled as follows to ensure reviewers are afforded appropriate notification and fair procedures:~~

- ~~1. *Performance monitoring letter.* When weaknesses in a reviewer's performance are too severe for feedback, it may be appropriate to formally document the performance weaknesses. This documentation would be done through a performance monitoring letter, which is sent to the board and informs AEs of such issues by adding the reviewer's name to the reviewer monitoring report. Situations, such as those that follow, indicate reviewer performance issues when feedback may not be appropriate because of the severity:
 - ~~a. A pattern of performance weaknesses noted on reviewer feedback forms issued by the committee, including those issued by other AEs when the reviewer has performed reviews~~
 - ~~b. Multiple suspensions due to ineligibility or handling reviews in an untimely and unprofessional manner (as described in sections II and III)~~
 - ~~c. Performed a review at a location other than the reviewed firm's office without prior approval from the AE~~
 - ~~d. Performing a peer review when the reviewer is a provider of QCM aids, and the reviewed firm uses those aids, and the provider (reviewer) has not received a pass report on the QCM review of those aids~~
 - ~~e. Undergone oversight, and serious issues were identified, and the RAB and committee determine that there are significant performance deficiencies that the reviewer was able to correctly address to the satisfaction of the committee~~
 - ~~f. Failed to notify the AE regarding communications relating to allegations or investigations from a regulatory, a monitoring, or an enforcement body or others in the conduct of accounting, audit, or attestation engagements performed by the reviewer or reviewer's firm~~
 - ~~g. Failed to notify AICPA technical staff and the AE of any limitations or restrictions placed upon the reviewer or reviewing firm's ability to practice or perform peer reviews~~~~

~~Previously issued reviewer feedback forms or multiple suspension letters should be attached to support this letter, if applicable. This letter reminds the reviewer that~~

- ~~a. the goal of the AICPA Peer Review Program is the enhancement of the quality in the performance of accounting and auditing engagements by AICPA members, and this goal can only be achieved if the work performed by the reviewers exhibits a high level of quality.~~
- ~~b. if the reviewer fails to improve performance with the commencement of the next review and correct the weaknesses, the reviewer may be subject to corrective actions or restrictions on future reviews.~~
- ~~c. a copy of the letter is being sent to the board and other AEs. The board and all AEs will monitor the performance of such reviewer after the issuance of the letter.~~

~~d. the reviewer's name will be added to the reviewer monitoring report and will be available to all AEs to assist in monitoring the reviewer's future performance. This will not prevent a reviewer from being scheduled if all qualifications and requisite experience are met. Being put on the monitoring report should not preclude the AE from approving a reviewer. However, the AE may consider oversight on the reviewer.~~

~~This letter does not place corrective actions or restrictions on the reviewer. The objective of the letter is memorializing identified weaknesses. The reviewer cannot appeal the issuance of this letter.~~

- ~~2. *Performance deficiency letter.* There is an expectation that the reviewer correct any performance issues outlined in the performance monitoring letter on the next and subsequently performed reviews. If during the next review or future reviews submitted to the committee, the reviewer does not address and correct the issue(s) outlined in a performance monitoring letter, then the committee or board, as applicable, should consider the need to issue a performance deficiency letter, which imposes corrective actions or restrictions on the reviewer.~~

~~The reviewer should be afforded sufficient time and opportunity to correct performance issues identified in a performance monitoring letter prior to a performance deficiency letter being issued. For example, the reviewer should not receive this letter if reviews were performed and submitted for committee acceptance prior to the issuance of a performance monitoring letter. In this situation, the reviewer has not had the opportunity to correct the performance issue. It would be appropriate to issue a performance deficiency letter if performance issues (as outlined in the performance monitoring letter) are noted on a review subsequently performed by the reviewer after the letter had been issued.~~

D. Performance Deficiency Letters

If a pattern of reviewer performance deficiencies by a particular reviewer is noted, then the board or committee should issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions. If significant reviewer performance deficiencies are noted (regardless of whether a pattern is present), then the board or committee should issue a feedback form documenting the deficiencies. The board or committee should also either issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future (standards sec. 1000 par. .148).

Determining whether there is a pattern of reviewer performance deficiencies is a matter of professional judgment. In assessing whether a pattern of performance deficiencies is present, the committee or board should consider the recency, nature and pervasiveness of the performance deficiencies, taking ~~into note of~~ of the volume of reviews performed by the reviewer.

For example, if a low-volume reviewer performs three reviews each peer review cycle and reviewer performance deficiencies were noted for all three, the committee or board may consider this a pattern of performance deficiencies. However, if a high-volume reviewer performs over 100 reviews each peer review cycle and reviewer performance deficiencies were noted on three of them, the committee or board may determine that a pattern of performance deficiencies is not present.

If the reviewer performs reviews for multiple AEs, more than one AE will be monitoring the performance of the reviewer. ~~If an AE identifies a reviewer performance deficiency for a particular reviewer, the AE should search the AICPA's web-based platform for additional feedback forms which were issued to that reviewer. Accordingly, if~~ If an AE has a review submitted to the committee that has similar reviewer performance issues ~~deficiencies~~ to those identified in ~~reviewer feedback forms~~ the performance monitoring letter issued by another AE, and the AE determines a pattern of performance deficiencies is present, the AE ~~may should~~ issue a performance deficiency letter, as provided in this guidance.

In situations in which one or more corrective actions are required, the administering entity must inform AICPA staff and all administering entities where the reviewer has performed reviews during the 12 months preceding the date of the letter, and such actions will be recognized by all administering entities. Any corrective action required of a reviewer will apply to the individual's participation in the performance of any peer review unless the condition is specific to the individual's service as only a team captain, review captain, team member or QCM reviewer.

~~Prior to another AE issuing a performance deficiency letter, the AE that issued a performance monitoring letter should be consulted. This consultation should be with a representative (committee member, technical reviewer, or administrator) of both AEs. The AE that issued a performance monitoring letter should agree with, and approve the issuance of, a performance deficiency letter and the corrective action included in the letter. If the two AEs do not agree, they should consult with staff.~~

~~For reviewers who perform reviews in multiple jurisdictions, any corrective action or restriction included in the performance deficiency letter should be considered by all AEs to determine whether they want to enforce it on all or some reviews performed by the reviewer. In order to have the action ratified nationally, the board would need to ratify the action. If ratified, the corrective action or restriction would be applicable to all reviews scheduled and performed by the reviewer.~~

~~An AE may request the board to nationally ratify a corrective action on a reviewer by writing the board. The AE should include all evidence supporting the request and indicate why it would be in the public interest to have this action ratified on a national basis. Upon receipt of such request, it will be the board's discretion on whether the matter should go to a hearing panel. If a hearing panel is to review the matter, all parties will be sent a notice of hearing, including a copy of the *Rules of Procedure for Peer Reviewers*, with a copy of all supporting evidence sent to the reviewer (see section VIII).~~

- ~~3. *Bypassing the performance monitoring letter.* There may be performance issues sufficiently severe to rise to the level of deficiencies such that bypassing the issuance of a performance monitoring letter and issuing a performance deficiency letter would be appropriate. These situations should be reviewed by the committee and a determination made on a case-by-case basis. Examples of when an AE would consider bypassing the monitoring letter include, but are not limited to, the following:~~
 - ~~a. Failure to notify AICPA technical staff and the AE of any limitations or restrictions placed upon the reviewer or reviewing firm's ability to practice or perform peer reviews, and the reviewer continues to schedule and perform peer reviews.~~
 - ~~b. During the review acceptance process, the committee determines that the review was not conducted in accordance with standards resulting in serious issues or multiple deficiencies in the reviewer's performance, and the reviewer does not have the subject matter expertise or capability of correcting identified issues. For example, a team captain reviewed an A-133 engagement and failed to identify deficiencies in the engagement. The team captain demonstrates that he or she does not have the requisite experience to appropriately address the deficiencies and needs to hire a team member with A-133 experience to address the noted deficiencies.~~
 - ~~c. Based on oversight and discussions with the reviewer, the committee concluded that the reviewer did not have the requisite experience on high risk or must select engagements, and the reviewer could not justify why he or she was qualified to perform a peer review on such engagements, resulting in serious weaknesses in the performance of the reviewer on that engagement.~~
 - ~~d. Issuance of multiple performance monitoring letters over a period of time indicating a pattern of poor performance.~~
 - ~~e. Issues discussed under the previously mentioned performance monitoring letter might require a performance deficiency letter, depending upon the severity of the circumstances.~~

Process for Issuing the Performance Deficiency Letter

Before a decision is made to impose corrective actions or restrictions on the reviewer, the committee should ensure that the reviewer is knowledgeable of the evidence supporting the need for such corrective actions or restrictions ~~and has been afforded the opportunity to address the committee's concerns.~~ The AE issuing a performance deficiency letter should communicate (either through ~~discussion or~~ e-mail) with the reviewer. This communication should include the various reviewer feedback forms, ~~the performance monitoring letter(s) (if issued)~~, results of oversight, or a description of the multiple significant reviewer performance deficiencies found in a particular review or reviews.

~~Such communication should be documented. If, after considering the results of communications with the reviewer, it is determined that corrective action or restriction is appropriate in the circumstances, the AE should issue the performance deficiency letter. One objective of the communication is to determine if there may be a disagreement between the reviewer and AE. If there is a disagreement, then the committee should~~

~~follow the guidance in chapter 7 of this handbook. If, after the disagreement procedures have been concluded and based on the conclusion of the disagreement procedures, it is determined that there is a serious performance deficiency, the AE should issue the performance deficiency letter.~~

~~A performance deficiency letter should not be issued if~~

- ~~a. the reviewer corrects the issues noted in a performance monitoring letter but has demonstrated different performance issues in a subsequent review. In this situation, the AE should issue a performance monitoring letter citing the new performance deficiency.~~
- ~~b. the reviewer has received a performance monitoring letter more than one year ago, completed several reviews that address similar matters after the issuance of a performance monitoring letter, and not received other performance monitoring letters on those reviews. This indicates that the reviewer has cooperated and corrected the performance issues.~~
- ~~c. a performance monitoring letter has been issued, and the reviewer has not had sufficient time or an opportunity to correct the performance issue.~~
- ~~d. there is a disagreement between the reviewer and AE. If there is a disagreement, the disagreement procedures should be followed (see chapter 7).~~

~~After the communication between the reviewer and AE, the committee should consider the facts and circumstances prior to issuing a performance deficiency letter. If the committee concludes to issue the letter to the reviewer, the letter should~~
The performance deficiency letter should

- a. state that ~~those~~ improvements are ~~still~~ needed in the performance of the reviewer.
- b. include an explanation of the performance ~~weaknesses still~~ deficiencies being noted.
- c. indicate that the individual must agree to comply with one or more actions in order to continue performing reviews, such as, but not limited to, the following:
 - i. Oversight (at the reviewer's expense) at the discretion of an AE until ~~receipt of~~ evidence of completion ~~of at of a~~ future reviewer's training or accounting or auditing course (s) is received or an indication of improved performance improves.
 - ii. Have committee oversight on the next review(s) performed by the reviewer at the expense of the reviewer's firm (including out-of-pocket expenses, such as cost of travel). Oversight on the reviewer's next review at the reviewer's expense, including time and out of pocket expenses, by someone acceptable to the committee. If the reviewer fails to improve, and performance issues are evident, oversight may continue until the committee deems it unnecessary.
 - iii. Consult with the AE to discuss the planning and performance of the next review.
 - iv. Complete all reviews to the satisfaction of the committee, including submitting all reports and appropriate documentation on all outstanding peer reviews before scheduling or performing another review, thus limiting the number of reviews that the reviewer may schedule or have open at one time.
 - v. Have pre-issuance review(s) of the report and peer review documentation on future peer reviews by an Peer Review Mentor or another individual acceptable to the committee Chair or designee who has experience in performing peer reviews.
 - vi. Remove or revise the résumé code until appropriate proof of experience and knowledge have been provided to the satisfaction of the committee.
 - vii. Other corrective action(s) that would assist the reviewer in his or her performance of future reviews.
- d. indicate that other AEs ~~have the discretion to~~ should impose the preceding action or restriction on the reviewer.
- e. indicate that the committee may request the board to remove the individual's name from the list of qualified reviewers if improvements are not noted in the performance of the reviewer on subsequent reviews, or the reviewer refuses to cooperate, such as by failing to return a signed acknowledgment copy of the letter within 30 days from receipt of the date of the letter, or both.

- f. give the reviewer an opportunity to appeal the decision before the a hearing panel of the board committee formed by the AE issuing the performance deficiency letter in person, via telephone conference, or in writing.
- g. indicate that a request for appeal must be made within 30 days of receipt of the letter and that the actions or restrictions outlined in the letter will remain in effect for all reviews that the reviewer commences, pending the appeal.
- h. be copied and sent to the managing partner of the reviewer's firm if the reviewer is not a sole practitioner and all AE's where the reviewer is scheduled to perform reviews or has performed a review in the past year.

Issuance of Deficiency Letters by the Oversight Task Force

If staff become aware of a pattern of reviewer performance deficiencies or significant reviewer performance deficiencies (regardless of whether a pattern is present) by a particular reviewer, staff will consult with the affected AEs to determine whether a performance deficiency letter is being drafted. If no performance deficiency letter is being drafted or will be drafted by the AE, staff may refer the the reviewer performance issue to the Oversight Task Force (OTF) of the board which will consider the need to issue a performance deficiency letter. The OTF's process for issuing the performance deficiency letter will be consistent with the process at the AE level, with the exception that all deficiency letters issued by the OTF will automatically be nationally ratified.

F. Appeals to the Committee

~~When the committee issues a performance deficiency letter, the reviewer is granted the opportunity to appeal the decision before the committee in person, via telephone conference, or in writing. The request for appeal must be made in writing within 30 days of receipt of the date on performance deficiency letter. The reviewer can only appeal to the AE that issued the performance deficiency letter. If an appeal is requested by the reviewer, the action or restriction outlined in the performance deficiency letter will remain in effect for reviews that the reviewer has commenced until the reviewer has shown improved performance, or the panel, as described subsequently, determines that it should be removed or revised, whichever occurs earlier.~~

~~If the reviewer chooses to appeal, the committee should have an appeal meeting via telephone conference within 60 days of date on the reviewer's appeal letter. However, if the reviewer requests to have the appeal take place in person, the committee should have an appeal meeting in person, ordinarily within 120 days of date on the appeal letter. If not done within 60 or 120 days, this does not affect the actions of the panel.~~

~~For the appeal meeting, the committee should form a panel to consider a reviewer's appeal. The committee should follow the following steps:~~

- ~~1. A panel should be formed of at least three members of the committee. These three members should not have been involved in the decision to suspend the reviewer.~~
- ~~2. One member should serve as the panel Chair.~~
- ~~3. The reviewer will be given the opportunity to participate in the appeal process. If a different AE issued a performance monitoring letter, that AE should be contacted and provided the opportunity to (a) have a committee member participate in the panel, (b) allow a representative to participate during the appeal, or (c) remit a memorandum to the panel.~~
- ~~4. If the reviewer would like to appear before the panel, he or she should notify the AE not later than 14 days prior to the appeal date. If the reviewer does not notify the AE that he or she would like to appear, the panel will still convene and decide on the matter.~~
- ~~5. If the reviewer requests to have the appeal take place in person, the panel meeting should be scheduled at a location convenient to members of the panel but also take into consideration the location from which the reviewer is traveling.~~
- ~~6. The meeting information (for example, the date, location, and conference call number) should be communicated to the reviewer; the other AE, if applicable; and the panel members. If the reviewer is unable~~

~~to attend or participate, the reviewer may request that the meeting be postponed for good cause. The postponement will be at the discretion of the panel and should be rescheduled at a date and location, if in person, determined by the Chair.~~

- ~~7. The reviewer may request a postponement for good cause. To be considered, any request must be received by the committee not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
- ~~8. Supporting documentation from the reviewer or memoranda from the other AE must be received not later than 14 days prior to the appeal date in order for it to be considered by the panel.~~
- ~~9. The reviewer has the opportunity to present evidence and witnesses, if any, and be represented by counsel to support his or her position about why the action was inappropriate.~~
- ~~10. At the meeting, the panel should discuss the basis of the appeal, including the supporting documentation submitted by the reviewer and AE if applicable.~~
- ~~11. If appearing in person or telephonically, the reviewer should have the ability to indicate why he or she believes that the action taken by the committee was inappropriate.~~
- ~~12. The reviewer, AE, and panel have the ability to ask questions of each party and their witnesses, if any.~~
- ~~13. Staff, if requested by the reviewer or AE to attend as an adviser, may be present and will only act as an adviser to the committee regarding the rules and guidance.~~
- ~~14. After hearing testimony, the panel should discuss the matter in private without the reviewer or other parties present to determine whether it should uphold the original action(s) or restriction placed upon the reviewer or revise the action(s) or restriction.~~
- ~~15. The decision of the panel should be provided to the reviewer immediately following the panel's decision. The reviewer should be informed that he or she has the right to appeal to the board. A written communication of the panel's decision should be sent by common carrier (with proof of delivery) to the reviewer within three business days of the panel's decision, regardless of whether the reviewer was notified verbally. The decision of the panel is effectively immediately.~~

~~This process is important and should be conducted such that all parties have the opportunity to discuss the matter prior to the decision of the panel.~~

~~A record of the appeal proceeding and summary of conclusions, either as minutes or a transcript, regardless if a party attends, should be maintained and, if requested, provided to those attending the appeal meeting. Copies of the minutes or transcript should be submitted to the board if the reviewer appeals the matter to the board. The documentation related to this appeal will be taken into consideration by the hearing panel if the reviewer exercises his or her right to appeal to the board. (See section G for procedures for appealing to the board.)~~

~~The restriction placed upon the reviewer will remain in effect until the committee has determined that the performance weaknesses that caused the letter to be issued have been corrected on subsequent reviews (see section H).~~

GE. Appeals to the Board⁵

Reviewers who wish to appeal a performance deficiency letter must request that a hearing panel be assembled. That request must be made in writing (via e-mail or letter) to the board within 30 days of receipt of the performance deficiency letter. The reviewer should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the action or restriction outlined in the performance deficiency letter. Once the performance deficiency letter has been issued, the action or restriction will remain in effect for reviews that the reviewer has commenced until the reviewer has shown improved performance, or the hearing panel determines that the action or restriction should be removed or revised, whichever occurs earlier.

⁵ See footnote ~~15.3~~.

See section VI of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

~~Reviewers are granted the opportunity to appeal the decision. The request for appeal must be made in writing within 30 days of receipt of the letter communicating the decision of the committee appeal panel. The reviewer will remain ineligible to schedule or perform reviews during the appeal process.~~

~~The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider a reviewer's appeal, a meeting via telephone conference should be scheduled, ordinarily within 60 days of the date on the reviewer's appeal letter. If not done within 60 days, this does not affect the actions of the panel. If the reviewer requests to present his or her case in person, it will be at the panel's discretion whether to grant an in person hearing. If a request for an in person hearing is granted, the date and location will be determined based upon the panel members' availability. The *Rules of Procedure for Peer Reviewers* include the following:~~

- ~~1. The hearing panel will consist of five board members or others designated by the board Chair.~~
- ~~2. The hearings will ordinarily be held via conference call or, upon request and at the discretion of the panel, in person.~~
- ~~3. The reviewer and AE will be given the opportunity to participate in the appeal process. Other AEs that are interested in participating may do so at the discretion of the panel Chair.~~
- ~~4. If the reviewer or approved (by the panel Chair) AE would like to appear via conference call, they must notify staff not later than 14 days prior to the hearing date of their desire to attend. If the reviewer or AE desires to appear in person before the hearing panel, and the board agrees to the request, the date and location of the hearing will be determined based on panel members' availability.~~
- ~~5. The reviewer or approved (by the panel Chair) AE may request a postponement for good cause. To be considered, any request must be received by the board not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
- ~~6. If either the reviewer or AE does not advise staff that he, she, or it will attend the hearing, the hearing will proceed on the hearing date, even if neither party attends.~~
- ~~7. Decisions of the hearing panel are effective immediately. Staff may call or e-mail the decision to the party that does not participate in the hearing. A letter will be sent to the reviewer and AEs via common carrier, which provides signed proof of delivery, indicating the decision of the hearing panel.~~

~~In accordance with the *Rules of Procedure for Peer Reviewers*, decisions made by a hearing panel may be appealed to an ad hoc committee. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal.~~

~~If the ad hoc committee agrees that the decision should be reviewed, it will be sent to a review panel of the board. Decisions of the review panel are final. *Rules of Procedures for Reviewers* outlining the procedures are available on www.aicpa.org.~~

HF. Committee-AE Considerations When Reviewers Have Restrictions or Corrective Actions Placed Upon Them With the Issuance of a Performance Deficiency Letter

Because reviews performed by reviewers when they are issued performance deficiency letters may be in different stages of completion, the following various scenarios should be considered by the committee when formalizing policies and procedures:

1. *A performance deficiency letter has been issued within the last 30 days and has not been signed by the reviewer.* The action or restriction included in the letter cannot be imposed if the reviewer has not acknowledged agreement by signing and submitting the letter. If the reviewer does not sign and submit the letter within 30 days of issuance, the AE should contact the reviewer by phone or e-mail (using the telephone number or e-mail address on the reviewer's résumé) to determine the reason for the failure to respond. The results of this call or electronic request should be documented. If the letter is not received within 7 days of contacting the reviewer, the committee should submit a removal letter to the

~~board requesting that they removal of the individual's name from the list of qualified reviewers due to the reviewer's failure to cooperate, within 30 days of the date on the letter. In this situation, the committee should consider on-site or off-site oversight on reviews that have commenced or been submitted for committee consideration.~~

The committee should also consider on-site or off-site oversight on reviews that have commenced or been submitted for committee consideration. If oversight is not performed, the committee should consider ~~if whether~~ the technical staff should perform a full technical review of all working papers related to the peer review. The technical reviewer should approach the review with a higher degree of skepticism with regard to the noted deficiencies. He or she should carefully consider the effect of the deficiency on the reviewer's ability to perform and report on the review and whether, based on his or her procedures and any other procedures performed, including oversight, he or she was able to overcome concerns over the reviewer's performance during the review. Technical staff should fully report on these procedures to the committee.

2. *A performance deficiency letter has been signed by the reviewer and requires oversight or a pre-issuance review prior to submission to the committee, and*
 - a. *the scheduled review has commenced, but fieldwork is not complete.* The action in the performance deficiency letter should be adhered to by the all AEs, that issued the letter. Committees for other AEs where the reviewer performs reviews are strongly encouraged to impose the actions in the letter on the reviewer.
 - b. *fieldwork has been completed prior to the receipt of the signed letter, but working papers have not yet been received by the AE, or the review is in house awaiting technical review.* The action in the performance deficiency letter should be adhered to by the all AEs, that issued the letter. Committees for other AEs where the reviewer performs reviews are strongly encouraged to impose the actions in the letter in their own state. Because the action will delay the acceptance of the review, the firm should be notified.
 - c. *the review has been submitted for committee consideration.* The committee should consider deferring the review until the technical staff has performed the procedures previously described in (1). Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
 - d. *the review is accepted, but the acceptance letter has not been sent to the firm.* The AE should discuss the matter with the Chair of the RAB or the committee Chair and consider if the acceptance letter should be delayed and the review deferred until other procedures have been performed. Other procedures could include oversight or a review of all working papers by the technical staff. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

If the technical staff reviews the working papers, they should approach the review with a higher degree of skepticism with regard to the reasons for issuance of the action placed upon the reviewer. They should carefully consider the reviewer's ability to perform and report on the review and whether, based on their procedures and any other procedures performed, they were able to overcome concerns about the reviewer's performance. Technical staff should fully report on these procedures to the committee.

- e. *the review is accepted, and the firm has been sent its acceptance letter, and*
 - i. *it is within the working paper retention period.* The committee should consider if the technical staff should perform the procedures previously described in (1). These procedures should be performed as soon as practicable. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

- ii. *it is outside of the working paper retention period.* The AE should contact staff to discuss the impact that this may have on reviews performed by the reviewer. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation. See chapter 3 of the Report Acceptance Body Handbook for guidance on recall of peer review documents when a reviewer was not qualified to perform the review.

IG. Withdrawal of Actions Required in the Performance Deficiency Letter

Corrective actions will be withdrawn once the committee(s) or board determine that the reviewer's performance deficiencies have been corrected. The AE or board that issued the letter will make this determination. The decision should be based on evidence supporting the reviewer's fulfillment of the obligation placed upon him or her (for example, attending a peer review course) or why the action or restriction is no longer required. The reviewer will receive a letter notifying him or her of such decision.~~The decision should be based on evidence supporting the fact that the action or restriction is no longer required, or the reviewer has fulfilled the obligation placed upon him or her (for example, attending a peer review course). The reviewer will receive a letter notifying him or her of such decision.~~

JH. Reviewer Removal Letters~~The Committee Requests the Board to Consider National Ratification of Action or Removal of Reviewer From the List of Qualified Reviewers~~

The committee should issue a removal letter to the board recommending that a reviewer be prohibited from performing peer reviews in the future when the reviewer

- Refuses to cooperate with the committee or board (for example, not signing the performance deficiency letter within 30 days);
- Fails to correct performance deficiencies after a corrective action has been required; or
- Has committed an egregious act in the performance of a peer review.

A reviewer who fails to comply with peer review standards and guidance such that significant reviewer performance deficiencies are noted may also be referred to the board for removal.

It is not necessary to issue a performance deficiency letter prior to the issuance of a removal letter. Any AE where the reviewer performs reviews may request the board to remove the reviewer from the list of qualified reviewers. Reviewers should not be referred for removal~~new~~ if reviewer performance deficiencies have been noted by the committee, corrective actions have been imposed on the reviewer and the reviewer has not had sufficient time and opportunity to correct the performance deficiencies.

~~After receiving a performance deficiency letter, if improvements are not noted in the performance of the reviewer on subsequent reviews, or if the reviewer refuses to cooperate (for example, not signing the performance deficiency letter within 30 days), a committee may determine that the reviewer's actions warrant board consideration. Any AE where the reviewer performs reviews may request board consideration. When an AE requests the board to consider additional actions to be placed upon to removing the reviewer, it should submit the removal letter and include all supporting documentation. Such a referral should be based on an affirmative vote of not less than a majority of the AE's peer review committee. A copy of the request should be submitted to the reviewer. The board may will consider the need to remove the reviewer's name from the list of qualified reviewers or some other action(s) based on the facts and circumstances presented in the documents and evidence.~~

~~Prior to the issuance of the removal letter, the reviewer should be afforded sufficient time and opportunity to correct performance deficiencies identified in a performance deficiency letter.~~ The committee should ensure that the reviewer is fully knowledgeable about the evidence supporting the issuance of a removal letter. The AE issuing a removal letter should communicate (either through discussion or e-mail) with the reviewer the various reviewer feedback forms, ~~continuing performance related letters~~performance deficiency letters, and ~~the~~ results of ~~an~~ oversight. This communication must be documented. One of the objectives of the communication is to determine if there may be a disagreement between the reviewer and AE. If there is a disagreement, then the committee should follow the guidance in chapter 7 of this handbook.

~~The removal letter should not be issued if~~

- ~~1. the reviewer corrects the deficiency(ies) noted in a performance deficiency letter and has different performance deficiencies. In this situation, the AE should issue feedback or a performance monitoring letter citing the new performance deficiency.~~
- ~~2. the reviewer received a performance deficiency letter more than one year ago, completed several reviews after the issuance of the performance deficiency letter, and no feedback or other deficiency letters were provided to the reviewer on those reviews. This indicates that the reviewer has cooperated and corrected the performance matters. In this situation, the AE should initiate feedback or issue a new performance monitoring letter, depending on the nature of the new performance issues.~~
- ~~3. a performance deficiency letter has been issued, and the reviewer has not had sufficient time and opportunity to correct the performance deficiency.~~
- ~~4. the reviewer has appealed the applicable performance deficiency letter, and the appeal is still pending.~~
- ~~5. there is a disagreement between the reviewer and AE. If there is a disagreement, the disagreement procedures should be followed (see chapter 7).~~

The committee should issue a removal letter (with proof of delivery) indicating that

1. the reviewer refuses to cooperate with the committee or board, failed to correct performance deficiencies after a corrective action has been imposed, failed to comply with peer review standards and guidance such that significant reviewer performance deficiencies were noted, or committed egregious acts in the performance of a review, improvements in the reviewer's performance have not been made, or the reviewer refuses to cooperate.
2. the board is requested to consider whether the reviewer should be prohibited from performing reviews or whether some other action should be taken.
3. the board is also requested to suspend the reviewer's ability to schedule future reviews until this matter is resolved.

Submission of a reviewer for removal from the list of qualified reviewers must include, as applicable, supporting documentation, such as, but not limited to, reviewer feedback issued; deficiency letters; information of other communications, whether verbal or written; notes from committee meetings ~~and appeals~~; and a timeline outlining the various communications.

Upon receipt of the removal letter and supporting documentation, the reviewer and AEs will be notified that a hearing panel will review the matter.

See section VI of this chapter for hearing panel procedures per the *Rules of Procedure for Peer Reviewers*.

Issuance of Removal Letters by the Oversight Task Force

If staff become aware that a reviewer refuses to cooperate with the committee or board, failed to correct performance deficiencies after a corrective action has been imposed, failed to comply with peer review standards and guidance such that significant reviewer performance deficiencies are noted, or committed egregious acts in the performance of a review, staff will consult with the affected AEs to determine whether a removal letter is being drafted. If no removal letter is being drafted or will be drafted by the AE, staff may refer the matter to the Oversight Task Force (OTF) of the board which will consider the need to issue a removal letter. The process for issuing the removal letter will be consistent with the process at the AE level.

~~The hearing panel should be assembled ordinarily within 60 days of the date on the removal letter. If not done within 60 days, this does not affect the actions of the panel. The matter will be scheduled to take place via telephone conference unless it is requested by the reviewer or AE to take place in person. If an in-person meeting is requested, the date and location will be determined based upon the hearing panel members' availability. The *Rules of Procedure for Peer Reviewers* includes the following:~~

- ~~1. The hearing panel will consist of five board members or others designated by the board Chair.~~
- ~~2. The hearings will ordinarily be held via conference call or, upon request and at the discretion of the panel, in person.~~
- ~~3. The reviewer and AE will be given the opportunity to participate in the hearing process. Other AEs that are indicate that they are interested in attending may do so at the discretion of the panel Chair.~~

4. ~~If the reviewer or AE would like to appear via conference call or in person, they must notify staff not later than 14 days prior to the hearing date. If the reviewer or AE desires to appear in person before the hearing panel, and the board agrees to the request, the date and location of the hearing will be determined based on panel members' availability.~~
5. ~~The reviewer or AE may request a postponement for good cause. To be considered, any request must be received by the board not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
6. ~~If either the reviewer or AE does not advise staff that he, she, or it will attend the hearing (either in person or via a conference call), the hearing will proceed on the hearing date, even if neither party attends.~~
7. ~~Decisions of the hearing panel are effective immediately. Staff may call or e-mail the decision to the party that does not participate in the panel. A letter indicating the decision of the hearing panel will be sent to the reviewer and AE via common carrier, which provides signed proof of delivery.~~

~~In accordance with the *Rules of Procedure for Peer Reviewers*, decisions made by a hearing panel may be appealed to an ad hoc committee. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal.~~

~~If the ad hoc committee agrees that the decision should be reviewed, it will be sent to a review panel of the board. Decisions of the review panel are final. *Rules of Procedures for Reviewers* outlining the procedures are available on www.aicpa.org.~~

KI. Egregious Performance by a Reviewer

Upon notification and evidence of egregious performance matters, the board or committee ~~should~~^{may} consider ~~more stringent actions or~~ restrictions against the reviewer. After reviewing evidence, facts, and circumstances related to an egregious act by a reviewer, the committee should consider issuing a removal letter requesting the board to take action against the reviewer. The committee should ensure the reviewer is fully knowledgeable about the evidence supporting the issuance of a ~~Removal Letter~~^{removal letter}. The administering entity issuing a ~~Removal Letter~~^{removal letter} should communicate (either through discussion and/or email) with the reviewer the evidence supporting the allegation. ~~In the case of an egregious act, it is~~ is not necessary to issue other deficiency letters prior to the issuance of a removal letter. Depending on the facts and circumstances, some examples of egregious performance by a reviewer include, but are not limited to, the following:

- Signing false documents.
- Failure to perform ~~in a timely and professional manner~~ a peer review board directive ~~action~~ resulting from a hearing or review panel in a timely and professional manner.
- Continuing to schedule or perform reviews when qualifications to be a reviewer are no longer met and notification of ineligibility has been received.
- Continuing to schedule or perform reviews after receipt of a Required Corrective Action letter or Settlement Agreement from AICPA Professional Ethics which indicate the reviewer is restricted from performing reviews.
- Failure to notify an AE when there has been a restriction placed by a regulatory, a monitoring, or an enforcement body on the reviewer's ability to perform audit and attest engagements, and the reviewer continues to perform peer reviews.
- Knowingly providing advice to a firm that is contradictory to the standards, such as informing the firm that it may distribute the peer review report prior to committee acceptance or omitting engagements from the scope of the review without the appropriate scope limitations or approvals in compliance with the guidance.
- Reviewers used confidential material obtained during the peer review to enhance their own firm (that is, client listing).

- ~~Failure to maintain qualifications or otherwise cooperate with the program (for example, not meeting licensure or regulatory requirements) leading to not completing the review when it leads the AE or firm to find another reviewer to complete the review and causing and may cause the firm harm. (for example, not meeting licensure or regulatory requirements).~~

The evidence, facts, and circumstances and any other documentation supporting the egregious act should be sent to the board. ~~Upon receipt of the removal letter and supporting documentation, the reviewer and AEs will be notified that a hearing panel will review the matter. See section VI of this chapter for hearing panel procedures per the Rules of Procedure for Peer Reviewers. The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to consider this an egregious act, a meeting via telephone conference should be scheduled, ordinarily within 60 days of the date on the reviewer's appeal letter. If not done within 60 days, this does not affect the actions of the panel. (See the preceding section G for hearing panel procedures.)~~

L.J. Committee AE Considerations When a Reviewer Is Removed from the List of Qualified Reviewers Restricted Due to an Egregious Act

Because reviews performed by a reviewer may be in different stages of completion when the reviewer is notified that the board has ~~restricted him or her from scheduling or performing reviews in all AEs removed him or her from the list of qualified reviewers~~, the following various scenarios should be considered by the committee when formalizing policies and procedures:

1. *The scheduled review has not commenced.* Within five business days of the reviewer being notified by the board or by the commencement date of a scheduled review, whichever is earlier, the reviewer must discuss the matter with the reviewed firm. The reviewer must withdraw from the scheduled review. Reviewers should keep in mind that their restriction is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date.

If the reviewer fails to contact the reviewed firm within five business days, the AE may contact the reviewed firm to inform it that the reviewer will not be able to perform the firm's review. No details or explanation of the reason should be provided to the firm by the AE. Details should be discussed with the firm at the reviewer's discretion.

2. *The scheduled review has commenced and is in process, in house, or accepted*
 - a. *but the fieldwork is not yet complete.* The reviewer must inform the firm that he or she no longer has the ability to continue to perform the peer review. The reviewer should withdraw from the engagement, and the firm should contact the AE to reschedule the review.
 - b. *and the fieldwork is complete, but working papers have not yet been received by the AE, or the review is in house awaiting technical review.* The committee should consider the impact that this may have on the performance by the reviewer. Based on that assessment, the committee may decide that (on-site or off-site) oversight should be performed, possibly at the reviewer's expense. Although the review would have already been performed, the oversight can still be performed afterward with the cooperation of the reviewed firm in either providing or forwarding requested items to the person(s) performing the oversight.

If oversight is not performed, the committee should consider if the technical staff should perform a technical review of all working papers related to the peer review. If so, the technical reviewer should approach the review with a higher degree of skepticism with regard to the reasons for restriction. He or she should carefully consider the effect of the egregious act on the reviewer's ability to perform and report on the review and whether, based on his or her procedures and any other procedures performed, including oversight, he or she was able to overcome concerns over the reviewer's egregious performance of the review. Technical staff should fully report on these procedures to the committee.

- c. *and the review has been submitted to the committee for its consideration.* Depending upon the egregious act, the committee should consider deferring the review until the technical staff has performed the procedures previously described in (b) or an oversight is done. Those procedures should

be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

3. *The review is accepted by the committee, but the acceptance letter has not been sent to the firm.* The AE should discuss the matter with the Chair of the RAB or the committee Chair and consider if the acceptance letter should be delayed and the review deferred until the procedures previously described in (2.b) have been performed or oversight is performed. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
4. *The review is accepted, and the firm has been sent its acceptance letter, and*
 - a. *it is within the working paper retention period.* The procedures previously described in (b) should be considered by the committee. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
 - b. *it is outside of the working paper retention period.* The AE should contact staff to discuss the impact on reviews performed by the reviewer. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

K. Reinstatement of Reviewers after Removal

If a reviewer is removed from the list of qualified peer reviewers, the reviewer may apply for reinstatement by writing a letter to the board. Reinstatement will may be granted at the discretion of the board Chair or his or her designee no sooner than three years after the date of the removal letter or the final decision of a hearing panel, ad hoc panel or review panel, whichever is later.

If approved for reinstatement, the reviewer will be sent a letter indicating that the reviewer is able to schedule and perform reviews. It is expected that those reviewers who are granted reinstatement will be required to undergo corrective actions and may be subject to restrictions to be determined by the board Chair or his designee. Those required actions or restrictions will also be detailed in the letter.

Reinstatement as a committee member, RAB member, or technical reviewer would be at the AE's or committee's discretion.

V. Reviewer Qualifications—Allegations, Investigations, or Limitations or Restrictions

At times, reviewers or reviewing firms may be notified by regulatory, monitoring, or enforcement bodies or others regarding an allegation or a restriction in the conduct of accounting, audit, or attestation engagements. The reviewer and reviewing firm should notify the relevant AE of any communications relating to allegations or investigations from regulatory, monitoring, or enforcement bodies in the conduct of accounting, audit, or attestation engagements performed by the reviewer (see interpretation 34-1). When such situations arise, the committee, board, or staff will need to determine the effect of allegations or investigations, limitations or restrictions, or both on a reviewer's or reviewing firm's ability and qualifications to perform a review. If a reviewer or reviewing firm fails to notify the relevant AE or AICPA technical staff of such allegations or investigations, limitations or restrictions, or both within the specified time requirements, the reviewer or reviewing firm may be deemed as not cooperating with the program.

A. Notification of Allegation or Investigation

Responsibility of the Reviewer or Reviewing Firms

The reviewer and reviewing firms (reviewer and firm) should notify the relevant AE of communications relating to allegations or investigations from regulatory, monitoring, or enforcement bodies or others in the conduct of accounting, audit, or attestation engagements performed by the reviewer. For these purposes, an

allegation or investigation is defined as a formal declaration, statement, or other similar assertion, the validity of which has not been established, indicating that there may be deficiencies in the peer reviewer or reviewing firm's compliance with a regulatory, a monitoring or an enforcement body's (regulatory body's) rules (procedures, laws, professional standards, or practices). The notification should occur prior to the peer reviewer or reviewing firm being engaged to perform a review or immediately if the reviewer and firm have been approved to perform a review by the AE. The objective of the reviewer or reviewing firm informing the relevant AE of such allegations or investigations is to enhance the program's oversight process, which includes ensuring that reviewers and reviewing firms are appropriately qualified to perform reviews.

The fact that a reviewer or reviewing firm has received communication(s) relating to allegations or investigations does not automatically mean that he, she, or it is ineligible to perform reviews. However, there could be situations when the nature, significance, or pervasiveness of the alleged deficiencies or an already existing preponderance of evidence would necessitate more immediate action in order to address the public interest.

Allegations or investigations against committee or RAB members should be more carefully monitored and considered due to the role that those members fill in the peer review process. Depending on the circumstances and considering the impact of their serving the public interest, possible actions are oversight of the committee or RAB member's peer reviews or having them recuse themselves from the report acceptance process (in its entirety or just from the report acceptance process to consider reviews with engagements in the industry or other classification addressed by the allegation or investigation).

B. Notifications Relating to Limitations or Restrictions

The Responsibility of the Reviewer and Reviewing Firms

The reviewer and reviewing firm should notify the AICPA technical staff ~~then and~~ all relevant AEs of any limitations or restrictions on the reviewer's or reviewing firm's ability to practice or perform peer reviews. For these purposes, a *limitation or restriction* is a corrective or disciplinary action or sanction imposed on a reviewer or reviewing firm by a regulatory body. Examples include constraint of scope or volume of accounting and auditing engagements, required periodic reporting to the regulatory body, pre-issuance reviews of engagements, or additional peer review or professional education requirements.

The notification should occur prior to the reviewer or reviewing firm being engaged to perform a review or immediately if approved or currently performing a review. The objective of the reviewer or reviewing firm informing the AICPA technical staff then relevant AEs of such limitations or restrictions is to enhance the program's oversight process, which includes ensuring that reviewers and reviewing firms are appropriately qualified to perform reviews.

An individual may not serve as a reviewer if his or her ability to practice public accounting or perform peer reviews has been limited or restricted in any way (including any specific industry restrictions) by a regulatory, a monitoring, or an enforcement body, beginning on the date that he or she is notified by the regulatory or enforcement body of the limitation or restriction and ending on the date that the limitation or restriction has been removed.

If the limitation or restriction has been placed on the reviewer's firm or one or more of its offices, then the board will consider and investigate the specific circumstances, including how the limitation or restriction relates to the firm's accounting and auditing practice and personnel, to determine whether any of the individuals associated with the firm may serve as reviewers.

C. Monitoring by AEs and Staff

Although it is the responsibility of reviewers and firms to notify the relevant AE of allegations or investigations or the AICPA technical staff of limitations or restrictions, AEs should monitor sources to ensure that they and the AICPA technical staff are being appropriately and timely notified.

~~They~~ AEs should

1. monitor the activities of organizations based in their state or under their jurisdiction that could initiate allegations or investigations or that could limit or restrict a reviewer and firm and that are relevant to meeting the objectives of the preceding requirement. Organizations to be monitored include those state-based organizations detailed in interpretation 181-1b-1 and other state governmental agencies or other organizations that have the authority to regulate accountants (in connection with the firm's accounting,

auditing, or attestation practice). It is recognized that this is dependent on the cooperation of those organizations and the usability of the data made available and how it correlates to the peer reviewer database.

2. monitor information received from the ~~National Peer Review Center (NPRC) and AICPA technical~~ staff, which will monitor information available from federal or national organizations,⁶ including those detailed in interpretation 181-1b-1, and will monitor actions requested or restrictions imposed by the AICPA's Professional Ethics Executive Committee (PEEC) as a result of its investigative process, as follows:
 - a. PEEC may request a recommended action via a required corrective action letter. When the related violation relates to a technical matter, the individual is not permitted to perform peer reviews, including reviews in process, until the action is completed and satisfied. The individual is flagged in the peer review system as having a restriction, so that future reviews cannot be scheduled. The AICPA technical staff will monitor these actions and inform the appropriate AEs when the individual has a review or reviews that should be considered in light of the restriction.
 - b. Ethics also shares settlement agreements with AICPA Peer Review Program technical staff. AICPA technical staff will monitor these actions and inform the appropriate AEs when the individual has a review or reviews that should be considered in light of the restriction.
 - c. Certain information obtained from the ethics team may not be public information. Although the process does allow for certain information to be shared within the Peer Review Program, it should be treated as confidential.

If an AE is notified or obtains knowledge of a limitation or restriction, the AE should promptly notify AICPA technical staff. It is the responsibility of the AE to consider and investigate, as deemed necessary, the specific circumstances, including whether any action, including performing oversight on the reviewer or reviewing firm, is appropriate.

D. ~~Committee~~ AE Considerations When a Reviewer and Reviewing Firm Has an Allegation or Investigation

The fact that a reviewer or reviewing firm has received communication(s) relating to allegations or investigations does not automatically mean that he, she, or it is ineligible to perform peer reviews. However, there could be situations when the nature, significance, or pervasiveness of the alleged deficiencies or an already existing preponderance of evidence would necessitate more immediate action in order to address the public interest. On a case-by-case basis, the committee should consider and investigate, as deemed necessary, the specific circumstances, including whether any action, including performing oversight on the reviewer or reviewing firm, is appropriate.

Allegation Letter

After investigating the specific circumstances, if the AE determines that oversight should be required, the reviewer will be sent an allegation letter. If the reviewer performs reviews for multiple AEs, this letter will be sent to all AEs where the reviewer and reviewing firm are scheduled or have performed reviews in the last year. Each AE should consider the impact of the allegation on the reviews performed by the reviewer before concluding that oversight is required.

~~The reviewer may appeal this decision; however, the action in the allegation letter will remain, pending the appeal.~~

E. Appeals to the Board⁷

Reviewers and reviewing firms who wish to appeal an allegation letter must request that a hearing panel be assembled. That request must be made in writing (via e-mail or letter) to the board within 30 days of receipt

⁶—The Accountancy Licensee Database (ALD) is a program implemented by the National Association of State Boards of Accountancy to provide a central database with current licensee information of CPAs and accounting firms registered in the 55 accounting jurisdictions. The database is intended to also show whether a particular CPA has been sanctioned. This resource will be made available to specific public and private groups, including state boards of accountancy, accounting firms, and various regulatory authorities. However, it is still under development, and it is not currently expected to provide a user with the capability to search for sanctions. AICPA staff will monitor the development of the ALD to determine if it will be useful.

⁷ See footnote 3.

of the allegation letter. The reviewer or reviewing firm should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the action outlined in the allegation letter. Once the allegation letter has been issued, the action will remain in effect until the reviewer or reviewing firm has proven that the allegation or investigation has no merit or is closed, or the hearing panel determines that the action should be removed or revised, whichever occurs earlier.

See section VI of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

~~E.—Appeals to the Committee—~~

~~When the AE issues the allegation letter, the reviewer is granted the opportunity to appeal the decision before the committee in person, via telephone conference, or in writing. The request for appeal must be made within 30 days of the allegation letter date. If an appeal is requested by the reviewer, the oversight outlined in the allegation letter will remain in effect until the reviewer has proven that the allegation or investigation has no merit or is closed, or the committee panel, as described subsequently, determines that it should be removed or revised, whichever occurs earlier.~~

~~If the reviewer chooses to appeal, the committee should have an appeal meeting via telephone conference within 60 days of the date on the reviewer's letter. If not done within 60 days, this does not affect the actions of the panel. However, if the reviewer requests to have the appeal take place in person, the committee should have an appeal meeting in person, ordinarily within 120 days of the date on the letter from the reviewer.~~

~~For the appeal meeting, the committee should form a panel to consider a reviewer's appeal. The committee should follow the following steps:~~

- ~~1. A panel should be formed of at least three members of the committee. These three members should not have been involved in the decision to suspend the reviewer.~~
- ~~2. One member should serve as the panel Chair.~~
- ~~3. The reviewer will be given the opportunity to participate in the appeal process.~~
- ~~4. If the reviewer would like to appear before the panel, he or she should notify the AE not later than 14 days prior to the appeal date. If the reviewer does not notify the AE that he or she would like to appear, the panel will still convene and decide on the matter.~~
- ~~5. If the reviewer requests to have the appeal take place in person, the panel meeting should be scheduled at a location convenient to members of the panel but also take into consideration the location from which the reviewer is traveling.~~
- ~~6. The meeting information (for example, the date, location, and conference call number) should be communicated to the reviewer; the other AE, if applicable; and the panel members. If the reviewer is unable to attend or participate, the reviewer may request that the meeting be postponed for good cause. The postponement will be at the discretion of the panel and should be rescheduled at a date and location, if in person, that will be determined by the chair.~~
- ~~7. The reviewer may request a postponement for good cause. To be considered, any request must be received by the committee not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
- ~~8. Supporting documentation from the reviewer must be received not later than 14 days prior to the appeal date in order for it to be considered by the panel.~~
- ~~9. The reviewer has the opportunity to present evidence and witnesses, if any, and be represented by counsel to support his or her position about why the action was inappropriate.~~
- ~~10. At the meeting, the panel should discuss the basis of the appeal, including the supporting documentation submitted by the reviewer.~~

- ~~11. If appearing in person or telephonically, the reviewer should have the ability to indicate why he or she believes that the action taken by the committee was inappropriate.~~
- ~~12. The reviewer and panel have the ability to ask questions of each party and their witnesses, if any.~~
- ~~13. Staff, if requested by the reviewer or AE to attend as an adviser, may be present and will only act as an adviser to the committee regarding the rules and guidance.~~
- ~~14. After hearing testimony, the panel should discuss the matter in private without the reviewer present to determine whether it should uphold the original action(s) of oversight.~~
- ~~15. The decision of the panel should be provided to the reviewer immediately following the panel's decision. The reviewer should be informed that he or she has the right to appeal to the board. A written communication of the panel's decision should be sent by common carrier (with proof of delivery) to the reviewer within three business days of the panel's decision, regardless of whether the reviewer was notified verbally. The decision of the panel is effectively immediately.~~

~~The process is very important and should be conducted such that all parties have the opportunity to thoroughly discuss the matter prior to the decision of the panel.~~

~~A record of the appeal proceeding and summary of conclusions, either as minutes or a transcript, regardless if a party attends, should be maintained and, if requested, provided to those attending the appeal meeting. Copies of the minutes or transcript should be submitted to the board if the matter is referred to the board by either the committee or reviewer as an appeal request. The documentation related to this appeal will be taken into consideration by the board if the reviewer exercises his or her right to appeal to the board.~~

F. Initial Considerations by the Board When a Reviewer and Reviewing Firm Have a Limitation or Restriction

Temporary Suspension Letter Due to a Limitation or Restriction

Upon receipt of notification of a limitation or restriction placed upon a reviewer and reviewing firm, the AICPA must promptly notify the reviewer and firm that in accordance with the standards, beginning with the date of the reviewer or reviewing firm received notification from by a government or regulatory authority of the limitation or restriction, they are not qualified to perform peer reviews. Additionally, the board will temporarily suspended him, her, or it the reviewer or reviewing firm from performing peer reviews until the board's further evaluation of the limitation or restriction. This evaluation will include the status of any reviews that the reviewer and firm is or was associated with since the date of notification by a government or regulatory authority. All AEs where the reviewer has performed or is scheduled to be performing peer reviews will be copied on the letter.

Staff will contact the reviewer and firm on a timely basis to discuss the limitation or restriction, related suspension, and effect on reviews that the reviewer and firm is associated with, beginning with the date of notification of the limitation or restriction from the government or regulatory authority. Discussions should include how each review will be treated or approached; the possible ramifications for the existence of a peer review report issued by an unqualified reviewer; and a suggestion that the reviewer and firm consult with their legal counsel and that if the reviewer and firm deem it appropriate, they should consider withdrawal of their peer review report(s). A representative of the affected AE should consider participating in these discussions. This communication with the reviewer should be documented.

G. Final Considerations by the Board When a Reviewer and Reviewing Firm Has a Limitation or Restriction Related to an Audit, Accounting, or Attest Practice

The board will delegate this responsibility to its Oversight Task Force (OTF) (or one of its other task forces, such as the NPRC for reviews administered by the NPRC⁸) under the board's direction. Staff, the OTF, the

⁸ The National Peer Review Center-Committee (NPRC) possesses a unique knowledge base of the firms that it administers, a fair number of which have Securities and Exchange Commission clients or are larger sized, in turn making it more appropriate for it to address limitation or restriction issues within those firms under the oversight of the board, which will ensure the NPRC's consistency with the principles of this guidance.

NPRC, and the board will work together to ensure that there is a timely response in accord with the particular matter.

The reviewer, reviewing firm, or AICPA technical staff may receive notification or knowledge of a limitation or restriction on a reviewer and firm when a review is in different stages. In these circumstances, the board will consider various factors in determining if the review should be rescheduled or oversighted, other additional procedures should be performed, or a new review should be performed (see interpretation 34-1).

A limitation or restriction may be imposed by a regulator for a set time period or permanently and may be related to a reviewer's and firm's performance over a period of time or a particular incident. Ordinarily, the board will consider whether to, at a minimum, suspend or disqualify a reviewer and firm for the same period of the limitation or restriction imposed by the regulator. Thus, if the reviewer and firm is permanently limited or restricted, then the reviewer and firm is permanently disqualified from performing reviews. Similarly, if the reviewer and firm is limited or restricted for a calendar year, then the reviewer and firm is disqualified from performing reviews during that calendar year. The board may determine, based on the circumstances, to suspend a reviewer and firm for a longer period of time or request the performance of remedial actions in addition to the disqualification.

The board's evaluation will include the analysis of the status of any reviews that the reviewer and firm are or were associated with since the date of notification by a government or regulatory authority, regardless of their status.

~~Although ¶~~The standards indicate that a reviewer and firm ~~is-are~~ not qualified to perform reviews if they have been limited or restricted.~~;~~ ¶The board will make final determinations when the AICPA technical staff receives notification or knowledge of the limitation or restriction. This includes determinations regarding the scope, applicability, and time frame of the disqualification and the effect on reviews scheduled to occur or that have occurred during the limitation or restriction period or reviews that have not yet been accepted, completed, and had their working paper retention period expire. ~~when the AICPA technical staff receives notification or knowledge of the limitation or restriction.~~ The board should ~~carefully~~ read the full communication relating to the limitation or restriction; understand the scope, applicability, and time frame of the limitation or restriction; and consider and discuss the circumstances to determine its final decision on the matter. Factors that the board will consider include, but are not limited to, the following:

1. The type of peer review and the role of the peer reviewer for each preceding review
2. The date of notification to the reviewer and reviewing firm by a government or regulatory authority of the limitation or restriction in comparison with the date of notification from the reviewer and firm to the AICPA technical staff
3. Whether the reviewer and firm appropriately and timely notified the AICPA technical staff of the limitation or restriction, in compliance with the standards
4. Whether the reviewer and firm scheduled reviews without notifying the AICPA technical staff of such limitations or restrictions
5. Whether the limitation or restriction is related to a particular type of service (tax versus audit and attest or audits, reviews, or compilations); industry oversight; regulatory oversight, such as engagements falling under the purview of a particular regulator (for example, the Public Company Accounting Oversight Board [PCAOB]); or state board of accountancy oversight
6. Whether the limitation or restriction is permanent or indefinite in duration (that is, restricted from performing audits until the firm complies with some requirement, but the firm has chosen to no longer perform audits, so the limitation or restriction will always be there)
7. Whether the limitation or restriction is temporary
8. The history of qualification, performance, and noncooperation matters and any other information relevant to these matters.

Some of these factors may weigh more heavily in the board's consideration than others, depending on the circumstances. For instance, if the PCAOB sanctioned a peer reviewer relating to his or her performance on various generally accepted auditing procedures on all of his firm's Securities and Exchange Commission (SEC) engagements, it would weigh more heavily than if the sanction related to accounting for one item

only typically seen on SEC engagements. Similarly, if a state board of accountancy restricted a licensee's (reviewer's) ability to perform audits in his or her state for one year, it would weigh more heavily than if it had suspended him or her from performing compilations until he or she obtained the appropriate individual or firm license to perform such engagements in that state. Lastly, if the reviewer and firm did not appropriately and timely notify the AICPA technical staff of the limitation or restriction, in compliance with the standards, this will weigh heavily on the board's decision because non-notification could demonstrate noncooperation with the program.

The board may decide, based on the preceding factors, that the suspension or permanent disqualification may apply to the role of the peer reviewer on the team (team captain or team member to review only a particular engagement or industry); to a particular type of service (for example, just audits) or industry(ies); or another type of work or peer review—system or engagement.

The board's final decision about the effect of the limitation or restriction on the reviewer's and firm's qualifications must be made ordinarily within three weeks of the initial notification or communication to ensure a prompt response to the issue. The reviewer and firm will be notified of the details of the final decision, including, if applicable, its scope, applicability and time frame. The reviewer and firm will be notified that the final decision will apply to reviews administered by all AEs and that the reviewer and firm may appeal the decision by writing to the board explaining why they believe that the actions are unwarranted.

Based on the evidence submitted to the board, the board may decide, with or without committee recommendation, pursuant to guidance that it has established, to consider whether the reviewer and firm should be prohibited from performing reviews or whether some other action should be taken. If it is determined that the reviewer and firm should be restricted, the reviewer and firm will be sent a restriction letter.

It is the affected AE's responsibility to follow through on the actions placed upon the reviewer and firm, which are outlined in the restriction letter.

Restriction Letter

The restriction letter

1. notifies the reviewer and firm that in accordance with the standards, beginning with the date of notification by a government or regulatory authority of the limitation or restriction, they were no longer qualified to schedule and perform peer reviews
2. notifies the reviewer and firm that the board has suspended him, her, or it from scheduling or performing peer reviews, or depending on the severity and timing of notification, the board may consider other actions that should be taken based upon the specific circumstances. These actions may include, but are not limited to, on-site oversight at the reviewer's expense; permanent removal from the list of qualified peer reviewers; and depending upon the circumstances, referral to the AICPA's Professional Ethics Division for violating the Code of Professional Conduct (see interpretation 34-2).
3. will copy all affected AEs, and the reviewer and firm will be suspended in the peer review system until further notice.
4. notifies the reviewer and firm that the final decision will apply to reviews administered by all AEs and that the reviewer and firm may appeal the decision by writing to the board explaining why they believe that the actions are unwarranted.
5. offers the reviewer and firm the right to appeal this decision by writing to the board within 30 days of the date of the letter.

Reviewer Feedback Form

When a reviewer fails to maintain the required reviewer qualifications resulting in suspension of his or her ability to schedule and/or perform reviews, this is considered a reviewer performance deficiency. Consistent

with the guidance in section IV of this chapter, a reviewer feedback form should be issued to the reviewer documenting this matter.

H. Appeals to the Board⁹

Reviewers and reviewing firms who wish to appeal a restriction letter must request that a hearing panel be assembled. That request must be made in writing (via e-mail or letter) to the board within 30 days of receipt of the restriction letter. The reviewer or reviewing firm should include any evidence to support the reviewer's position.

The request for an appeal will not lift or delay the action outlined in the restriction letter. Once the restriction letter has been issued, the action will remain in effect until the reviewer has proven that the action is unwarranted, or the hearing panel determines that the action should be removed or revised, whichever occurs earlier.

See section VI of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

H. Appeal to Ad Hoc Committee

~~The reviewer and firm will have the ability to appeal the board's decision. However, the board's actions will remain in place during the appeal process. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the board. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal. The reviewer and firm may appeal the board's decision at a later point in time, if circumstances change, by writing to the board explaining why the reviewer and firm believe that the actions are unwarranted at that juncture. For instance, if the reviewer and firm were limited from practicing before the SEC and PCAOB, and the firm decides not to practice before the SEC and PCAOB in the future, they may decide not to pursue asking the SEC and PCAOB to lift the restriction. This would ordinarily result in a permanent disqualification from performing reviews, unless the reviewer and firm appealed to the board with other evidence of why they were otherwise qualified to perform reviews. If decided, the matter will be presented to a hearing panel.~~

I. Committee-AE Considerations When a Reviewer and Firm Have a Restriction and Limitation

Because reviews performed by a reviewer and firm may be in different stages of completion when the reviewer and firm become restricted or limited, the following various scenarios should be considered by the committee when formalizing policies and procedures:

1. *The scheduled review has not commenced.* Within five business days of the reviewer and firm being notified by the AICPA of the temporary suspension or restriction letter or by the commencement date of a scheduled review, if earlier, the reviewer and firm must discuss the matter with the reviewed firm. The reviewer should either withdraw from the scheduled review or reschedule the commencement, including planning procedures, pending final board decision. Reviewers should keep in mind that their restriction or limitation is not ordinarily a valid reason for which an AE would grant an extension of the reviewed firm's due date. If the reviewer fails to contact the reviewed firm, the AE may contact the reviewed firm to inform it that the reviewer will not be able to perform or continue to perform the firm's review. No details or explanation of the reason should be provided to the firm. This should be left to the reviewer's discretion to discuss with the firm if he or she chooses. Contacting the firm may not be necessary if the firm's review is not scheduled to commence in the near future, and it is possible that the reviewer may no longer be restricted.

For instance, if the reviewer and firm is notified by the AICPA of their disqualification on May 1, and a review originally scheduled to commence May 15 is not rescheduled by May 7, the AE may inform the firm that "its reviewer cannot perform the review at this time, and if further information is required, please contact your peer reviewer." The firm should be advised that it may need to hire a new reviewer and firm in order to meet the firm's due date.

⁹ See footnote 3.

2. *The scheduled review has commenced and is in process, in house, or accepted*
 - a. *but the fieldwork is not complete.* The committee should consider on-site or off-site oversight performed by a committee member, technical staff, or another qualified peer reviewer, possibly at the reviewer's and firm's expense.
 - b. *and fieldwork is complete, but working papers have not been received, or the review is in-house awaiting technical review.* The committee should consider on-site or off-site oversight performed by a committee member, technical staff, or another qualified reviewer, possibly at the reviewer's and firm's expense. Although the review would have already been performed, the oversight can still be performed afterward with the cooperation of the reviewed firm in either providing or forwarding requested items to the person(s) performing the oversight.

If oversight is not performed, the committee should consider if the technical staff should perform a full technical review of all working papers related to the peer review. Technical staff should be aware of the limitation or restriction and its scope, applicability, and time frame and should perform their review with a higher degree of skepticism than with other reviews. They should carefully consider the effect of the limitation or restriction on the reviewer's and firm's ability to perform and report on the peer review and whether, based on their procedures and any other procedures performed, including oversight, they were able to overcome concerns over the reviewer's and firm's qualifications, considering the limitation or restriction. Technical staff should fully report on these procedures to the committee.
 - c. *and the review has been submitted for committee consideration.* The committee should consider deferring the review until the technical staff has performed the procedures previously described in (b). Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
 - d. *and the review is accepted, but the acceptance letter has not been sent to the firm.* The AE should discuss the matter with the Chair of the RAB or the committee Chair and consider whether the acceptance letter should be delayed and the review deferred until the procedures previously described in (b) are performed. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
3. *The review is accepted, and the firm has been sent acceptance letter, and*
 - a. *it is within the working paper retention period.* The procedures previously described in (b) should be considered by the committee. Those procedures should be performed as soon as practicable so as not to harm the firm. Based on the results of these procedures, the committee should consider contacting staff to discuss the impact of the results. Staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.
 - b. *it is outside of the working paper retention period.* The AE should contact staff to discuss the impact of the limitation or restriction. If it is apparent that the reviewer performed the review when he or she did not ~~meet~~-possess the qualifications, staff may consult with legal counsel. Based on the circumstances, the firm may be contacted to discuss the situation.

VI. AICPA Peer Review Board Hearing Panel and Ad Hoc Committee Procedures

A. Hearing Panel Procedures¹⁰

Hearing panels determine whether to remove a reviewer from the list of qualified reviewers or whether some other action should be taken. The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to be formed, a meeting via telephone conference should be scheduled.

¹⁰ See footnote 3.

ordinarily within 60 days of the request. If not done within 60 days, this does not affect the actions of the panel.

Reviewers will receive a notice of hearing that will provide the details of the meeting and a copy of the Rules of Procedure for Peer Reviewers. The Rules of Procedure for Peer Reviewers include the following:

1. The hearing panel will consist of five board members or others designated by the board Chair.
2. The hearings will be held via conference call.
3. The reviewer and AE will be given the opportunity to participate in the hearing process. If the reviewer or AE would like to appear via conference call, they must notify staff not later than 14 days prior to the hearing date of their desire to attend.
4. Other AEs will be provided an opportunity to remit a memorandum to the panel if they accepted reviews on which the reviewer acted as team or review captain during the three years preceding the date of the hearing.
5. The reviewer or AE may request a postponement for good cause. To be considered, any request must be received by the board not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.
6. If either the reviewer or AE does not advise staff that he, she, or it will attend the hearing, the hearing will proceed on the hearing date, even if neither party attends.
7. Decisions of the hearing panel are effective immediately. Staff may call or e-mail the decision to the party that does not participate in the hearing. A letter will be sent to the reviewer and AE via common carrier, which provides signed-proof of delivery, indicating the decision of the hearing panel.

In accordance with the Rules of Procedure for Peer Reviewers, decisions made by a hearing panel may be appealed to an ad hoc committee. The decision of the hearing panel will remain in effect during the appeal process.

B. Ad Hoc Committee Procedures¹¹

Ad hoc committees are formed when a reviewer or an AE requests a review of the hearing panel's decision. The board Chair or the Chair's designee shall appoint three members to the ad hoc committee. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that the matter should be referred to a review panel and must provide support for the request by submitting evidence.

The other party will be notified of the request, sent a copy of the evidence submitted, and informed of the ad hoc committee meeting date. The other party may submit additional evidence supporting the decision of the hearing panel to the ad hoc committee not later than 14 days prior to the meeting date.

The ad hoc committee will meet in an executive session. At the discretion of the committee, AICPA staff may participate in the meeting to provide guidance related to peer review standards. The administering entity(y/ies), the reviewer, and general counsel shall not be present during the meeting. No transcript will be prepared based on the meeting. The ad hoc committee will decide whether such request for review by a review panel shall be granted. A decision by the ad hoc committee denying a request for review is final and not subject to further review.

If the ad hoc committee decides that the matter should be referred to a review panel, the reviewer and administering entity will receive notification of the date and time that a review panel will meet to review the matter.

¹¹ See footnote 3.

C. Review Panel¹²

~~The review panel will review and consider the matter and take further action pursuant to fair procedures that the board has established.~~

~~Review panels will be formed when an ad hoc committee decides that the matter should be referred to a review panel. The board Chair or the Chair's designee shall appoint five members to the review panel. The review panel will be drawn from either current board members or other members of the AICPA appointed at the sole discretion of the board Chair or the Chair's designee. Individuals who previously served on the hearing panel or ad hoc committee that reviewed the matter cannot be appointed to the review panel.~~

~~Action may be taken by the review panel, as long as a *quorum* is present, which is a majority of the review panel.~~

~~During the review of the matter, a review panel shall consider the entire record of the hearing together with such additional relevant material or memoranda submitted by the reviewer and administering entity that was considered by the ad hoc committee. Parties can submit additional evidence that could not have been produced earlier, and it is at the discretion of the Chair to determine if it can be admitted. This additional evidence may be sent to the review panel to be received not later than 14 days prior to the review date.~~

~~After deliberating the matter, the review panel has the authority to affirm, modify, or reverse all or any part of the decision of the hearing panel or make such other disposition of the case as it deems appropriate.~~

~~Decisions by the review panel are final and not subject to any further review.~~

~~Decisions by the review panel are final and not subject to any further review.~~

DC. Noncooperation after Appeal

~~After a final decision is reached, a letter detailing that decision will be sent to the reviewer. In circumstances where the decision requires the reviewer to take certain action, the reviewer's failure to cooperate within 30 days of the delivery of the letter will result in immediate removal from the list of qualified peer reviewers without the opportunity for further appeal.~~

VI. Oversight at the Reviewer's Expense

~~Throughout the guidance, it is suggested that a reviewer requiring oversight may need to pay for the oversight. An AE may require a reviewer to pay oversight costs after it has funded at least two oversights on that reviewer within two calendar years. If after two oversights paid by the AE, the reviewer needs continual oversight, the reviewer would be responsible for the costs associated with those additional oversights until it is determined by the committee or board that oversight is no longer required. If the reviewer refuses to pay for the additional oversights, he or she may be deemed as not cooperating with the committee or board.~~

~~In such situations, the AE should contact the reviewer to determine if there is a fee dispute. Once it is established that there is no fee dispute, the committee should submit the removal letter and include all supporting documentation. Such a referral should be supported by the AE's peer review committee. A copy of the request should be submitted to the reviewer. The board may consider the need to remove the reviewer's name from the list of qualified reviewers or some other action(s) based on the facts and circumstances.~~

~~Upon receipt of the removal letter and supporting documentation, the reviewer and AEs will be notified that a hearing panel will review the matter. The hearing panel should be assembled ordinarily within 60 days of the date on the removal letter. If not done within 60 days, this does not affect the actions of the panel. The matter will be scheduled to take place via telephone conference unless it is requested by the reviewer or AE to take place in person. If an in person meeting is requested, the date and location will be determined based upon the panel members' availability. The *Rules of Procedure for Peer Reviewers* includes the following:~~

~~a.—The hearing panel will consist of five board members or a designee by the board Chair.~~

¹² See footnote 3.

- ~~b. The hearings will ordinarily be held via conference call or, upon request and at the discretion of the panel, in person.~~
- ~~c. The reviewer and AE will be given the opportunity to participate in the appeal process.~~
- ~~d. If the reviewer or AE would like to appear via conference call or in person, they must notify staff not later than 14 days prior to the hearing date of their desire to attend. If the reviewer or AE desires to appear in person before the hearing panel, and the board agrees to the request, the date and location of the hearing will be determined based on panel members' availability.~~
- ~~e. The reviewer or AE may request a postponement for good cause. To be considered, any request must be received by the board not later than 14 days prior to the date of the hearing. The presiding officer of the panel or the Chair, in the absence of a presiding officer, shall have the sole discretion regarding granting a postponement.~~
- ~~f. If either the reviewer or AE does not advise staff that he, she, or it will attend the hearing, the hearing will proceed on the hearing date, even if neither party attends.~~
- ~~g. Decisions of the hearing panel are effective immediately. Staff may call or e-mail the decision to the party that does not participate in the panel. A letter will be sent to the reviewer and AE via common carrier, which provides signed proof of delivery, indicating the decision of the hearing panel.~~

~~In accordance with the *Rules of Procedure for Peer Reviewers*, decisions made by a hearing panel are reviewable by an ad hoc committee if requested by the reviewer. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal.~~

~~If the ad hoc committee agrees that the decision should be reviewed, it will be sent to a review panel of the board. Decisions of the review panel are final. *Rules of Procedures for Reviewers* outlining the procedures are available on www.aiepa.org.~~

~~VII. Reviewer Monitoring Report~~

~~PRISM will maintain a reviewer monitoring report to be shared with all AEs. Reviewers will be added to the report after the issuance of the first performance deficiency letter or any suspension letter. The purpose of this report is to provide a listing of reviewers that have been identified as having cooperation or performance issues. The AE may consider doing oversight on this reviewer. A reviewer on this report should not be prohibited from scheduling and performing reviews if he or she meets all the qualifications.~~

~~The reviewer monitoring report will list the following information:~~

- ~~• The AE that initially requested the reviewer be added to the reviewer monitoring report~~
- ~~• The reviewer's name, firm, and member number~~
- ~~• The date of deficiency letter(s) or suspension letter(s)~~
- ~~• The AE that issued the letter(s)~~
- ~~• Deficiency type~~
- ~~• Reviewer status~~
- ~~• Restriction~~
- ~~• Whether the action was ratified by the board~~
- ~~• The date that the restriction was removed, if applicable~~

~~The reviewer monitoring report will be reviewed quarterly by the board to determine if other actions should be placed on the reviewer.~~

~~VIII. AICPA Peer Review Board Hearings~~

~~*Hearing Panels*~~

~~Hearings are designed to both (a) assist the hearing panels and review panels in assessing the facts on which to base a decision and (b) provide procedural fairness, thus providing reviewers the ability to defend themselves.~~

~~Hearings are ordinarily held for~~

- ~~1.—appeals for ineligibility.~~
- ~~2.—national ratification of a corrective action.~~
- ~~3.—appeals of a committee decision.~~
- ~~4.—reviewers not cooperating (for example, not signing the performance deficiency letter).~~
- ~~5.—request for removal from the list of qualified reviewers.~~

~~Reviewers will receive a notice of hearing that will provide the details of the meeting and a copy of the *Rules of Procedure for Peer Reviewers*. Hearing panels and review panels will consist of board members or a designee by the board Chair. Hearings are ordinarily held via conference call or, upon request and at the discretion of the board, in person. Members of the AE committee or staff will be given the opportunity to participate on the call or, upon request and at the discretion of the board, in person before the hearing panel.~~

~~Decisions made as a result of a hearing panel are reviewable by an ad hoc committee if requested by the reviewer or AE. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. The ad hoc committee will review the facts and evidence of the matter and determine whether there is validity to the appeal. If the ad hoc committee agrees that the decision should be reviewed, it will be sent to a review panel of the board. Decisions of the review panel are final. *Rules of Procedures for Reviewers* outlining the procedures are available on www.aicpa.org.~~



Peer Review Program

AICPA Peer Review Board

Rules of Procedures for Reviewers

Effective Date—~~January 1, 2012~~ January 1, 2016

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1. GENERAL

1.1 Authority to Conduct Proceedings

The Peer Review Board of the American Institute of Certified Public Accountants (board) establishes Standards for Performing and Reporting on Peer Reviews (standards). Pursuant to this grant of authority, the board hereby establishes the following procedures that will govern the adjudication of all matters that may lead to the removal of a reviewer from the national list of qualified reviewers or to the imposition of other sanctions by the board. Other committees, such as an administering entity's peer review committees or subcommittees that consider peer review reports, do not have the authority to remove a reviewer from the list of qualified reviewers but may impose other sanctions that relate to reviews performed and scheduled at the administering entity level. The following procedures do not govern the resolution of disagreements between the reviewer, reviewed firm or administering entity regarding the type of peer review report to be issued, application of professional standards or other such matters.

The standards provide that, if a reviewer disagrees with a corrective action required by the peer review committee (committee) or board, he or she may appeal the decision by writing the board and explaining why he or she believes that the action(s) are unwarranted. In such circumstances, a hearing panel will be formed by the board to review and consider the request. Other guidance provides that a hearing panel be appointed if a reviewer appeals decisions related to being deemed ineligible to perform reviews or other actions imposed upon him or her by the committee or board.

The standards also provide that when a committee recommends that a reviewer should be prohibited from performing peer reviews in the future, the board shall appoint a hearing panel to consider whether the reviewer should be removed from the list of qualified reviewers or whether some other action should be taken. The board may appoint such a hearing panel without a committee recommendation. The standards provide that the board consider the need to impose corrective action on the service of the reviewer and, if by committee recommendation, consider ratifying an action placed upon the reviewer by the administering entity committee (committee) by appointing a hearing panel to consider ratifying that action or if some other action should be imposed. Other guidance provides that a hearing panel be appointed if a reviewer appeals decisions related to being deemed ineligible to perform reviews or other actions imposed upon him or her by a committee.

Pursuant to this grant of authority, the board hereby establishes the following procedures that will govern the adjudication of all matters that may lead to the removal of a reviewer from the national list of qualified reviewers or to the imposition of other sanctions on a national level by the board. Other committees, such as an administering entity's peer review committees or subcommittees that consider peer review reports, do not have the authority to remove a reviewer from the list of qualified reviewers but may impose other sanctions that relate to reviews performed and scheduled at the administering entity level. The following procedures do not govern the resolution of disagreements between the reviewer, reviewed firm or administering entity regarding the type of peer review report to be issued, application of professional standards or other such matters.

1.2 Applicability of Rules of Procedure

The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. If it is decided that it is appropriate for a hearing panel to ~~consider a reviewer's appeal~~ be formed, a meeting via telephone conference should be scheduled ordinarily within 60 days of ~~the date on the reviewer's appeal letter~~ the recommendation or request. These rules of procedure set forth herein become applicable when it is decided that it is appropriate for a hearing panel to consider whether to remove a reviewer from the list of qualified reviewers or if other sanctions should remain or be imposed. ~~to consider a reviewer's appeal, a request for national ratification of a corrective action, removal from the list of qualified reviewers, or if other sanctions should be or remain imposed on the reviewer by a peer review committee or the board~~. Once these rules of procedure become applicable to a proceeding, they are to be applied until a decision is made regarding an appeal of a prior decision by the committee or hearing panel, ~~to ratify corrective actions on the reviewer nationally~~, to remove the reviewer from the list of qualified reviewers, or if other sanctions should be or remain imposed on the reviewer.

1.3 Hearings

Hearings are held to adjudicate matters that may lead to the removal of a reviewer from participation in the program or if other sanctions should remain or be imposed on the reviewer on a national level. Decisions made as a result of a hearing panel are reviewable by an ad hoc committee, if requested by the reviewer or an administering entity.

1.4 Nature of Hearings

Hearings are designed both (a) to provide procedural fairness, thus providing reviewers the ability to defend themselves, and (b) to assess the facts on which to base a decision regarding whether to remove a reviewer from the AICPA Peer Review Program or to determine if other sanctions should remain or be imposed. Hearing procedures are informal to afford all parties maximum flexibility in presenting every side of an issue.

1.5 Hearing Panel

The hearing panel determines whether to remove a reviewer from the list of qualified reviewers or if other sanctions should remain or be imposed. The hearing panel will consist of five ~~board members or others designated by the board Chair. The hearing panel will be~~ drawn from either current board members or other members of the AICPA appointed at the sole discretion of the Chair of the board or the Chair's designee. One member of the hearing panel will be appointed as the presiding officer by the Chair or the Chair's designee. The Chair or the Chair's designee may appoint himself or herself as a member of a hearing panel or as its presiding officer.

Action may be taken by the hearing panel, as long as a *quorum* is present, which is a majority of the hearing panel.

The hearing panel has the authority to affirm, modify, or reverse all or any part of the decision regarding actions previously required by any administering entity. The hearing panel will determine whether and what other actions should be required of the reviewer, including, but not limited to, removal of the reviewer from the list of qualified reviewers. Decisions of the hearing panel are effective immediately.

Decisions of the hearing panel may be appealed by the reviewer or administering entity. This request should be received within 30 days of the date of the hearing panel's decision. There is no time limitation for this request. If the ad hoc committee determines that the matter should be reviewed, it will be referred to a review panel. An appeal by the reviewer or administering entity will not delay the effective date of the hearing panel's decision. The decision of the hearing panel will remain in effect during the appeal process.

1.6 Ad Hoc Committee

Ad hoc committees are formed when a reviewer or an administering entity requests a review of the hearing panel's decision. ~~The ad hoc committee, who may meet via conference call or in person without other parties, staff, or counsel present, The ad hoc committee~~ will review the facts and evidence of the matter and determine whether ~~there is validity to the appeal~~ the matter should be referred to a review panel. The board Chair or the Chair's designee shall appoint three members to the ad hoc committee. Individuals who previously served on the hearing panel that initially decided on the matter cannot be appointed to the ad hoc committee. This committee will be drawn from either current board members or other members of the AICPA and are appointed at the sole discretion of the board Chair or the Chair's designee. Individuals serving on the hearing panel cannot attend or participate on the ad hoc committee.

The party requesting the appeal shall bear the burden of convincing the ad hoc committee that ~~there should be a change~~ the matter should be referred to a review panel and must provide support for the request by submitting evidence, ~~in the decision of the hearing panel. This will be done by the submission of additional evidence.~~

The other party will be notified of the request, sent a copy of the evidence submitted, and informed of the ad hoc committee meeting date. The other party may submit additional evidence supporting the decision of the hearing panel to the ad hoc committee not later than 14 days prior to the meeting date.

The ad hoc committee will meet via conference call in an executive session. At the discretion of the committee, staff may participate in the meeting to provide guidance related to peer review standards. ~~Staff, the~~ The administering entity(y/ies), the reviewer, and general counsel shall not be present during the meeting. No transcript will be prepared based on the meeting. The ad hoc committee will decide whether such request for review by a review panel shall be granted. A decision by the ad hoc committee denying a request for review is final and not subject to further review.

If the ad hoc committee decides that the matter should be referred to a review panel, the reviewer and administering entity will receive notification of the date and time that a review panel will meet to review the matter.

1.7 Review Panel

Review panels will be formed when an ad hoc committee decides that the matter should be referred to a review panel. The board Chair or the Chair's designee shall appoint five members to the review panel. The review panel will be drawn from either current board members or other members of the AICPA appointed at the sole discretion of the board Chair or the Chair's designee. Individuals who previously served on the hearing panel or ad hoc committee that reviewed the matter cannot be appointed to the review panel.

Action may be taken by the review panel, as long as a *quorum* is present, which is a majority of the review panel.

During the review of the matter, a review panel shall consider the entire record of the hearing together with such additional relevant material or memoranda submitted by the reviewer and administering entity that was considered by the ad hoc committee. Parties can ~~request to submit~~ additional evidence that could not have been produced earlier, and it is at the discretion of the Chair to determine if it can be admitted. This additional evidence may be sent to the review panel to be received not later than 14 days prior to the review date.

After deliberating the matter, the review panel has the authority to affirm, modify, or reverse all or any part of the decision of the hearing panel or make such other disposition of the case as it deems appropriate.

Decisions by the review panel are final and not subject to any further review.

1.8 Parties to the Proceeding

The reviewer, the committee chair of the administering entities, or other individuals representing the administering entity and AICPA peer review staff may be parties to the proceeding related to the hearing panel and review panel. Intervention by other parties in proceedings shall not be permitted, except other parties may be present as provided in paragraph 3.7. The designated staff of the AICPA or other individuals with responsibility for presenting the charges to the hearing panel or review panel and the representative(s) of or on behalf of the reviewer and administering entity may present evidence; call and question witnesses; and make arguments, including rebuttal arguments. The AICPA Office of General Counsel (Counsel) shall be authorized to attend and advise a panel regarding matters of policy and procedures during the review by hearing panels and review panels and in any executive session. Counsel will not participate in hearings when the reviewer ~~does not participate in the hearing and administering entity do not attend the hearing either in person or via conference call~~. If ~~the reviewer does not participate, neither party is present~~, a court reporter will not attend, and a transcript will not be prepared.

2. THE RIGHTS OF PARTIES

2.1 Right to Be Heard at a Hearing

A party to a proceeding related to the hearing panel or review panel has the right to appear and be heard at a hearing, which is ~~ordinarily~~ conducted by conference call, ~~unless the reviewer or administering entity requests to have the proceeding in person~~. Any administering entity that is interested in participating will do so at the discretion of the panel Chair. In order to secure their right by conference call, the reviewer and administering entity are required to notify AICPA staff not later than 14 days prior to the hearing date of their desire to attend.

~~If a reviewer or an administering entity requests to appear in person, the AICPA staff must be notified not later than 14 days prior to the hearing date. The board will consider such request and has the discretion to schedule an in-person meeting. If the board schedules an in-person meeting, it will be at a time and place convenient to the hearing panel or review panel members.~~

A reviewer or administering entity may be represented by Counsel, other representatives, or both. Hearing panels and review panels are empowered to conduct a hearing in the absence of the reviewer or administering entity, provided that a Notice of Hearing pursuant to paragraph 3.3 has been properly served, and there is no compelling reason, in the view of the presiding officer of the hearing panel or review panel, not to proceed.

2.2 Right to Present Evidence and Cross Examine

A party to a proceeding has the following rights in a hearing panel or review panel

- a. To present evidence.
- b. To present arguments on issues relevant to the subject of the proceeding.
- c. To cross-examine witnesses at the hearing.

2.3 Right to a Copy of the Transcript

An individual that is a party to a proceeding who has appeared before the hearing or review panel may request a copy of the transcript prepared by a court reporter present during the hearing. The request for the transcript must be made at the time the hearing or review panel holds its hearing on the matter. Such a request does not stay-delay the effective date of the decision. When neither the reviewer nor the administering entity participates, a court reporter will not be present and a transcript of the hearing will not be prepared.

3. BASIC PRINCIPLES REGARDING MATTERS BEFORE A HEARING PANEL OR REVIEW PANEL

3.1 Purpose of Rules of Procedures

Although hearings conducted by a hearing panel or review panel are informal, these rules of procedures have been adopted to ensure fairness and an orderly disposition of such proceedings.

3.2 Rules of Evidence

In hearings governed by these rules of procedures, the formal rules of evidence applicable to proceedings at law or in equity do not apply, and evidence that would be inadmissible in a court of law may be received so long as it is relevant in the discretion of the presiding officer. The hearing panel or review panel shall determine the weight to be given to any evidence.

3.3 Notice of Hearing Panel Proceeding

The board has authorized the Director of the program or his or her designee to determine if it is appropriate, based on standards and guidance, to form a hearing panel. When it is decided that it is appropriate for a hearing panel to consider whether to remove a reviewer from the list of qualified reviewers or if other sanctions should remain or be imposed, imposing corrective action on the service of the reviewer, a request for national ratification of an action placed upon the reviewer by the committee, or if some other action should be imposed or to review an appeal decision by the reviewer related to being deemed ineligible to perform reviews or other actions imposed upon them by a committee, the reviewer and administering entity will be

notified. Staff will mail to the reviewer, at least 30 days prior to the proposed hearing date, a Notice of Hearing containing a description of the noncooperation matter or reviewer performance deficiencies and indicating the date that the telephonic hearing will be held. A copy of the Notice of Hearing will be sent to administering entit(y/ies) that has (have) administered reviews of the reviewer during the last year.

The Notice of Hearing shall also advise the reviewer that he or she may answer the charges in writing, as set forth in paragraph 3.4.

The staff of the board shall present the hearing panel with the hearing memorandum containing a description of the noncooperation matter or reviewer performance deficiencies noted against the reviewer and the material upon which it intends to rely at the hearing. Copies of this hearing memorandum and related material shall be furnished to the reviewer and administering entit(y/ies) at the time of the mailing of the Notice of Hearing. Such notice, when mailed by common carrier (with proof of delivery), which provides proof of receipt, addressed to the reviewer at his or her last known address, as reflected in the reviewer's résumé records, shall be deemed to be properly served.

The reviewer has the right to plead guilty to the description of the noncooperation matter or reviewer performance deficiencies that ~~is~~are contained in the hearing memorandum. The reviewer may enter a plea of guilty by signing a statement included on the Notice of Hearing and returning it to the Director of the program or his or her designee ~~not later than 14 days~~ prior to the date on the Notice of Hearing. By pleading guilty, the reviewer waives his or her rights to a hearing, accepts ~~the~~any sanctions proposed by the committee, and consents to the removal of his or her name from the list of reviewers or other actions imposed by the committee.

If the reviewer pleads guilty and is removed from the list of qualified reviewers, the reviewer may write to the board and request that the ad hoc committee review additional evidence submitted by the reviewer indicating why he or she should be allowed to perform reviews. There is no time limit for this request.

A copy of these rules of procedures shall accompany the Notice of Hearing to the reviewer.

3.4 Answer to the Notice of Hearing

It is in the best interests of the reviewer to provide the hearing panel with an answer in writing to the description of the noncooperation matter or reviewer performance deficiencies outlined in the hearing memorandum enclosed with the Notice of Hearing. The reviewer may include additional evidence that he or she would like the panel to consider during the hearing. In order for any such answer or evidence to be considered, it must be timely filed with the staff of the board, as follows.

To be timely filed, the answer or evidence must be received by the staff of the board by registered or certified mail, postage prepaid, or by electronic delivery with confirmation of delivery (the sender has proof that the e-mail was opened) not later than 14 days prior to the date of the hearing. The answer may contain a denial of some or all of the charges, an explanation of some or all of the facts described in the hearing memorandum, any defenses being asserted, and any other information deemed relevant by the reviewer. No written or electronic submissions will be considered by the hearing panel after this period, except in extraordinary circumstances and at the sole discretion of the presiding officer. Any memorandum or proof of additional evidence submitted by the reviewer will be provided to the administering entity prior to the hearing. If the administering entity would like to address the

reviewer's response, it may request the submission of additional evidence to the Chair during the hearing.

In all cases, however, the reviewer and administering entity are required to notify the AICPA staff no later than 14 days from the date of the hearing whether they will attend the hearing and of the identity and affiliation of the individual(s) who will represent the reviewer and administering entity at the hearing, if any (see also paragraph 2.1).

3.5 Notice of Review Panel Proceeding

If an ad hoc committee decides that a decision by the hearing panel should be considered by a review panel, a letter will be sent to the reviewer and administering entity(ies) notifying them of such decision. It will include the date of the hearing by the review panel. The reviewer and administering entity are required to notify the AICPA staff no later than 14 days from the date of the hearing whether they will attend the hearing and of the identity and affiliation of the individual(s) who will represent the reviewer and administering entity at the hearing, if any.

3.6 Postponement Requests (Hearing Panel and Review Panel)

A reviewer or administering entity may request a postponement of a hearing for good cause. To be considered, the board must receive any request for postponement not later than 14 days from the date of the hearing. Prior to the hearing, the presiding officer of the hearing panel or review panel or the board Chair, if no presiding officer has been appointed, shall have sole discretion regarding the granting of a postponement. Only in extraordinary circumstances may a postponement be granted less than 14 days prior to the hearing date. A postponement is not a matter of right and will be granted only upon the showing of good cause. Requests for postponements by any party may only be made once by each party during these procedures. Within a reasonable period of time from the date the postponement is granted, the presiding officer shall reschedule the hearing. Although every effort will be made to keep the same individuals on the panel, Asas a result of rescheduling, the panel may include different board members or designees of the board.

A hearing panel or review panel, when in session for the purpose of hearing a case, may postpone or adjourn the hearing and designate a new date upon a showing of good cause. Such action shall be taken by a majority vote of the hearing panel in executive session. ~~Although every effort will be made to keep the same individuals on the panel, if rescheduled, the hearing panel or review panel may not include the same individuals. Rescheduled hearings will be via conference call, unless as otherwise provided in these rules.~~

Denial of a request for postponement does not prevent the reviewer or administering entity from reasserting the substance of its request as a basis for an appeal of a hearing panel's decision.

3.7 Witnesses

The reviewer, staff, or other individuals with responsibility for presenting the charges to a hearing panel or review panel may produce such witnesses as they deem appropriate. Witnesses will normally be excluded from a hearing except during such time as they are actually giving testimony. Because it is assumed that they will testify truthfully, witnesses at a hearing will not be sworn.

3.8 Confidentiality of Proceedings

No hearing shall be open to the public. However, relevant staff of the AICPA and board members may observe a hearing. Briefs, memoranda, documentary evidence introduced at hearings, and stenographic transcripts of hearings shall be available to the following on a confidential basis:

- a. The parties to the proceeding; observers to the proceeding as set out in the preceding preamble; and their consultants, advisers, or representatives
- b. An ad hoc committee and review panel if the reviewer or administering entity requests a review of the decision by the hearing panel, members of the review panel, staff, and parties to the proceeding
- c. Members of the AICPA Peer Review Board
- d. AICPA Counsel

3.9 Disqualification of Board Members from Participating in a Proceeding

The following list, although not all inclusive, precludes a person from participating in any part of a proceeding on behalf of the board or serving on a hearing panel, an ad hoc committee, or a review panel:

- a. The individual's firm or the individual has performed a peer review in the last two peer review cycles of the affected reviewer's firm's accounting and auditing practice.
- b. The individual has served on a review team with the reviewer in the last three years.
- c. A reviewer from the individual's firm is the subject of the proceeding.
- d. The individual serves on the board of accountancy of the state in which any office of the reviewer's firm is located or where the firm has a license to practice public accounting.
- e. The individual serves on the peer review committee of the administering entity that administered the review.
- f. The individual serves on any AICPA or state CPA society professional ethics committee.
- g. The individual believes that he or she could not be impartial and objective with respect to the charges or has a conflict of interest.

4. CONDUCTING A HEARING BY A HEARING PANEL

4.1 Responsibilities of the Presiding Officer

The board Chair or the Chair's designee shall appoint a member of the board to serve as the presiding officer. The Chair can also appoint himself or herself as the presiding officer.

The presiding officer is to take action necessary to maintain order, rule on motions and procedural questions arising during the hearing, call recesses or adjourn the hearing, examine witnesses (along with other members of the hearing panel), determine the admissibility of evidence, and take such reasonable actions as may be necessary to provide for a fair and orderly hearing.

4.2 ~~Telephone Conferences~~Hearings When a Reviewer or an Administering Entity Does Not Attend

If either the reviewer or administering entity does not advise the AICPA staff that it will attend the hearing, as set forth in paragraph 2.1, the hearing will proceed on the date included in the Notice of Hearing if the presiding officer determines that it is appropriate to do so. If neither party attends, Counsel and the court reporter will not participate in the hearing.

4.3 Agenda

An agenda for the conduct of the hearing panel, which has been adopted by the board for use by its hearing panels, is attached as appendix A, "Agenda for a Reviewer Hearing before a Hearing Panel of the AICPA Peer Review Board." Although it is desirable that the agenda be adhered to for the good order of the proceedings, reasonable deviation may be permitted by the Chair of the hearing panel for good cause. Normally, once a hearing panel is convened and assembled to hear a case, every effort will be made to reach a decision while it is convened, and all parties shall be prepared to present their full case at that time.

5. THE HEARING PANEL'S DECISION

5.1 Decisions to Be Made

All hearing panels must make the following determinations based on the evidence presented at the hearing:

- a. Whether the facts, as determined, support the charges brought against the reviewer
- b. Whether the charges brought are a violation of the Standards for Performing and Reporting on Peer Reviews and other related guidance established by the board
- c. Whether the reviewer shall be removed from the list of qualified reviewers
- d. Whether any and, if so, what actions should be required of the reviewer if he or she is not removed from the list of qualified reviewers and, if applicable, the consequences if the reviewer does not comply with such actions in a manner set forth by the panel

5.2 Burden of Proof

A determination that the facts support the charges brought against the reviewer must be based on the preponderance of the evidence, and the charging authority (AICPA staff) has the burden of proof regarding the charges it brings.

5.3 Decisions

Once a hearing panel is convened to hear a case, every effort will be made to reach a decision while it is convened. Thus, all parties shall be prepared to present their full case at that time.

5.4 Effective Date

A decision by the hearing panel to remove a reviewer from the list of qualified reviewers or to impose other sanctions shall become effective immediately (date of the panel decision), unless the hearing panel indicates otherwise.

5.5 Reconsideration of the Prior Decision by the Hearing Panel

A reviewer or an administering entity may request a review of the hearing panel's decision to an ad hoc committee, described in paragraph 1.6, any time after the hearing panel has met. The party requesting the appeal shall bear the burden of convincing the ad hoc committee that there should be a change in the decision of the hearing panel. This will be done by the submission of the reason for the change supported by evidence.

Upon receipt of a request for review by an ad hoc committee, the other party will be notified of the request and may submit a memorandum and evidence for consideration by the ad hoc committee. The ad hoc committee will review the stenographic transcript of the hearing before the hearing panel, copies of all exhibits filed with the hearing panel, and all documents submitted by the reviewer and administering entity with the request for review. At the discretion of the committee, the staff of the board may participate in the meeting to provide guidance related to peer review standards. Neither the reviewer nor the administering entity is entitled ~~to a personal appearance or to appear via phone~~ before the ad hoc committee reviewing the request. Counsel or a court reporter will not be present during the committee meeting.

The ad hoc committee then decides whether such request for review by a review panel shall be granted. Such review is not a matter of right and will be granted only when the ad hoc committee, in the exercise of its considered judgment, finds, for example, that the discipline imposed by the hearing panel is not supported by the evidence; that the discipline imposed by the hearing panel is clearly disproportionate to the noncooperation matter or reviewer performance matter deficiency; ~~or that the facts as found by the hearing panel are inconsistent with the discipline imposed;~~ or that the reviewer has satisfied the burden of showing new evidence that existed but was unknown at the time of the original hearing, and that evidence is relevant and has the potential to have changed the result of the hearing; ~~or the reviewer has presented new evidence to indicate that additional training or education was taken by the reviewer that would indicate improved performance or the lifting of a restriction from a regulatory body.~~

If the committee grants a petition for review of a matter by the hearing panel, the matter will be referred to a review panel. The reviewer and administering entity will receive notification of the date that a review panel will meet to review the matter. If the matter is referred to a review panel, the decision of the hearing panel will remain in effect until the review panel affirms, modifies, or reverses all or any part of the decision of the hearing panel or makes such other disposition of the case as it deems appropriate.

If the committee does not grant a petition for review, the decision of the hearing panel is final and not subject to further review. The reviewer and administering entity will be notified of the decision in writing including the reason for denial of the request.

6. CONDUCTING A HEARING BY A REVIEW PANEL

6.1 Responsibilities of the Presiding Officer

The board Chair or the Chair's designee shall appoint a member of the board to serve as the presiding officer. The Chair can also appoint himself or herself as the presiding officer.

The presiding officer is to take action necessary to maintain order, rule on motions and procedural questions arising during the hearing, call recesses or adjourn the hearing, examine witnesses (along with other members of the review panel), determine the admissibility of evidence, and take such reasonable actions as may be necessary to provide for a fair and orderly hearing.

6.2 Telephone Conferences Hearings When a Reviewer or an Administering Entity Does Not Attend

If either the reviewer or administering entity does not advise the AICPA staff that it will attend the hearing by the review panel, as set forth in paragraph 2.1, the hearing will proceed on the date included in the Notice of Review if the presiding officer determines that it is appropriate to do so. If neither party attends, Counsel and the court reporter will not participate in the hearing.

6.3 Agenda

An agenda for the conduct of the review panel, which has been adopted by the board for use by its review panels, is attached as appendix B, "Agenda for a Reviewer Hearing before a Review Panel of the AICPA Peer Review Board." Although it is desirable that the agenda be adhered to for the good order of the proceedings, reasonable deviation may be permitted by the Chair of the review panel for good cause. Normally, once a review panel is convened and assembled to hear a case, every effort will be made to reach a decision while it is convened, and all parties shall be prepared to present their full case at that time.

7. THE REVIEW PANEL'S DECISION

7.1 Decisions to Be Made

A review panel shall consider the entire record of the hearing together with such additional relevant material or memoranda submitted by the reviewer and administering entity(ies). The record of the review may be supplemented by any additional matter that the review panel considers to be relevant and of sufficient importance to merit consideration. Copies of all materials will be supplied to the reviewer and administering entity(ies).

All review panels must make the following determinations based on the evidence presented at the hearing:

- a. Whether the facts, as determined, support the charges brought against the reviewer
- b. Whether the charges brought are a violation of the Standards for Performing and Reporting on Peer Reviews established by the board
- c. Whether to affirm, modify, or reverse all or any part of the decision of the hearing panel or to make such other disposition of the case as it deems appropriate

7.2 Burden of Proof

The party that requested the review shall bear the burden of convincing the review panel that there should be a change in the decision of the hearing panel.

7.3 Decisions

Once a review panel is convened to hear a case, every effort will be made to reach a decision while it is convened. Thus, all parties shall be prepared to present their full case at that time. Decisions by the review panel are final.

7.4 Effective Date

A decision by the review panel to affirm, modify, or reverse all or any part of the decision of the hearing panel or to make such other disposition of the case as it deems appropriate shall become effective immediately, unless the review panel indicates otherwise.

Appendix A: Agenda for a Reviewer Hearing Before a Hearing Panel of the AICPA Peer Review Board

The hearing ~~_, either by conference call or in person,~~ shall be conducted by conference call in accordance with the following rules, including when the reviewer or administering entity does not attend ~~or appear~~:

- I. The presiding officer calls the session to order; identifies a representative of the AICPA Office of General Counsel (Counsel), if present, who will serve as legal counsel to the panel; identifies the case by reviewer name and member number; and determines if a court reporter is present and prepared to make a transcript of the hearing. If neither the reviewer nor the administering entity attends the hearing, Counsel and the court reporter will not be present.
- II. The presiding officer requests that the representatives of the reviewer, administering entity, and Counsel, if any, and relevant staff of the AICPA identify themselves for the record.
- III. If the reviewer or administering entity is not present, the presiding officer may proceed if he or she determines that it is appropriate to do so.
- IV. The presiding officer calls the roll of the members of the hearing panel. The presiding officer asks all those present to identify themselves for the record and announces for the record whether a quorum is present. A quorum is a majority of those members appointed to the hearing panel, including the presiding officer.
- V. The presiding officer states a brief summary of the subject of the hearing and the authority for holding it.
- VI. The presiding officer states that the hearing will be conducted under these rules of procedures, noting in particular the informal nature of the hearing, especially as it relates to rules of evidence, and the need to maintain confidentiality.
- VII. The presiding officer allows the parties to the proceeding to state for the record any objection they have to any prehearing proceeding, such as service of the Notice of Hearing, and to make any prehearing motions they have, such as a request for postponement.
- VIII. The presiding officer requests the parties to the proceeding to identify their witnesses for the record.
- IX. The presiding officer requests the staff or other individuals with the responsibility for presenting the charges to the hearing panel to present the evidence against the reviewer. In the course of this presentation, which may include taking testimony from witnesses, any exhibits to be introduced as evidence are identified to the reviewer and administering entity for confirmation of submission as evidence. The presiding officer indicates whether they are to be admitted as evidence to the case. The presiding officer should see-confirm that all documentary and physical evidence is marked for identification and that a list is kept that describes the exhibit and its identification.
- X. The presiding officer permits the following individuals to question those presenting the charges and witnesses upon completion of their testimony:
 - a. The reviewer, administering entity, or their counsel, if any
 - b. Members of the hearing panel
- XI. The presiding officer requests the reviewer or Counsel to present any evidence in the reviewer's defense, following the same procedures in the preceding (i).

- XII. The presiding officer permits the following individuals to question witnesses called on behalf of the reviewer upon completion of their testimony:
 - a. The staff or other individuals with responsibility for presenting the charges to the hearing panel
 - b. Members of the hearing panel
- XIII. The presiding officer permits the individual(s) with the responsibility for presenting evidence against the reviewer to offer rebuttal evidence.
- XIV. The presiding officer permits the reviewer or Counsel to make a closing statement that is then followed by the closing statement of the individual(s) with responsibility for presenting evidence against the reviewer.
- XV. The presiding officer requests that all individuals other than the members of the hearing panel and its counsel, if any, be excluded to allow the panel to conduct an executive session. If for any reason the members of the hearing panel desire to speak with any other individual after this point, the panel will leave the executive session and reconvene with all parties present prior to the executive session.
- XVI. In the executive session, the hearing panel discusses and decides its disposition of the case by polling all participating members, including the presiding officer. AICPA Counsel will be present to act as an adviser to the panel. A decision of the hearing panel requires the affirmative vote of a majority of the participating members. In the event that the hearing panel is unable to reach a decision during the executive session, it may adjourn the executive session to such later date as it shall determine, ~~or it may agree to reach its final decision by telephone.~~
- XVII. If a decision is reached on the day of the hearing, all persons present prior to the executive session and the reporter are recalled (assuming they are still available) for the purpose of recording the decision. If a decision cannot be reached on the day of the hearing, the parties to the proceeding shall be informed of the decision by letter, which is to be mailed within 14 days after the decision.

Appendix B: Agenda for a Reviewer Hearing Before a Review Panel of the AICPA Peer Review Board

The hearing ~~either by conference call or in person~~, shall be conducted by conference call in accordance with the following rules, including when the reviewer or administering entity does not attend ~~or appear~~:

- I. The presiding officer calls the session to order; identifies a representative of the AICPA Office of General Counsel (Counsel), if present, who will serve as legal counsel to the panel; identifies the case by reviewer name and member number; and determines if a court reporter is present and prepared to make a transcript of the hearing. If neither the reviewer nor the administering entity attends the hearing, Counsel and the court reporter will not be present.
- II. The presiding officer requests that the representatives of the reviewer, administering entity, and Counsel, if any, and relevant staff of the AICPA identify themselves for the record.
- III. If the reviewer or administering entity is not present, the presiding officer may proceed if he or she determines that it is appropriate to do so.
- IV. The presiding officer calls the roll of the members of the review panel. The presiding officer asks all those present to identify themselves for the record and announces for the record whether a quorum is present. A quorum is a majority of those members appointed to the hearing panel, including the presiding officer.
- V. The presiding officer states a brief summary of the subject of the hearing and the authority for holding it and identifies which party bears the burden of proof to have the charges of the hearing panel dropped or revised.
- VI. The presiding officer states that the hearing will be conducted under the rules of procedures, noting in particular the informal nature of the hearing, especially as it relates to rules of evidence, and the need to maintain confidentiality.
- VII. The presiding officer allows the parties to the proceeding to state for the record any objection they have to proceeding and to make any motions they have, such as a request for postponement.
- VIII. The presiding officer requests the parties to the proceeding to identify their witnesses for the record.
- IX. The presiding officer orders the party that requested the review to present evidence to support the argument for the request that the charges by the hearing panel should be reversed or revised. In the course of this presentation, which may include taking testimony from witnesses, any exhibits to be introduced as evidence are identified. The presiding officer indicates whether they are to be admitted as evidence. The presiding officer should see-confirm that all documentary and physical evidence is marked for identification and that a list is kept that describes the exhibit and its identification.
- X. The presiding officer permits the following individuals to question the reviewer and, if applicable, witnesses upon completion of their testimony:
 - a. Staff and the administering entity or their counsel, if any
 - b. Members of the review panel
- XI. The presiding officer permits the individual(s) with the responsibility for presenting evidence against the reviewer to offer rebuttal evidence.

- XII. The presiding officer permits the reviewer or Counsel to make a closing statement that is then followed by the closing statement of the individual(s) with responsibility for presenting evidence against the reviewer.
- XIII. The presiding officer requests that all individuals other than the members of the review panel and its counsel, if any, be excluded to allow the panel to conduct an executive session. If for any reason the members of the review panel desire to speak with one of the parties attending the hearing, the panel will leave the executive session and reconvene with all parties present prior to the executive session.
- XIV. In the executive session, the review panel discusses and decides its disposition of the matter by polling all participating members, including the presiding officer. A decision of the review panel requires the affirmative vote of a majority of the participating members. In the event that the review panel is unable to reach a decision during the executive session, it may adjourn the executive session to such later date as it shall determine, ~~or it may agree to reach its final decision by telephone.~~
- XV. If a decision is reached on the day of the hearing, all persons present prior to the executive session and the reporter are recalled (assuming they are still available) for the purpose of recording the decision. If a decision cannot be reached on the day of the hearing, the parties to the proceeding shall be informed of the decision by letter, which is to be mailed within 14 days after the decision.

REVIEWER FEEDBACK FORM
(updated January 1, 2016)

To: _____
 Member #: _____
 From: _____ Peer Review Committee

The purpose of ~~the~~ reviewer feedback form is to document specific ~~provide remedial and educational guidance by advising the reviewer of~~ areas of needed improvement, so that similar performance ~~weaknesses deficiencies~~ are not made on reviews performed in the future. At its most recent meeting, the _____ Peer Review Committee considered and acted on the peer review referenced in the attached committee decision letter and has the following comments (noted by ☒) for your consideration.

<u>I. SIGNIFICANT REVIEWER PERFORMANCE DEFICIENCIES</u>	
<u>A. Engagement Selection and Review</u>	
<input type="checkbox"/>	<u>1. Reviewer did not appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects prior to technical review, oversight or RAB consideration (System – Std. Par. .66–.67; Engagement – Std. Par. .109)</u>
<u>B. Assessment and Disposition of Matters</u>	
<input type="checkbox"/>	<u>1. Reviewer did not appropriately aggregate or evaluate matters noted on the review (System – Std. Par. .75–.86; Engagement – Std. Par. .111–.115), such that the committee determined a deficiency was present when the reviewer did not elevate the matter beyond an MFC, or the committee determined a significant deficiency was present when the reviewer did not elevate the matter beyond an FFC.</u>
<u>II. REVIEWER PERFORMANCE DEFICIENCIES</u>	
<u>A. Reviewer Cooperation and Qualifications</u>	
<input type="checkbox"/>	<u>1. Reviewer did not perform in a timely, professional manner resulting in suspension of the reviewer’s ability to schedule and/or perform reviews. (Std. Par. .147)</u>
<input type="checkbox"/>	<u>2. Reviewer did not maintain the required reviewer qualifications resulting in suspension of the reviewer’s ability to schedule and/or perform reviews. (Std. Par. .31 and .34)</u>
<u>AB. Planning</u>	
<input type="checkbox"/>	<u>1. Reviewer did not obtain team member approval timely after determination that the review team or reviewer did not possess the proper qualifications or adequate experience to perform the review of an engagement in a particular practice area or industry (Std. Par. .30)</u>
<input type="checkbox"/>	<u>2. Reviewer did not obtain a sufficient understanding of the firm’s accounting and auditing practice or system of quality control when planning and performing a peer review and needed <u>resulting in the need</u> to perform additional work <u>after the review working papers were submitted to the administering entity</u> (Std. Par. .41-.45 and .404)</u>
<input type="checkbox"/>	<u>3. Reviewer did not adequately document a comprehensive risk assessment for the System Review and additional clarification was necessary <u>after peer review working papers were submitted to the administering entity</u> (Std. Par. .49-.50)</u>
<u>BC. Engagement Selection and Review</u>	

<input type="checkbox"/>	1. Reviewer did not select a sufficient or appropriate scope of engagements for review (System- Std. Par. .53-.63; Engagement- Std. Par. .104-.109)
<input type="checkbox"/>	2. Reviewer did not properly select the “surprise” engagement <u>or did not provide sufficient documentation of reasoning for selection</u> (Std. Par. . 61)
DC. Assessment and Disposition of Matters	
<input type="checkbox"/>	1. Reviewer did not identify matters, findings, deficiencies, or significant deficiencies appropriately but responded timely to requested revisions (System- Std. Par. 70; Engagement- Std. Par. .110)
<input type="checkbox"/>	2. Reviewer did not appropriately dispose of matters noted on the review or <u>properly</u> complete <u>the</u> DMFC Form <u>appropriately</u> (System- Std. Par. 72-74; Engagement- Std. Par. .112-114)
<input type="checkbox"/>	Reviewer did not appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects (System- Std. Par. .66-.67; Engagement- Std. Par. .109)
<input type="checkbox"/>	3. Reviewer did not properly consider or document the need to expand scope to other engagements or functional areas (System- Std. Par. 68 and Interpretation 84-1)
<input type="checkbox"/>	4. Reviewer did not appropriately aggregate and evaluate matters noted on the review (System- Std. Par. .75-.86)
ED. Completion of FFC Forms	
<input type="checkbox"/>	1. Reviewer did not write findings systemically in a System Review (Std. Par. .83)
<input type="checkbox"/>	2. Reviewer did not sufficiently complete or write FFC forms <u>or evaluate the firm’s response</u> (System- section 4960; Engagement- section 6600)
<input type="checkbox"/>	3. Reviewer did not properly identify a repeat finding (Interpretation 83-2)
<input type="checkbox"/>	4. Reviewer did not provide proper recommendations to the firm to sufficiently address the finding (System- section 4960; Engagement- section 6600)
FE. Reporting	
<input type="checkbox"/>	1. Reviewer did not properly identify <u>that a deficiency was</u> a repeat <u>deficiency</u> (System- Std. Par. .96(n); Engagement- Std. Par. 122(n))
<input type="checkbox"/>	2. Reviewer did not provide sufficient peer review working papers/documentation to support the report rating (System- Std. Par. .87-.90; Engagement- Std. Par. .117-.119)
<input type="checkbox"/>	3. Reviewer did not systemically write deficiencies in a System Review report and a revision was required (System- Std. Par. .96m)
<input type="checkbox"/>	4. Reviewer did not “close the loop” when reporting on deficiencies in a System Review (section 4200.54g)
<input type="checkbox"/>	5. Reviewer did not provide proper recommendations to the firm to sufficiently address the deficiencies noted in the peer review report (System- Std. Par. .96m; Engagement- Std. Par. .122m)
<input type="checkbox"/>	6. Reviewer did not present the report in standard form in accordance with peer review guidance or significant revisions to the report were needed (System- Std. Par. .96: Engagement- Std. Par. .122)
<input type="checkbox"/>	7. <u>Reviewer did not properly review, evaluate and comment on the reviewed firm’s letter of response when the reviewer received the letter prior to its submission to the administering entity (System- Std. Par. .97; Engagement- Std. Par. .123)</u>
GF. Completion and Submission of Workpapers	

<input type="checkbox"/>	<u>1.</u> Reviewer did not complete peer review documentation comprehensively, or <u>the</u> documentation <u>that was submitted</u> required revisions (Std. Par. .24)
<input type="checkbox"/>	<u>2.</u> Reviewer did not properly report in engagement statistics or did not properly discuss in other peer review practice aids when it was determined that the engagement was not performed or reported on in conformity with applicable professional standards in all material respects (Interpretation 66-1)
HG. Other	
<input type="checkbox"/>	<u>1.</u> Other departures from Standards for Performing and Reporting on Peer Reviews or other authoritative program guidance. See explanation below.

Recommendations to avoid similar performance deficiencies on reviews performed in the future
Explanation of above items (must be completed):

--

The committee appreciates your involvement in the process. If you would like to discuss the above comments, please feel free to call or email _____.

Committee Member: _____

Date: _____

cc:

Reviewer Resume Codes (Revised)

Note: To assist reviewers in complying with the Standards and interpretations, the text of interpretation 31b-6 will be added to the reviewer resume form.

A –Currently (presently involved in) ~~in~~ supervising or performing engagements, in your own firm; performing Engagement Quality Control Reviews on engagements in your own firm; or performing the inspection of engagements as part of your firm’s monitoring process or carrying out all the quality control functions on engagements in your own firm (including review of related engagements as part of the firm’s monitoring or inspection process) and currently meeting relevant, industry specific educational requirements, as applicable.

B – Recently (within 5 years) supervising or performing engagements in your own firm and currently meeting relevant, industry specific educational requirements, as applicable.

C – Recently (within 5 years) performing Engagement Quality Control Reviews on engagements in your own firm; or supervising or performing the inspection of engagements as part of your firm’s monitoring process and Supervising or performing certain components (but not all) of quality control functions on engagements in your own firm and currently meeting relevant, industry specific educational requirements, as applicable.

O - Other – Currently supervising or performing engagements for a firm; performing Engagement Quality Control Reviews on engagements for a firm; or supervising or performing the inspection of engagements as part of a firm’s monitoring process ~~one or more accounting or auditing engagements or carrying out the quality control functions for a firm~~ when the peer reviewer is neither a partner nor a professional employee of the firm.

**Wraparound Guidance for Peer Reviewer
Performance, Disagreements and Qualifications**

On January 27, 2015, the Peer Review Board (Board) approved revisions to Standards and interpretations relative to peer reviewer performance, disagreements and qualifications. The revisions were approved with the understanding that changes to additional guidance would be presented to the Board at a later date.

At their May 5, 2015 meeting, the Board adopted proposed revisions to the RAB Handbook, Rules of Procedures for Reviewers, reviewer feedback form and reviewer resume codes.

Changes relative to reviewer performance, disagreements and qualifications will be effective for reviews commencing on or after December 31, 2015.

Guidance Related to Common SSARS 21 Noncompliance

Why is this on the Agenda?

During the January 26th STF meeting, task force members discussed what modifications to PRP Section 6200 Appendix E would be necessary in light of the issuance of SSARS No. 21. Appendix E is a list of noteworthy areas of common noncompliance with applicable professional standards in engagements that are subject to Engagement Reviews. The appendix lists items that would be considered matters or findings as well as items that would be considered deficiencies or significant deficiencies. An examples of an item that the task force considered was whether the issuance of a management use only compilation with a period end after December 15, 2015 would be a finding or a deficiency. While SSARS No. 21 is not effective until December 15, 2015 (for engagements with periods ending on or after), early implementation is permitted. Therefore, updated guidance needs to be discussed as firms are performing engagements in accordance with SSARS No. 21 currently. As such, modifications to PRP Section 6200 Appendix E are being presented for Board consideration and approval at Agenda Item 1.3A.

Feedback Received

In addition to feedback received from task force members at its January meeting, Staff also received feedback from Mike Brand, peer reviewer and Chair of ARSC. His suggestions are also incorporated into the revised Appendix.

PRISM/Technology Impact

None

AE Impact

AEs would need to follow the revised guidance upon approval by the PRB.

Communications Plan

Agenda Item 1.3B is the Peer Review Alert to be issued in May of 2015 (pending PRB approval) that discusses the approval of the updated guidance.

Manual Production Cycle (estimated)

These changes would be incorporated into the online version of the Manual in either May or June.

Effective Date

All changes will be effective upon approval by the Board.

Board Considerations

Staff would like the Board to consider the following items:

- Review and approve the manual changes included in Agenda Item 1.3A.
- Review and approve the proposed Peer Review Alert article in Agenda Item 1.3B.

Guidance Related to Common SSARS 21 Noncompliance

Note: The following is paragraph .52 of Section 6200 of the Peer Review Program Manual. Proposed updates to reflect recently issued SSARS No. 21 are shown in track changes.

Appendix E

Areas of Common Noncompliance With Applicable Professional Standards

The following is a list of noteworthy areas of common noncompliance with applicable professional standards. This is not an all-inclusive list, and the reviewer must decide if the noncompliance is a matter, finding, deficiency, or significant deficiency by using the following guidance.

On an Engagement Review, as with System Reviews, determining the relative importance of matters noted during the peer review, individually or combined with others, is a matter of professional judgment. The following list provides examples of instances of noncompliance with professional standards. [Unless stated otherwise, each item within the following list pertains to all types of engagements relevant to an Engagement Review.](#) 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, then a report rating of *pass* is appropriate. See section 1000, *Standards for Performing and Reporting on Peer Reviews*, paragraphs .110–.115.

List of Matters and Findings That Generally Would Not Result in a Deficiency

Reports

- Omission of phrases or use of phrases not in conformity with the appropriate standards for the report issued.
- Compilation reports that failed to include the paragraph regarding the omission of supplemental information as applicable in the circumstances.
- Reports reflected financial statement titles and terminology not in accordance with professional standards.
- Failure to explain the degree of responsibility the accountant is taking with respect to supplementary information.

Financial Statement Measurement

- Particular types of revenues and expenses not presented and disclosed in accordance with professional standards (for example, freight revenue and related shipping and handling expenses).
- Financial statements prepared on a basis of accounting other than generally accepted accounting principles (GAAP) that are properly reported on but contain inconsistencies between the report and the financial statements, where the actual basis is readily determinable.

Presentation and Disclosure

- Supplementary information not clearly segregated or marked as supplementary and departures from standard report presentation [with respect to supplementary information](#).
- Reviewed financial statement presentation inappropriate for the type of nonprofit organization being reported.
- Compiled financial statements prepared using a special purpose framework¹ reflecting titles normally associated with financial statements prepared under GAAP when the applicable financial reporting framework is not clearly identified.
- Failure to disclose the accounting policy related to advertising costs in the notes to the financial statements.
- Omission of the disclosure of the method of income recognition as required by professional standards.
- Misclassification of items on the statement of cash flows.
- Omitted or inadequate disclosures related to account balances or transactions (for example, disclosure deficiencies relating to accounting policies, inventory, valuation allowances, long term debt, related party transactions, concentrations of credit risk, and so on).
- Bank overdrafts not properly presented on the balance sheet, failure to accrue income taxes where the accrual and provision are not expected to be significant to the financial statements taken as a whole and missing insignificant disclosures in the financial statements.
- Financial statement titles that were inconsistent with the accountant's report.
- Failure to refer to the accountant's report on each page of the financial statements or financial statements inconsistently titled with the applicable reports.

SSARS Procedures (Including Documentation)

- The engagement letter on a management use only compilation engagement did not refer to supplementary information, which was presented along with the basic financial statements.
- The written communication of the understanding with management regarding the services to be performed (for example, an engagement letter) exists but fails to address the requirements of SSARS [No. 19; or, when applicable, SSARS No. 21 \(with the exception of the signature requirement which is discussed in the following section\)](#).

List of Matters and Findings That Generally Would Result in a Deficiency or Significant Deficiency

Reports

- Issuance of a review report when the accountant is not independent.
- Inappropriate references to GAAP in the accountant's report when the financial statements were prepared using a special purpose framework.²
- Failure to disclose the lack of independence in a compilation report.
- Failure to appropriately [qualify—modify](#) a report for a scope limitation or significant departure from the basis of accounting used for the financial statements.
- The accountant's report does not contain the critical elements of the applicable standards.

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

² See footnote 1.

- Failure to disclose, in the accountant's report, significant departures from professional standards (examples include omission of significant income tax provision on interim financial statements, omission of significant disclosures related to defined employee benefit plans, or omission of required supplemental information for a common interest realty association).
- The accountant's report does not indicate the periods covered by the report and they cannot be determined from reading the financial statements.
- Failure to include a separate paragraph for departures from the financial reporting framework, including dollar amounts or a statement that the impact was not determined.
- A compilation report that fails to include all the reasons why the accountant is not independent when such reasons are presented (for example, only provides one of three reasons).
- A review report on financial statements that omits disclosures required by GAAP and that is not appropriately modified for the omissions.
- Failure to disclose the omission of substantially all disclosures and/or the statement of cash flows (if applicable) required by the applicable financial reporting framework.
- [For a compilation or review engagement performed in accordance with SSARSs, failure to appropriately modify the report in accordance with professional standards, when the financial statements are prepared in accordance with a special purpose framework.](#)
- [For preparation engagements, failure to issue a disclaimer report, in accordance with SSARS No. 21, when the accountant is unable to include a statement on each page of the financial statements indicating, at a minimum, that "no assurance is provided"](#)

Financial Statement Measurement

- Investments in marketable securities presented at cost and not fair market value, resulting in a material misstatement to the balance sheet.
- Inclusion of material balances that are not appropriate for the basis of accounting used.
- Failure to include material amounts or balances necessary for the basis of accounting used (examples include omission of accruals, failure to amortize a significant intangible asset, failure to provide for losses or doubtful accounts, or failure to provide for deferred income taxes).
- Improper accounting of a transaction (for example, recording a capital lease as an operating lease).
- Use of inappropriate method of revenue recognition.

Presentation and Disclosure

- Disclosure of omission of substantially all disclosures (in a compilation without disclosures) in fact when substantially all disclosures have been included.
- Misclassification of transactions or balances and omission of significant required disclosures related to financial statement balances on transactions.
- Failure to disclose that compiled financial statements that omit substantially all disclosures were prepared using a special purpose framework³ and the basis of accounting is not readily determinable from reading the accountant's compilation report.
- [For a preparation engagement, failure to include, either on the face of the financial statements or in a note to the financial statements, a description of the financial reporting framework when the financial statements have been prepared in accordance with a special purpose framework](#)

³ See footnote 1.

- [For a preparation engagement, failure to disclose a material misstatement\(s\) in the financial statements when the accountant prepares financial statements that contain a known departure or departure\(s\) from the applicable financial reporting framework.](#)
- Significant departures from the financial statement formats prescribed by industry accounting and audit guides.
- Omission of the disclosure(s) related to significant accounting policies applied (GAAP or special purpose framework).⁴
- Failure to include a summary of significant assumptions in a financial forecast or projection.
- Failure to segregate the statement of cash flows into the components of operating, investing, and financing.
- Failure to disclose the cumulative effect of a change in accounting principles.
- Failure to disclose significant related party transactions.
- Omission of actual financial statement(s) that is (are) referred to in the report.
- Failure to include one or more statements of cash flows when comparative results of operations are presented in financial statements prepared in accordance with GAAP.

SSARS Procedures (Including Documentation)

- [Failure to establish an understanding with management regarding the services to be performed through a written communication \(for example, an engagement letter\).](#)
- [Performance of a management use only compilation engagement with a period end subsequent to December 15, 2015.](#)
- Failure to document significant findings or issues.
- [For compilation engagements performed under SSARS No. 19 and all review engagements, failure to document communications to the appropriate level of management regarding fraud or illegal acts that come to the accountant's attention.](#)
- For review engagements, failure to perform analytical and inquiry procedures and failure to adequately document the procedures.
- For review engagements, failure to document the matters covered in the accountant's inquiry and analytical procedures.
- For review engagements, failure to document significant unusual matters and their disposition.
- For review engagements, failure to obtain a client management representation letter.
- [Engagement letters on management use only compilation engagements that omit the required descriptions or statements documenting the understanding with the client.](#)
- [For engagements performed in accordance with SSARS No. 21, failure to obtain all required signatures on the engagement letter \(or other suitable written agreement\)](#)

⁴ See footnote 1.

**Revision to Peer Review Guidance for
SSARS No. 21 and Areas of Common Noncompliance With Applicable Professional
Standards**

On May 5, 2015, the Peer Review Board (Board) approved revisions to Appendix E, *Areas of Common Noncompliance with Applicable Professional Standards*, of PRP Manual Section 6200, *Instructions to Reviewers Performing Engagement Reviews*. These revisions address how areas of common noncompliance with SSARS No. 21, *Statement on Standards for Accounting and Review Services: Clarification and Recodification* should be assessed. SSARS No. 21 is effective for engagement on financial statements for periods ending on or after December 15, 2015, with early implementation permitted. The new SSARS clarifies and revises the standards for reviews, compilations and engagements to prepare financial statements in addition to revising the standards for accountants in public practice who prepare financial statements for their clients.

The changes to PRP Section 6200 Appendix E, presented at the May 5, 2015 board meeting, are effective for peer reviews commencing on or after May 5, 2015.

Revisions to the Educational Framework

Why is this on the agenda?

In an effort to enhance the quality of peer reviewers, the Planning Task Force established a task force, the Peer Reviewer Quality Task Force (PRQTF), to determine whether changes should be made to the educational requirements for team captains and review captains. As a result, the PRQTF developed a new proposed educational framework for team captains and review captains, which was exposed for public comment through the Enhancing Audit Quality (EAQ) comment paper. At its December 1st meeting, the Education and Communications Task Force (ECTF) discussed all feedback received on the EAQ comment paper related to the proposal to revise the peer review educational requirements for team captains and review captains. The ECTF then voted to submit the proposal, as summarized below, to the full Peer Review Board for discussion and approval. On January 27th 2015, the Board discussed potential revisions to the proposal. Additionally, on January 26th and May 4th, the ECTF continued to discuss specific details with respect to the framework (e.g. the content of each course).

See **Agenda Item 1.4A** for a detailed summary of current educational requirements versus the updated requirements that are being proposed to the Board.

Feedback Received

Feedback received related to the proposed educational framework from the EAQ comment paper, as well as feedback from other stakeholders, has been incorporated into the proposed framework at Agenda Item 1.4A.

PRISM Impact

If approved, PRISM programming will be updated to allow reviewers to update their resumes to indicate that they have completed the necessary courses to meet both the individual and ongoing training requirements.

AE Impact

These changes are outlined at Agenda Item 1.4A:

- The “How To” course would convert to an on-demand portion followed by a one-day live seminar practical application course (similar to the current Day Two of the How To Course)
- The Mentor Program would cease to exist
- The Engagement Review course would cease to exist
- The Advanced Course would cease to exist
- Individuals would not be qualified to review must-select engagements unless they had met specific educational requirements

Communications Plan

These changes were initially communicated through a discussion paper issued in August of 2014. The feedback period for the discussion paper ended on November 7, 2014. A Peer Review Alert has been submitted for Peer Review Board approval at Agenda Item 1.4C.

Manual Production Cycle (estimated)

N/A

Effective Date

The proposed educational framework has a proposed effective date of May 1, 2016.

Board Considerations

The Board should:

- Review the proposed education framework, shown in Agenda Item 1.4A and discuss any comments, questions, suggested revisions they may have. Staff will incorporate any revisions, suggestions into the framework before it is issued, if applicable.
- Review and approve the Peer Review Alert at Agenda Item 1.4C.

Staff has also provided the following materials for reference:

- Agenda Item 1.4B – An exhibit that illustrates how reviewers could meet the current and proposed educational requirements in the immediate future.

Current initial educational framework for team captains and review captains

1) *Team Captain Initial Qualification*

Theory	Practical Application
Day 1 of "How To Conduct a Review Under the AICPA Practice Monitoring Program" in live seminar format	Day 2 of "How To Conduct a Review Under the AICPA Practice Monitoring Program" in live seminar format
"How To Conduct a Review Under the AICPA Practice Monitoring Program" in self-study format	Participation in the AICPA Peer Review Mentor Program
Peer Review Competency Exam	

2) *Review Captain Initial Qualification*

1. Meet the initial qualification requirements for a System Review team captain, OR
2. Complete the first day of the AICPA two-day introductory reviewer training, How To Conduct a Review Under the AICPA Practice Monitoring Program" in live seminar format, OR
3. Complete "How To Perform an Engagement Review Under the AICPA Practice Monitoring Program" in live seminar format.

Proposed initial educational framework for team captains and review captains

1) *Team and Review Captain Initial Qualification*

Theory	Practical Application
Online peer reviewer curriculum with content divided into modules and testing at the end of each module.	"How To" Case Study

For practical purposes, this means:

- Elimination of:
 - Live seminar for Day 1 of How To Course
 - Self-study How To Course in its current form
 - Competency test
 - Mentor Program
 - Engagement Review course
- Introduction of:
 - A peer reviewer curriculum with individual modules. Each module will contain a competency assessment.
 - A standalone 8-hour live seminar "How To" Course based on Day 2 of the current course

Current ongoing educational framework for team captains and review captains

1) Team Captain Ongoing Qualification

1. Participating in the National Peer Review Conference which provides at least eight hours of CPE that meet the peer reviewer continuing training requirement.
2. Completing the "AICPA Advanced Course: Overview of the AICPA Peer Review Program Standards."
3. Completing either Day 1 or Day 2 of the "How To Conduct a Review Under the AICPA Practice Monitoring Program" in live seminar format. Note: This option for ongoing education will no longer be available starting in May 2015.
4. Participating in eight hours of approved peer review webcasts in the three years prior to the commencement of the review

2) Review Captain Ongoing Qualification

1. Meet the ongoing qualification requirements for a System Review team captain, OR
2. Complete "How To Perform an Engagement Review Under the AICPA Practice Monitoring Program" in live seminar format.

Proposed ongoing educational framework

1) Team and Review Captain Ongoing Qualification

1. Attend an annual peer review update webcast which will include how the latest developments in A&A standards impact peer review. This webcast will include a competency assessment, OR
2. Attend the annual Peer Review Conference

For practical purposes, this means:

- Elimination of:
 - Triennial education requirements
 - The Advanced Course
 - The How To Course as an ongoing training option
 - The option to attend 8 hours of webcasts every three years
 - Engagement Review course
 - The requirement that PR staff develop at least two webcasts per year
- Introduction of:
 - Annual education requirements
 - New required webcasts for team captains and review captains

Current training requirements for reviewers of must-select engagements:

None.

Proposed training requirements for reviewers of must-select engagements;

1. Attend an annual webcast on the industry they intend to review, which would include a competency exam, OR
2. Attend the annual industry updates on the Sunday before the Peer Review Conference

FOR REVIEWS COMMENCING PRIOR TO MAY 1, 2016

Scenario 1 - Reviewer is scheduled to perform a review prior to May 1, 2016, but has not taken the 8 hours of Peer Review CPE within the past three years.

Educational offerings in 2015 that would allow existing peer reviewers to meet the current 8 hour CPE requirement for peer reviews commencing prior to May 2016

CPE Hours	Option 1	Option 2	Option 3
1	Advanced Course	Peer Review Conference [#]	Peer Review Update and A&A Update Webinar with competency tests
2			
3			
4			
5			Governmental Must Select Webinar with Competency test
6			
7			
8			

Tickmark Explanations:
[#]: The course referenced provides or could provide a participant more CPE hours than shown in the chart. Each chart only shows the minimum number of hours needed to meet the requirement.

FOR REVIEWS COMMENCING AFTER MAY 1, 2016

Scenario 2 - Reviewer is scheduled to perform a review after to May 1, 2016, but has not yet taken the requisite Peer Review specific CPE.

For peer reviews commencing after May 1, 2016, Team/Review Captains must have taken one of the following educational offerings within 12 months of the commencement date of the review

CPE Hours	Option 1	Option 2
1	Peer Review Conference [#]	Peer Review Update and A&A Update Webinar with Competency tests
2		
3		
4		

Scenario 3 - Reviewer is scheduled to perform a review after May 1, 2016, but has not yet taken the requisite Peer Review specific CPE.

To review a governmental engagement on a peer review that commenced after May 1, 2016 a peer reviewer must have taken the following within the previous 12 months:

CPE Hours	Option 1	Option 2	Option 3
1	Peer Review Conference - Governmental Optional Session [#]	Governmental Must Select Webinar with Competency Test	Alternative Course submitted for pre-approval by the Board [#]
2			

To review an ERISA engagement on a peer review that commenced after May 1, 2016 a peer reviewer must have taken the following within the previous 12 months:

CPE Hours	Option 1	Option 2	Option 3
1	Peer Review Conference - EBP Optional Session [#]	EBP Must Select Webinar with Competency test	Alternative Course submitted for pre-approval by the Board [#]
2			

Peer Review Alert for Revisions to Educational Framework

On May 5, 2015, the Peer Review Board (Board) approved revisions to both the initial and ongoing training requirements for team and review captains. Additionally, the Board approved new training requirements for reviewers of must-select engagements. These requirements are effective for reviews commencing on or after May 1, 2016.

Individuals seeking to become initially qualified as a team captain or as a review captain must first complete an online peer reviewer curriculum, a series of on-demand modules offered through www.cpa2biz.com. The modules within the curriculum must be taken sequentially, with each module containing a competency assessment that must be passed prior to the completion of the next module in the series. After the online peer review curriculum has been completed, the individual will be allowed to attend a practical application case study. This course will be an 8-hour live seminar course offered through the state societies.

Current team captains and review captains must attend an annual peer review update webcast that will include a summary of peer review guidance changes as well as how the latest developments in A&A standards impact peer review. The course will be offered on-demand and will be available through www.cpa2biz.com. This course, which will be updated annually, will also include a competency assessment. Current team captains and review captains may also attend the annual Peer Review Conference in lieu of completing the annual peer review update webcast.

Reviewers of must-select engagements will be required to attend an annual webcast offered by the AICPA on the industry they intend to review. These courses will focus on any peer guidance changes specific to these industries as well as how any changes to A&A guidance impact peer review performance. The courses will be offered on-demand and will be available through www.cpa2biz.com. These courses will be updated annually and will include a competency assessment. Reviewers of must-select engagements may also attend the annual industry updates preceding the General Session of the Peer Review Conference in lieu of completing the annual industry specific webcasts. Firms are also reminded of Interpretation No. 31g-2 which states that reviewers may undergo training which includes the same elements as, and is as comprehensive as, the must-select training required by the Board.

The peer review training webpage on AICPA.org will be updated to provide further information on the training requirement revisions.

Oversight Task Force Report

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 21 visits are planned for 2015).
- 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.
- Review and approve RAB Observation reports
- Review of progress of Enhanced Oversight
- Monitor results of the Enhanced Oversight
- Supervise implementation of new AE monitoring procedures
- 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.

Standards Task Force Future Agenda Items

Why is this on the Agenda?

The Standards 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.

Board Consideration

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

- Focus for 2014 will primarily be on the proposals from the Enhancing Quality Initiative Task Forces.
- Other Topics Expected to Be Addressed in 2015:
 - Consideration of non-AICPA firm enrollment in the Peer Review Program.
 - Consideration of adding CPEA as a corrective action
 - Conforming RAB Handbook guidance for accelerated reviews as a corrective action for fail reports with the guidance for pass with deficiencies reports.
 - Consideration of guidance for selecting engagements outside of the peer review year.
 - Consideration of enhancing review of systems of quality control and systemic cause identification
 - Consideration of additional guidance for the review of quality control materials.
 - Consideration of engagement selection criteria for Engagement Reviews.
 - Removing industries from the Engagement Summary Form.
 - Clarification of the guidance for determining nonconforming engagements in an Engagement Review.
 - Clarification of the representation letter guidance.
- Other Future Topics
 - Develop guidance addressing firms operating under more than one name or legal entity (e.g. when is it appropriate that only one peer review occurs vs. when there should be separate peer reviews, reporting considerations, etc.).
 - Expansion of Interpretation 5c-1 (which discusses the impact of acquisitions and divestitures) to include further discussion of acquisitions and effect on the peer review scope.
 - Update definitions of "personnel" and "professionals" used in various forms, practice aids, and guidance.
 - Revise all relevant peer review guidance for revisions to Consolidated OMB (previously A-133). This includes language changes to all forms and guidance, and significant changes to single audit checklists (to be done with assistance from GAQC staff). Final OMB guidance not yet approved and effective date is not known.
 - Modify, expand and finalize guidance in Interpretations 6-7 and 6-8 for engagements performed under international standards.
 - Consideration of whether past history of firms and reviewers should be part of the reviewer process.
 - Consideration of whether surprise engagements are necessary in an electronic working paper environment.
 - Consideration of subsequent events and the impact on the peer review.

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
 - Coordinate the 2015 AICPA Peer Review Program conference.
 - Review Feedback received from the 2015 AICPA Peer Review Program conference. This includes feedback on:
 - Speakers, Discussion Leaders and Facilitators
 - Conference Cases
 - Exchange of Idea responses
 - Any other session materials
 - Begin planning efforts for the 2016 AICPA Peer Review Program conference.
- Training Courses
 - Evaluate feedback from webinars offered in 2015. For 2015, the webinars include:
 - An Are You Ready webinar,
 - A Peer Review Update webinar
 - A webinar focused on reviewing EBP engagements
 - A webinar focused on reviewing A-133/Governmental engagements

-
- Determine the need to develop additional training materials and learning opportunities specifically for individual groups (administrators, technical reviewers, committee members, and reviewers).
 - Approve instructors for the live seminar peer review training courses.
 - Continue to develop and finalize the proposed initial and ongoing training requirements for reviewers, including the must-select training requirement. This includes, but is not limited to:
 - Potentially offering sessions at pre-existing Conferences (e.g. NAAATS)
 - Developing the ramifications of failing to take a required course
 - Assessing and developing the content of the required courses
 - Communications
 - Review and approve any required 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

Agenda Item 1.13A

Firms Dropped from the AICPA Peer Review Program for Non-Cooperation between January 8, 2015, and April 20, 2015, and Not Enrolled as of April 20, 2015.

Firm Number	Firm Name	State	Admin By
1086719	David R. Nicholas	CA	CA
10106759	Dennis F Rose & Associates	CA	CA
81167290	Jeffery Deshon Applewhite	CA	CA
6089131	Davis L.S. Chang, CPA	CA	CA
10110295	Pittman & Murdough, PLLC	CA	CA
10143594	Rosemary Beckwith & Associates, P.C.	CO	CO
664963	Perrino & Associates, PA	FL	FL
10107926	Donald J. Siclari CPA LLC	FL	FL
10142779	Kingery & Crouse PA	FL	NPRC
10055948	Powell & Booth, P. C.	GA	GA
80026938	Michele B Johnson	IN	IN
660255	W. Randall Peay Ltd.	LA	LA
4731933	Chantelle G. Einsel, CPA, LLC	LA	LA
7515692	Gregory J. August, CPA	LA	LA
10134630	Peter J. Gilman P. C.	MA	MA
5550174	Garland Group LLC	MD	MD
6540416	Edward Richardson Jr.	MI	NPRC
1128680	Bradley R. Helmeke Ltd.	MN	MN
427162	Ronald Keith Jones	MN	MN
10145095	Crystal Knight Hamrick	NC	NC
10130922	Todman & Co., CPA, P.C.	NY	NPRC
10105563	Fredette Sankowski & Company	NY	NY
10056747	Urmston Forshee Plain & Amelio CPAs PLLC	NY	NY
10148284	Rajeev Kaul	NY	NY
10056747	Urmston Forshee Plain & Amelio CPAs PLLC	NY	NY
10056747	Urmston Forshee Plain & Amelio CPAs PLLC	NY	NY
10090744	Midcap & Company	OH	OH
10095730	Maschal & Hadden Ltd.	PA	NPRC
6547202	Louis Polaneczky CPA, LLC	PA	PA
10114998	Harris E. Fox & Co., P. C.	PA	PA
5600645	Sierra, Rodriguez, Diaz CPA's, P.S.C.	PR	PR
5840368	Guardiola CPA, PSC	PR	PR
7272733	Luis H. Colon, CPA	PR	PR
1112899	Goldson & Company, LLC	SC	SC
10127810	H. Sharpe Ridout, CPA, PA	SC	SC
4694530	Davidson & Associates, Inc	TN	TN
10121783	Pamela Jean Raley	TX	TX
10135496	D. A. Malone CPA P.C.	TX	TX

854605	Alton D. Thiele P C	TX	TX
10110504	Siker Consulting, Inc.	WI	WI

Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program

Brian S. Miller, Certified Public Accountant – Monroe, LA
Silverman Linden, LLP – New York, NY
Schlottmann CPAs, PLC – Tucson, AZ

Update on the MFC Project

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

The Peer Review Team is analyzing the MFCs and posting trends on the [Examples of Matters Peer Reviews](#) webpage. These trends are shared within the Institute for use in the development of resources and communicated via a Reviewer Focus. For the most recent trends identified, refer to Agenda Item 1.13B-1.

Feedback Received

N/A

PRISM Impact

N/A

AE Impact

N/A

Communications Plan

The update to the webpage was communicated in the April Reviewer Focus.

Manual Production Cycle (estimated)

N/A

Effective Date

N/A

Board Consideration

N/A. Informational only.

Examples of Matters in Peer Reviews Engagements with Year-Ends between 12/31/13 and 3/31/15

The AICPA is using data collected during peer reviews to learn about trouble spots and is 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 below for examples of matters related to the following areas:

[Professional Standards](#)

[Clarified Auditing Standards](#)

[Accounting and Review Services](#)

[Attestation Standards](#)

[Code of Professional Conduct](#)

[Statements on Quality Control](#)

[FASB Accounting Standards Codification](#)

[Practice Areas](#)

[Governmental, A-133, and HUD](#)

[ERISA](#)

[Broker-Dealers](#)

[Service Organization Control Reports](#)

[Banking, including FDICIA](#)

[Not for profit](#)

Professional Standards

Clarified Auditing Standards

- Failure to conform the auditor's report to the clarified auditing standards requirements
- Failure to date the auditor's report appropriately, such as dating the report significantly earlier than the date of the review of the workpapers and the release date
- Failure to appropriately document planning procedures, including:
 - Risk assessment (and linkage of risks to procedures performed)
 - Planning analytics
 - Understanding of IT environment
 - Internal control testing
- Failure to appropriately address fraud considerations
- Failure to obtain appropriate management representation letters. Matters included failure to:
 - Update the letter in conformity with the clarified auditing standards requirements
 - Date the letter appropriately
 - Include appropriate financial statement periods
 - Include required representations
- Failure to communicate and/or document required communications with those charged with governance
- Failure to include audit documentation that contains sufficient competent evidence to support the firm's opinion on the financial statements
- Failure to address the reason(s) accounts receivable were not confirmed

- Failure to adequately document sampling methodology
- Failure to document consideration of the group audit standard when a component unit was audited by another auditor

Accounting and Review Services

Compilations

- Failure to prepare reports in accordance with professional standards. The following matters were noted:
 - Not updated for SSARS 19
 - No headings on the report
 - Inappropriate titles or lack of a title
 - No explanation of the degree of responsibility the accountant is taking with respect to supplementary information
 - Failure to mention that substantially all disclosures are omitted
- Failure to obtain an engagement letter or failure to contain all elements (e.g. objectives of the engagements) required by SSARS 19
 - Other miscellaneous matters were noted relative to the engagement letter including failure to note the lack of independence or the letter referred to GAAP on an engagement performed in accordance with a special purpose framework.
- Failure to appropriately label select disclosures as “Selected Information – Substantially All Disclosures Required by [Applicable Financial Reporting Framework] Are Not Included”

Reviews

- Failure to obtain appropriate management representation letters. Matters included failure to:
 - Update the letter in conformity with the clarified auditing standards requirements
 - Date the letter appropriately
 - Include appropriate financial statement periods
- Failure to update reports in conformity with SSARS 19 or to include inappropriate titles
- Failure to obtain an engagement letter or revise the letter for SSARS 19
- Failure to report the degree of responsibility taken with respect to supplementary information presented in the financial statements
- Failure to document expectations or the comparison of expectations to recorded amounts for analytical procedures

General SSARS

- Failure to cover all of the periods or the correct periods presented in the financial statements in the accountant’s report

Attestation Standards

(Note: Most MFCs in this area are related to AUPs or SOCs. SOC related MFCs are included in the practice area section below.)

- Failure to include the following in an AUP report:
 - A title
 - The word “Independent” in the title
 - Reference of the AICPA attestation standards
 - A statement that the sufficiency of the procedures is solely the responsibility of the specified parties and a disclaimer of responsibility for the sufficiency of those procedures

- Identification of the subject matter or the engagement or written assertion or the character of the engagement.
- Failure to include all elements required by attestation standards in the engagement letter
- Failure to provide sufficient documentation to understand the nature, timing, extent and results of the attest procedures performed as well as who performed and reviewed the work

Code of Professional Conduct

- Failure to establish and document in writing the understanding with the client with regard to non-attest services provided
- Failure to address management's responsibilities to oversee and evaluate the results of the services performed
- Failure to collect fees for professional services provided more than one year prior to the date of the current report

Statements on Quality Control

- Leadership Responsibilities for Quality within the Firm
 - Failure to have a written quality control document in accordance with SQCS 8
 - Failure to communicate quality control policies and procedures with staff
 - Failure to devote sufficient resources for the support of its quality control policies and procedures
- Relevant Ethical Requirements
 - Failure to obtain written confirmation on independence for all personnel
- Acceptance & Continuance
 - Failure to obtain a license in all states where engagements were accepted
 - Failure to evaluate the risk of performing an engagement in a specialized industry and/or to obtain the necessary knowledge of current standards in specialized areas prior to performance of the audit.
- Human Resources
 - Failure to design policies that ensure partners and staff obtain appropriate CPE to meet state board requirements, membership requirements, etc.
 - Failure to design policies to require relevant CPE for levels of service and industries of engagements performed
 - Failure to maintain current licenses within all jurisdictions the firm practices
- Engagement Performance
 - Failure to establish appropriate criteria for Engagement Quality Control Review (EQCR)
 - Failure to perform EQCR on engagements that meet the firm's criteria
 - Failure to maintain current quality control materials for the performance of engagements
 - Failure to establish a policy for the retention of engagement documentation
- Monitoring
 - Failure to design appropriate policies and procedures for the completion of monitoring
 - Failure to include all elements of quality control in monitoring procedures
 - Failure to document the results of monitoring and inspections

FASB Accounting Standards Codification

- Failure to disclose tax years that remain subject to examination by major tax jurisdictions and disclosure of uncertain tax positions
- Failure to disclose the date through which subsequent events were evaluated
- Failure to correctly classify cash flows, present gross amounts instead of net, and identify non-cash transactions on the cash flow statements
- Failure to appropriately disclose related-party transactions, debt maturation schedules and significant estimates
- Failure to appropriately disclose fair value hierarchy of investments, description of the levels, description of the assumption methods used and tabular presentation of amounts
- Failure to perform sufficient procedures or sufficiently document the procedures to obtain assurance of the fair value measurements

Practice Areas

Issues noted above related to professional standards and FASB Accounting Standards Codification were prevalent in each of these practice areas. Matters included in this section are those trends identified for each specific practice area.

Governmental, A-133, and HUD

Reporting

- Failure to include all of the required elements of professional standards in the Independent Auditor's Report including the following omissions: reference to the engagement being performed in accordance with *Government Auditing Standards*, identification of the governmental entity's major funds and opinion units presented, and addressing supplemental information and required supplemental information, reference to prior year financial statements when comparative years are presented, reference to the Yellow Book Internal Control report
- Failure to include all of the required elements of professional standards in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters including: omitted "Independent" from report title, omitted or incorrect reference to material weaknesses or significant deficiencies included in the Schedule of Findings and Questioned Costs, indication that there were no significant deficiencies identified, omitted a clause stating that the entity's responses were not audited and that the auditor expresses no opinion on those responses, and omitted purpose alert
- Failure to follow the Uniform Reporting Standards and current reporting format for HUD financial statements in accordance with the HUD Consolidated Audit Guide
- Failure to prepare an engagement letter or issue an agreed upon procedures report related to REAC submissions

Disclosure and Presentation

- Failure to present the financial statements in accordance with professional standards including Equity and Net Asset presentation and reconciliations, presentation of funds, missing significant policy footnotes, missing disclosures related to fair value, debt, impairment of fixed assets and improper financial statement titles
- Failure to properly implement GASB 65, properly present deferred inflows and outflows, or modify accountant's report for failure to write off unamortized bond issuance cost
- Failure to use proper terminology required by GASB standards including net position, classifications of fund balance and net position, deferred inflows/outflows
- Failure to include the REAC financial data templates as supplemental information as required by HUD

Documentation and Performance

- Failure to properly document independence considerations required by Yellow Book including the evaluation of management's skills, knowledge, and experience to effectively oversee nonaudit services performed by the auditor, evaluation of threats, and safeguards applied to reduce threats to an acceptable level
- Failure to meet the Yellow Book CPE requirements including 80 hours of A&A and 24 hours of Yellow Book specific courses
- Failure to document required communications with those charged with governance, including proper communication of internal control findings
- Failure to ensure that the written representations from the audited entity contained all applicable elements including the following: representations tailored to the entity and governmental audit regarding federal awards, and representations covering both years when comparative financial statements are presented. Also improper consideration of the date of the representations in relation to the audit report
- SINGLE AUDIT: Failure to identify and test sufficient and appropriate major programs. These errors were the result of using preliminary expenditures when the final expenditures resulted in a high risk Type A program, failure to cluster, failure to properly perform Type A and Type B program risk assessments, failure to group programs with the same CFDA number, and incorrect determination of the auditee as low-risk resulting in insufficient coverage
- SINGLE AUDIT: Failure to document an understanding of internal control over compliance of federal awards sufficient to plan the audit to support low assessed level of control risk for major programs, including consideration of risk of material noncompliance (materiality) related to each compliance requirement and major program
- SINGLE AUDIT: Failure to document the adequacy of the planned sample size for test of controls over compliance to achieve a low level of control risk
- SINGLE AUDIT: Failure to document the testing of controls and compliance for the relevant assertions related to each compliance requirement with a direct and material effect for the major program

ERISA

- Failure to sufficiently document allocation of investment income to participant accounts
- Failure to sufficiently perform participant testing related to demographic data and payroll
- Failure to sufficiently perform and document reliance on SOC 1 reports
- Failure to reconcile the sum of participant accounts with total net assets available for benefits for defined contribution plans
- Failure to sufficiently perform procedures related to benefit payment testing including evaluating participant's eligibility, examining approvals and recalculation of benefit amounts
- Failure to disclose significant plan information, such as identification of investments that represent 5 percent or more of total net assets, reported related party (party in interest) transactions and prohibited transactions between a plan and a party in interest
- Failure to present the Statements of Net Assets Available for Benefits in comparative form

Broker-Dealers

- Failure to comply with SEC Independence Rules, including not preparing financial statements for clients
- Failure appropriately report on internal controls, 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
- Failure to take a haircut for receivables due more than 30 days in the calculation of net capital
- Failure to provide required supplemental schedule regarding reserves for custody and possession or to disclose exemption from the schedules
- Failure to lock down working papers after 45 days as required by the SEC
- Failure to expand revenue testing in a control environment that did not maintain a control record of trade date
- Failure to obtain sufficient CPE for current knowledge of broker-dealer audits
- Failure to perform sufficient revenue testing by placing too much reliance on a SOC 1 report

Specific for Audits under PCAOB Standards

- Failure to comply with PCAOB requirements for an Engagement Quality Control Review
- Failure to eliminate a report on internal control that is not applicable to broker-dealer audits for periods ending June 1, 2014 or later
- Failure to provide or document the required communications with the audit committee (or board)

Service Organization Control (SOC) Reports

- Failure to obtain the experience and training required under SSAE 16 to properly complete a Service Organization Control Report
- Failure to include required elements in the report such as:
 - Management assertions
 - Complementary user entity controls
 - Carve outs
 - Criteria for the principles being opined on
- Failure to have sufficient working paper support for information included in the report, such as lack of or poor documentation of:
 - Procedures to assess the nature, timing, and extent of the procedures (specifically sampling methodology)
 - Procedures to test carve outs
 - Procedures to support the Other Information included in the report
 - Procedures to assess the suitability criteria to evaluate whether management's description of the service organization's system is fairly presented
- Failure to sufficient test controls, including:
 - Failure to address the elements of the control, all IT general controls and change management controls
 - Failure to document which controls at the service organization were necessary to achieve the control objectives stated in management's description of the service organization's system and assess whether those controls were suitably designed to achieve the control objectives

Banking, including 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
- Failure to properly disclose:
 - Impaired loans and the policy for recognizing interest income on the impaired loans, including how cash receipts are recorded
 - Valuation allowances or changes in allowances, and related segmentation information of the loan portfolio
 - Consolidated capital ratios and requirements
 - that the entity was subject to expanded regulatory supervision and why
 - OREO's and goodwill in the fair value footnote as a non-recurring measurement item
 - Credit quality disclosures related to loans receivable
 - Loan servicing fees including the amount of contractual fees and assumptions used to estimate the fair value of the fees
- Failure to perform sufficient audit testing of real estate lending including inadequate quantitative information such as aging, past due status, or historical charge-offs. Similarly, insufficient audit testing of foreclosed property data, including inadequate testing of current year additions, analysis of fair value/carrying value
- Failure to perform sufficient audit testing of certain subjective, qualitative components of the allowance for loan loss, and retrospective review of the allowance for loan loss for bias
- Failure to obtain a management representation letter with representations specific to financial institutions
- Failure to adequately document testing of member shares and loans receivable, including confirmations and compliance with FASB ASC 310-20

PCAOB

- Failure to also perform and report under U.S. GAAS when an audit is performed under PCAOB standards for a non-SEC issuer not under the PCAOB's jurisdiction

Not for profit

- Failure to disclose open tax years because the firm believed the disclosure was not required for tax-exempt entities
- Failure to properly classify net assets as unrestricted, temporarily restricted and permanently restricted
- Failure to adequately disclose the nature, amounts and types of net asset restrictions
- Failure to disclose policies regarding donated goods and services
- Failure to refer to the Statement of Functional Expenses in the report
- Failure to properly expense classifications on the Statement of Functional Expenses.



Peer Review Program