

Changes approved at the May 3, 2016 open session meeting

The Peer Review Board approved the following agenda items with the revisions presented herein:

- Agenda Item 1.2B-2 – 2000 Interpretations (54-c and 100-1)
- Agenda Item 1.2E-5 – Staff Interview Form
- Agenda Item 1.5A – Interpretation 25-3 PR Documentation Retention
- Agenda Item 1.6B – Approval of Reviewer Performance Draft Guidance Changes

The materials contained within this pdf have been revised from the originally posted open session materials. You can download the original materials [here](#).

**Approval of Improving Transparency and Effectiveness
of Peer Review Exposure Draft Guidance Changes**

**Agenda Item 1.2B-2
Final Proposed Standards and Interpretations**

Planning and Performing Compliance Tests

54c-1 *Question*—Paragraph .54(c) discusses the peer reviewer’s requirement in a System Review to review evidential material, to determine whether the firm has complied with its policies and procedures for each element of its system of quality control, which may include evidence since the previous peer review. When is it appropriate to review evidential matter from prior to the peer review year and what are the reporting implications?

Interpretation—In performing a review of a firm’s system of quality control, a team captain will develop a plan for the nature and extent of testing relative to the firm’s compliance with their quality control policies and procedures. As the team captain will be opining on design and compliance with the system of quality control in effect for the year ending the peer review year end date, it is necessary to test compliance with each element of the firm’s system of quality control.

Interpretations 58-1, 58-2, and 58-3, Office and Engagement Selection in System Reviews, provide considerations for when it is appropriate to test the engagement performance element of a firm’s system of quality control outside of the peer review year. If no events relative to the other element policies and procedures occurred during the peer review year, it may be necessary for a team captain to review evidential matter from prior to the peer review year. For example, the firm may have accepted a new engagement in the year following the previous peer review but did not accept any during the current peer review year. In such a situation, the team captain may review evidential matter since the previous peer review year to evaluate the firm’s compliance with its engagement acceptance quality control policies and procedures. If the team captain discusses the firm’s procedures for acceptance of the new client and the firm indicates its only procedures were to review the predecessor auditor’s workpapers, this may indicate there is a design matter in the firm’s system of quality control related to acceptance and continuance. The team captain will then need to evaluate if there are any indicators of change to that policy since the last acceptance of an engagement and determine if the matter should be elevated to either an FFC or a deficiency in the report. If the team captain determines that the policy is designed appropriately and there is a compliance matter, it should be treated as any other compliance matter for actions during the peer review year.

Another example would be when the team captain reviews the monitoring and inspection results from the intervening periods to determine appropriate design and compliance of monitoring procedures. Looking at the intervening periods

allows the team captain to evaluate whether the firm is properly communicating and remediating engagement and systemic issues identified.

As stated above, the team captain will be opining on design and compliance with the system of quality control in effect for the year ending the peer review year end date. If, for example, there were no instances of accepting new clients in the peer review year, it is appropriate to test compliance in prior years assuming the design of the policies and procedures is the same. ~~If the design of the policies and procedures has changed and the team captain is unable to test compliance with an element of the firm's system of quality control, a scope limitation for the review should be considered in consultation of administering entity.~~

100-1

Question—Paragraphs .100 and .126 of the standards discuss the team captain or review captain's responsibility to review and evaluate the reviewed firm's responses on the FFC form and in the letter of response prior to submission to the administering entity with the peer review working papers. What should be considered during that review?

Interpretation—The purpose of the firm's response on the FFC form and in the letter of response is for a firm to stipulate, in writing, the specific action(s) that will be taken to correct findings and deficiencies noted by the reviewer and, on a System Review, to enhance the current system of quality control. In a System Review, the description of the action(s) the firm has taken or will take should discuss remediation of findings and deficiencies in the system of quality control and nonconforming engagements, if applicable, to ensure prevention of recurrence of the finding, deficiency or significant deficiency. For System and Engagement Reviews, the action(s) should be feasible, genuine, and comprehensive, addressing each of the requirements in paragraphs .99 and .125. The FFC form and letter of response should not be used as a place to indicate justification for the firm's actions that related to the deficiency or significant deficiency. If the firm's response is not deemed to be comprehensive, genuine, and feasible, the technical reviewer or RAB will request a revised response.

In a System Review, a firm's failure to appropriately remediate findings, deficiencies, and nonconforming engagements is a strong indicator of a tone at the top weakness and the team captain should consider whether a related deficiency is appropriate. Reviewers are reminded that firms are only required to remediate as appropriate in accordance with professional standards and are not expected to recall reports or perform additional procedures in every scenario. In general, if firms can articulate their consideration of the professional standards and ~~why~~ the actions taken or planned are deemed appropriate by the team captain, it would not result in a tone at the top deficiency. Firms are discouraged from defaulting to a response of "we'll fix it on the next engagement" without thought behind that response. It may be the appropriate response but firms should be able to articulate why that is the appropriate response.

If after consideration of the firm’s response, the team captain determines that there are other systemic issues such as tone at the top, he or she should not avoid addressing the issues, even if it puts the reviewer in an adversarial position. The team captain may consult with the administering entity or AICPA for support in how the issues should be addressed. Guidance on tone at the top and reporting examples within the Standards, Section 3100 Supplemental Guidance, and Section 4250 Guidance for Writing Deficiencies and Significant Deficiencies Included in System Review Reports, will assist the reviewer with supporting his or her conclusions. If a firm disagrees with the conclusions, the disagreement guidance in paragraph .93 and .116 of the Standards should be followed.

**Agenda Item 1.2E-5
Staff Interview Form**

- .01 The review of a CPA firm’s quality control policies and procedures require that personnel^{fn 1}, including per diem personnel, be interviewed. The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated and implemented. **The interviews should be conducted either in-person or telephonically.**
- .02 When soliciting information, reviewers should consider the nature of the topic, the level of the person being interviewed, and the size of the firm.
- .03 The questionnaire developed to guide the reviewer in conducting interviews is included in this section of the manual. At a minimum, all “required” inquiries should be made for each review. When the reviewer has identified risks which warrant further consideration, “suggested” inquiries have been provided for the reviewer to make as he or she deems necessary.
- .04 If no events relative to the “required” inquiries occurred during the peer review year, it may be necessary for a team captain to inquire about events that occurred prior to the peer review year. ~~If the design of the policies and procedures has changed and the team captain is unable to test compliance with an element of the firm’s system of quality control, a scope limitation for the review should be considered in consultation with the administering entity.~~

^{fn 1} The term *personnel* refers to all individuals who perform professional services for which the firm is responsible whether or not they are CPAs (previously referred to as *professional staff*) (Statement on Standards for Quality Control [SQCS] No. 8, *A Firm’s System of Quality Control (Redrafted)* (AICPA, *Professional Standards*, QC sec. 10, par. .12).

**Peer Review Program Manual Section 2000 –
New Proposed Interpretation under Peer Review Documentation and Retention Policy**

Interpretation 25-3

Question – Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review’s completion, with the exception of certain documents that are maintained until the subsequent peer review’s acceptance and completion. May the AICPA retain any peer review documentation (or data derived from that documentation) beyond the relevant documentation retention requirements outlined in Interpretation 25-1 (retention requirements)? If so, for what purpose?

Interpretation – Yes, certain peer review documentation may be retained beyond the retention requirements if such documentation is needed to comply with peer review standards and guidance. For example, the peer review report rating may be retained in order to track the number of consecutive non-pass peer review reports a firm has received.

In addition, the AICPA may retain data derived from peer review documentation beyond the aforementioned retention requirements in order to monitor trends in peer review, facilitate research and otherwise promote quality in the accounting and auditing services provided by CPA firms. Such data will exclude firm identifying information (for example, firm name, location, and employer identification number) that could link the data back to a firm, firm’s client, review or reviewer. This data may only be provided to parties outside of the AICPA with the firm’s consent. The AICPA will describe the nature of the data which may be shared and the reason behind the request when asking for consent from firms.

Approval of Reviewer Performance Draft Guidance Changes

Agenda Item 1.6B

Final Proposed Standards, Interpretations, and Report Acceptance Body Handbook

What is included below is the final version of changes in guidance ultimately approved by the Peer Review Board, effective for reviews commencing on or after June 1, 2016. We are sharing all of the various sections of the final guidance impacted due to the volume of the changes.

Peer Reviewers' Performance and Cooperation

.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 findings/deficiencies¹⁴ 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 or recommend to the board that the reviewer be prohibited from performing peer reviews in the future. If more than one significant reviewer performance deficiency^{fn 15} is noted (regardless of whether a pattern is present), then the board or committee should 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.

Accepting Engagement Reviews by the Technical Reviewer

137-1

Question—The standards and interpretations indicate that the technical reviewer should be delegated the authority from the committee to accept Engagement Reviews in certain circumstances. What are those circumstances?

Interpretation—The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when the technical reviewer determines that any MFC forms prepared only relate to compilations under SSARs, that no MFC forms should have been prepared except as related to compilations under SSARs, and there are no other issues associated with the peer review warranting committee consideration or action that could potentially affect the results of the peer review.

The technical reviewer may identify performance feedback that should be considered and approved by the peer review committee prior to issuance. The technical reviewer should still be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when such feedback may be provided to the review captain unless the circumstances leading up to the feedback may have affected the

^{fn 15} These terms are defined in the AICPA Peer Review Program Report Acceptance Body Handbook.

results of the review. Accordingly, if the feedback being provided to the review captain involves issues which could potentially affect the results of the peer review, the technical reviewer should not accept the Engagement Review but present it to the committee for consideration.

Independent QCM Reviews

166-1

Question—[Paragraph .166](#) of the standards indicates that the National PRC will consider other factors (in addition to the qualifications set forth in the paragraphs under “[Organizing the System or Engagement Review Team](#)” and “[Qualifying for Service as a Peer Reviewer](#)”) in determining whether a peer reviewer is appropriately qualified to perform a QCM peer review. What are the other considerations?

Interpretation—The National PRC, as the administering entity for QCM reviews, establishes the qualifications necessary to perform a QCM review. In addition to the peer reviewer qualifications set forth in [paragraphs .26–.35](#) of the standards, reviewers of QCM must have relevant and current industry experience in their own firm. The National PRC will also consider the history and nature of reviewer [performance](#) feedback, AICPA or administering entity-imposed peer reviewer restrictions, and other pertinent factors.

Subsequent to the approval of a QCM reviewer, situations may arise that causes the QCM reviewer to no longer meet the qualifications for serving as a QCM reviewer. Such situations include, but are not limited to, the following:

- Suspension or termination of AICPA membership
- Change in the status of the reviewer’s CPA license from active status
- Eligibility criteria in [paragraph .31](#) of the standards to serve as a peer reviewer are no longer met
- Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of the peer reviewer’s firm’s accounting and auditing practice or notifications of limitations or restrictions on the peer reviewer’s firm’s right to practice

It is the responsibility of the provider to ensure that QCM review team members continue to meet the qualifications. Peer reviewers that have a conflict of interest with respect to the QCM under review will not be approved as a QCM review team member. Examples of individuals with conflicts of interest include someone who assisted in the materials’ development or maintenance process, uses the materials as an integral part of his or her firm’s system of quality control, or is an individual from a firm that is a member of the association whose materials are under review.

PRP Section 3300

AICPA Peer Review Program Report Acceptance Body Handbook

Introduction

Purpose

The *AICPA Peer Review Program Report Acceptance Body Handbook* (RAB handbook) contains guidance developed by the AICPA Peer Review Board (board) to be used by administrators, administering entities peer review committees (committees), report acceptance bodies (RABs), technical reviewers, and reviewers. This handbook should be used in conjunction with the *AICPA Standards for Performing and Reporting on Peer Reviews* (standards), interpretations, other guidance, the *AICPA Peer Review Program Administrative Manual*, and the *AICPA Peer Review Program Oversight Handbook*. This handbook has been approved by the board and should be relied upon as guidance for the topics it covers.

Objectives

The objective of the RAB handbook is to provide guidance to committees, RABs, technical reviewers, and reviewers about their roles and responsibilities regarding the administration, acceptance, and completion of peer reviews.

Content and Use

The first two chapters focus on the qualifications and responsibilities of the administering entity peer review committee ([chapter 1](#)) and technical reviewers ([chapter 2](#)).

[Chapter 3](#) explains the report acceptance process, beginning with preparing for the RAB meeting and outlining the items which must be considered for all reviews. The specific considerations concerning objectives; discussion of the engagement selection process; and evaluation and acceptance of reviews, including considerations of when and what type of corrective action(s) or implementation plans might be required are covered in [chapter 4](#) (System Reviews) and [chapter 5](#) (Engagement Reviews). [Chapter 6](#) contains guidance for monitoring corrective action(s), determining when to require additional corrective actions when actions previously requested of the firm have been completed, and how to proceed when a firm cannot complete the required corrective action(s) or refuses to cooperate.

[Chapter 7](#) discusses when and how to handle consultations and disagreements that may arise during the peer review process among the reviewed firm, reviewer, and administering entity. [Chapter 8](#) explains the reviewer performance evaluation process and how to handle reviewer noncooperation matters.

The RAB handbook guidance does not contain all the standards and interpretations but references key sections to assist in the implementation of guidance and its understanding by committees, RABs, technical reviewers, and reviewers. Administering entities are expected to use the RAB handbook to ensure that their administration of the AICPA Peer Review Program (program) complies with the standards and interpretations.

Chapter 1

The committee chair has overall responsibility to ensure the administering entity adheres to all of the responsibilities previously outlined. The chair should

- A. consult with the staff (including AICPA staff) and committee members, as needed.
- B. stimulate group thinking, encourage and channel discussions in a productive direction, weigh the value of expressed ideas and suggestions, summarize constructive suggestions, seek out decisions, avoid situations where one or two people dominate the discussion inappropriately, and keep committee meetings on target and within reasonable time limits.
- C. ensure that accurate meeting minutes are kept, necessary reports prepared, and a record of committee work maintained, and keep informed of the progress of committee assignments.
- D. recommend appropriate members for appointment to the committee; select appropriate committee members to serve on RABs, subcommittees, and task forces; and motivate them toward active and productive involvement in committee activities.
- E. continually review and evaluate the committee's program, the progress being made on activities, and the contributions of individual committee members and the technical reviewer(s) to the committee's work.
- F. be a consultant or mentor to reviewers and firms undergoing review.
- G. review the comments received from the AICPA Peer Review Board Oversight Task Force on reviews selected for oversight by AICPA staff. Communicate the comments to the committee, technical reviewers, administrators, oversight reviewer (if applicable), and team captain or review captain where appropriate. A procedure to review and properly act upon each comment should be developed. The comments may be used by the administering entity in monitoring performance and consideration should be given to sending appropriate performance feedback to the team captain or review captain and technical reviewer.

IV. Guidance Materials for the AICPA Peer Review Program

The activities of the committee and RABs should be carried out in accordance with administrative procedures and guidance issued by the board (sec. 1000 [par. .132](#)). In order to assist committee and RAB members in adhering to the guidance, they should have access to the applicable and appropriate materials to carry out their responsibilities.

A. AICPA Peer Review Program Manual

The current standards, interpretations, guidelines, peer review checklists, and other guidance materials developed by the board for the administration, performance, and reporting the results of peer reviews are contained in the *AICPA Peer Review Program Manual*.

B. AICPA Peer Review Program Report Acceptance Body Handbook

The *AICPA Peer Review Program Report Acceptance Handbook* should be used by committees, RABs, technical reviewers, and administrators in the administration, acceptance, and completion of peer reviews. The manual is updated as necessary and is included as [section 3300](#) of the *AICPA Peer Review Program Manual*.

- Anticipating the committee's or RAB's questions
 - Providing the possible answers to these questions or related recommendations along with all pertinent review documents
 - Advising the committee or RAB of significant matters that may not be apparent from the review documents
 - Dealing with evident problems before the review is sent to the committee or a RAB
 - Recommending corrective actions related to a deficiency or deficiencies in the peer review report or implementation plans related to findings on FFC forms, where appropriate
 - Consulting with administering entity staff, peer reviewers, and reviewed firms on matters relative to the review or its results
 - Providing reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues
 - Performance of oversights when requested by the committee or RAB
- B. The technical reviewer should not present reviews during a RAB meeting or make decisions on a review on behalf of the RAB (except for certain Engagement Reviews as described in [section V](#)). This does not preclude the technical reviewer from presenting matters requiring consultation to the RAB or matters of an administrative nature.
- C. The technical reviewer looks at the materials in more depth than the RAB. However, the technical reviewer is not performing the type of review that would be performed by an audit partner or a pre-issuance reviewer.
- D. The technical reviewer performs a complete working paper review on all committee-appointed review team (CART) Engagement Reviews and, when deemed necessary, on certain firm-on-firm reviews.
- E. If the technical review is performed by a member of the peer review committee, such member should abstain from participating in the presentation, discussion, and acceptance of that review. The technical reviewer or committee member's participation should be limited to addressing any questions the committee or RAB may have on the review under consideration.
- F. If a technical reviewer performs oversight on an Engagement Review, the technical review may be performed by the same individual; however, the Engagement Review should go to the committee or a RAB for acceptance. Also, if the technical reviewer is also a committee member, he or she should not vote in the acceptance of an engagement peer review for which he or she has performed oversight.
- G. Another function of the technical reviewer is to maintain certain information regarding peer reviews. The information that is to be maintained is outlined in [Attachment 1](#) to the technical reviewer's checklist (System or Engagement Reviews). This information should be entered into the peer review program computer system. Technical reviewers should work with the administering

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

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

7. Comments on whether the firm should be asked to complete certain corrective actions or implementation plans and suggestions on these actions or plans, if applicable.
 8. Comments on whether the reviewer identified deficiencies and appropriately distinguished between MFC and FFC.
 9. ~~Recommend~~ Comments on the team captain's performance and the need for reviewer performance feedback, if applicable.
 10. Whether reviews or FFC implementation plans should be delayed or deferred until documentation has been corrected.
 11. Whether there are any contentious issues related to a specific industry or must select engagement which could impact the peer review results. If there are such issues, one member of the RAB must have current experience in that industry.
- D. For reviews administered by the National PRC, those meeting certain criteria are subjected to a concurring technical review.
- E. All System Reviews should be presented to a RAB in a timely manner, ordinarily within 120 days of the later of receipt of the working papers and peer review report from the team captain, or if applicable, the report with a peer review rating of *pass with deficiencies* or *fail* and the related letter of response from the reviewed firm (sec. 1000 [par. .133a](#)).

V. Technical Review of Engagement Reviews

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

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

- B. The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews in certain circumstances (sec. 1000 [par. .137](#)).

1. The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when the technical reviewer determines both of the following ([Interpretation No. 137-1](#)):
 - Any matters documented (or which should have been documented) on MFC forms only relate to compilations performed under Statements on Standards for Accounting and Review Services (SSARS) and do not rise to the level of a finding, deficiency, or significant deficiency.
 - There are no other issues associated with the peer review warranting committee consideration or action that could potentially affect the results of the peer review.
2. The technical reviewer may identify reviewer performance feedback that should be considered and approved by the peer review committee prior to issuance. The technical reviewer should still be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when such feedback may be provided to the review captain unless the circumstances leading up to the feedback may have affected the results of the review. Accordingly, if the feedback being provided to the review captain involves issues which could potentially affect the results of the peer review, the technical reviewer should not accept the Engagement Review but present it to the committee for consideration ([Interpretation No. 137-1](#)).
3. Engagement Reviews that do not require committee or RAB consideration are required to be accepted within 60 days of receipt of the working papers and report from the review captain.
4. The technical reviewer's report acceptance procedures should include completion of the technical reviewer's checklist and in addition the technical reviewer should
 - a. consider whether the review has been performed in accordance with the standards, interpretations, and related guidance materials.
 - b. consider whether the report is in accordance with the standards, interpretations, and related guidance materials.
 - c. provide reviewer performance feedback recommendations to the committee or RAB on performance issues, if necessary.
 - d. consider whether the Engagement Review should be presented to the committee or RAB for its consideration.
5. Procedures for Committee or RAB Acknowledgement of Engagement Reviews Accepted by the Technical Reviewer

A list of Engagement Reviews (meeting the criteria, as previously stated in [1.]), which have been accepted by the technical reviewer, should be prepared and sent to the committee or RAB members, along with recommendations for reviewer performance feedback, if any. Although technical reviewers may make reviewer performance feedback recommendations to the committee or RAB, it is the responsibility of the committee to evaluate

the reviewer's performance to help ensure that reviewers perform and report on peer reviews in accordance with the standards. See [chapter 8](#).

6. Acceptance and Completion Date of Reviews Accepted by the Technical Reviewer on Behalf of the Committee or RAB

The review acceptance date and completion date is the date that the technical reviewer completes the review of the peer review documents and determines that (1) there are no matters documented (or which should have been documented) on MFC forms relating to engagements other than compilations performed under SSARS, and such matters do not rise to the level of a finding, deficiency, or significant deficiency and (2) there are no other issues with the review warranting committee or RAB consideration or action. The acceptance date (also the completion date) is noted on the letter from the administering entity to the reviewed firm.

7. Because a technical reviewer may be accepting peer reviews on behalf of the committee, the independence rules regarding report acceptance will apply to technical reviewers with respect to their acceptance of Engagement Reviews. See independence rules at sec. 1000 [par. .21–.22](#).

C. For Engagement Reviews that require committee or RAB consideration, the technical reviewer should complete the technical reviewer's checklist and include any comments that the RAB may need to properly evaluate the review. This includes the following:

1. Comments on the evaluation of engagement matters, findings, deficiencies, and significant deficiencies so the RAB can evaluate the appropriateness of the report
2. Comments on weaknesses of the peer review working papers so the RAB can properly evaluate the review and the review captain's or review team's performance
3. Comments on engagement selection
4. Comments on engagements not performed or reported on in conformity with applicable professional standards
5. Comments on the review captain's performance and the need for [reviewer performance](#) feedback
6. Comments on whether, based on RAB handbook guidance, the firm should be asked to complete certain corrective actions or implementation plans and suggestions on these actions or plans, if applicable
7. Comments on whether the reviewer identified deficiencies and appropriately distinguished between MFC and FFC

D. The technical reviewer performs a complete working paper review on all CART Engagement Reviews and, when questions cannot be resolved, on certain firm-on-firm reviews.

VI. Technical Reviewers' Responsibilities Regarding Corrective Actions and Implementation Plans

A. Recommendation of Corrective Actions and Implementation Plans

mentation plans?

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|----|---|--------------------------|--------------------------|--------------------------|-------|
| 4. | Does the technical reviewer complete the applicable technical reviewer checklists and provide the RAB with any comments necessary to properly evaluate the peer review? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | | | | | _____ |
| | • Comments on the overall effect of engagement findings, deficiencies, and significant deficiencies? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | • Comments on errors or oversights in the peer review documents in regards to the review team's performance? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | • Comments on scope? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | • Comments on the need for reviewer <u>performance</u> feedback? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | • Comments on the need for requiring the firm to agree to corrective actions or implementation plans? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | • Other comments, as necessary? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| 5. | Are technical reviews being performed within a reasonable time period after the review documents are submitted? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| 6. | Does the technical reviewer resolve most issues before submitting reviews to the RAB, and is this adequately documented and communicated? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| | | | | | _____ |

Interaction With the RAB

- | | | | | | |
|----|--|--------------------------|--------------------------|--------------------------|-------|
| 7. | Is the technical reviewer available during the RAB meeting to answer questions that may arise? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |
| 8. | Does the technical reviewer understand his or her role during the RAB meeting which is to "assist" and not present reviews or make decisions on reviews? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| | | | | | _____ |

-
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 or findings? Yes No If reviewer performance deficiencies or findings are noted, reviewer performance 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 findings/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.

Attachment 1

SYSTEM REVIEW COMPLETION INFORMATION

4. Did you identify one or more reviewer performance deficiencies or findings? Yes No If reviewer performance deficiencies or findings are noted, reviewer performance 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 findings/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.

Attachment 1

ENGAGEMENT REVIEW COMPLETION INFORMATION

Chapter 3

The Report Acceptance Process

3. determine whether the RAB should require an action or implementation plan in addition to the plan described by the reviewed firm in its response to the findings on the FFC form(s).

Guidance for determining when and what type of action or implementation plan to require, given a set of circumstances, is contained in [chapter 4](#) and [chapter 5](#) for System and Engagement Reviews, respectively. [Chapter 6](#) contains guidance for monitoring implementation plan(s), determining when to require additional implementation plans when actions previously requested of the firm have been completed, and how to proceed when a firm cannot complete the required implementation plan or refuses to cooperate.

- E. determine if the technical reviewer's recommendations are appropriate. [Chapter 2](#) describes the nature and extent of the technical review.
- F. report acceptance bodies (or the committee) should review the list of Engagement Reviews previously accepted by the technical reviewer and review any recommendations made by the technical reviewer for [reviewer performance](#)~~review captain~~ feedback.

IV. Additional Inquiries or Actions by the RAB

In reaching its conclusions on the preceding items, the RAB is authorized to make whatever inquiries or initiate whatever actions of the reviewed firm or the review team it considers necessary in the circumstances, including but not limited to, requesting expansion of scope, revisions to the report or the reviewed firm's response thereto, or corrections or clarifications to other review documents. This RAB authority exists at all times even if these inquiries were not made or actions were not requested during already completed on-site oversight or other stages of the review. However, such inquiries or actions by the RAB should be made with the understanding that the program is intended to be positive and remedial in nature and is based on mutual trust and cooperation.

In some circumstances, the RAB may consider requesting all review documentation from the team captain or review captain not previously provided, including engagement checklists, quality control questionnaires and related practice aids, staff interview or focus group checklists, and any other relevant documents.

V. Criteria for Delayed Acceptance or Deferral

Reviews where the RAB requires revisions to the peer review documents or there are unresolved questions are NOT deemed accepted. RABs should be aware that a review may not be "accepted subject to" revised documents. The concept of "acceptance" implies that the peer review documents are in accordance with standards, all questions are resolved, and the peer review results may be submitted for public dissemination. If revisions are necessary to the documents, or there are unresolved questions, the review is not considered accepted while revisions or questions are still outstanding.

A. Delayed Acceptance

If upon its consideration of the review documents the RAB determines revisions are necessary, the RAB may send an appropriately tailored "delayed acceptance" letter. This correspondence, copied to all affected parties, advises that the RAB has considered the review and requests that the applicable parties revise the identified document(s) or answer questions to the satisfaction of the RAB before the documents can be accepted. It advises the firm that once the RAB is satis-

the report rendered [[AU-C section 585](#), *Consideration of Omitted Procedures After the Report Release Date* (AICPA, *Professional Standards*)] or what actions the firm has taken or planned in response to [AU-C section 560](#) or [AU-C section 585](#)).

- to revise deficiencies or significant deficiencies that appear to set standards higher than those mandated by professional standards.
- for System Reviews, to revise deficiencies or significant deficiencies that are not written systemically, or the underlying systemic causes are not clear.
- for System Reviews, where the team captain's recommendation for a quality control design deficiency or significant deficiency appears to be written as a quality control compliance-related deficiency or significant deficiency, or vice-versa. (That is, the design vs. noncompliance focus of the recommendation must correspond to the deficiency or significant deficiency.
- for failure to identify the industry and level of service for any deficiencies or significant deficiencies that are determined to be industry specific.

2. FFC Forms

Revisions should be requested for

- forms not completed properly or fully (that is, reference to professional standards not provided, individual MFCs not identified, type of matter, repeat finding, and so on).
- the reviewer's description of the finding is not clear and, on System Reviews, does not include the underlying cause of the finding.
- the reviewer's recommendation does not address the finding adequately.
- the reviewed firm's response to the reviewer's recommendations (or alternative plan if the firm does not agree with the recommendation) does not appear comprehensive, genuine, and feasible, including a description of how the firm intends to implement the reviewer's recommendation, the person(s) responsible for implementation, the timing of the implementation, and, if applicable, additional procedures to ensure the finding is not repeated in the future.
- forms not signed by an authorized representative of the reviewed firm.

3. Reviewer Performance Feedback Forms

Reviewer performance feedback forms should be issued in lieu of requesting revised documents for the following:

- System Review report deficiencies or significant deficiencies contain a reference to the specific number of engagements where the matters were noted rather than using general terms such as *few* or *some*.

- Multiple deficiencies or significant deficiencies comments could have been combined.
- Recommendations that are inappropriate based on the firm's size or other characteristics, but the firm is responsive to the recommendations.
- Deficiencies or significant deficiencies where the reviewed firm understands the substance and the related recommendation(s) and responds appropriately, but where the deficiency, significant deficiency, or comment is not written clearly.

Refer to the section on reviewers' performance in [chapter 8](#) for more information on the use of [reviewer performance](#) feedback forms.

VI. Reference Materials for RAB Meetings

The staff should make sure that the most recent peer review program materials are on hand for reference if needed. These include the following:

- *AICPA Peer Review Program RAB Handbook* ([Section 3300](#) of the *AICPA Peer Review Program Manual*)
- *Peer Review Alerts* and other guidance issued by the board
- *AICPA Peer Review Program Administrative Manual*
- *AICPA Peer Review Program Manual*
- *AICPA Peer Review Program Oversight Handbook*

VII. Considerations for the Recall of Peer Review Documents

Overview

Peer reviewers or reviewing firms (reviewer) and reviewed firms (firm) are responsible for complying with the standards and guidance issued by the AICPA Peer Review Board (board) throughout the entire peer review process. This includes communicating with all appropriate parties involved in the program regarding information that could affect the performance or results of the peer review. Fulfilling all reviewer and firm responsibilities is required as a matter of cooperation with the administering entity, peer review committee (committee), the board, and AICPA staff (staff). After the date of acceptance by the committee, the administering entity (including the administrator, committee, and technical reviewer) or reviewer generally have no obligation or expectation to make any further inquiry or perform any other peer review procedures with respect to the peer review report, acceptance letter, or letter of response, if applicable (referred to hereafter in this section as *peer review documents*), unless information that may affect an accepted peer review comes to the parties' attention.

C. Circumstances in Which a Technical Reviewer May Accept Engagement Reviews

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

D. Procedures for Committee or RAB Acknowledgement of Engagement Reviews Accepted by the Technical Reviewer

A list of Engagement Reviews (meeting the criteria, as stated previously in number 1, which have been accepted by the technical reviewer should be prepared and sent to the committee or RAB members, along with recommendations for reviewer performance feedback, if any. Although technical reviewers may make reviewer performance feedback recommendations to the committee or RAB, it is the responsibility of the committee to evaluate the reviewer's performance to help ensure that reviewers perform and report on peer reviews in accordance with the standards. See [chapter 8](#).

E. Acceptance and Completion Date of Reviews Accepted by the Technical Reviewer on Behalf of the Committee or RAB

The review acceptance date and completion date is the date that the technical reviewer completes the review of the peer review documents and determines that (1) there are no matters documented (or which should have been documented) on MFC forms relating to engagements other than compilations performed under SSARS and such matters and do not rise to the level of a finding, deficiency, or significant deficiency and (2) there are no other issues with the review warranting committee or RAB consideration or action. The acceptance date (also the completion date) is noted on the letter from the administering entity to the reviewed firm.

VI. Guidance for Determining When and What Type of Corrective Action(s) or Implementation Plans to Require on Engagement Reviews

The guidance in this chapter is to assist RABs in determining when and what type of corrective action(s) or implementation plans a firm should be required to take given a set of circumstances on an Engage-

The following outlines the guidance and procedures for administering entities, the board and staff when a reviewer does not possess reviewer qualifications; fails to submit documents or revisions in a timely manner; has performance deficiencies or findings; 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. 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 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.
- 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 or auditing practice of a firm supervising one or more accounting or auditing engagements or carrying out a quality control function on a firm's accounting or auditing engagements.
- No longer associated with an enrolled firm (unless the reviewer has transitioned to a new firm and meets the requirements of [Interpretation No. 31b-1](#)).
- 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 No. 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 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. Once it is established that the qualification requirements are not met, the reviewer must not

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 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 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 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 Performance 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 finding deficiency. Consistent with the guidance in section IV of this chapter, a reviewer performance feedback form should be issued by staff to the reviewer documenting this matter.

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 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 [performance](#) feedback; additional suspension warning letters related to another review; or other communications, if warranted.

- *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 [performance](#) 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 [finding of deficiency](#). Consistent with the guidance in section IV of this chapter, a reviewer [performance](#) feedback form should be issued to the reviewer documenting this matter.

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.

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.

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 Performance 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 finding of deficiency. Consistent with the guidance in [section IV](#) of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.

D. Appeals to the Board^{fn 19}

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

^{fn 19} See [footnote 3](#).

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*.

E. 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 [finding 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 [performance](#) feedback form should be issued to the reviewer documenting this matter.

Nothing precludes the 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](#)).

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 [or findings](#). 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 [finding deficiency](#). Consistent with the guidance in [section IV](#) of this chapter, a reviewer [performance](#) 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.

IV. Reviewer Performance **Deficiencies**

A. **Deficiencies or Findings 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 reviewer performance deficiencies or findings.

If a pattern of reviewer performance findings/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 or recommend to the board that the reviewer be prohibited from performing reviews in the future. If more than one significant reviewer performance deficiency ies is/are noted (regardless of whether a pattern is present), then the board or committee should 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). However, if the reviewer's performance on a review is considered egregious, the board or committee may 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 based on a single instance of a reviewer performance deficiency.

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

B. **Reviewer Performance Feedback Forms**

Reviewer performance feedback forms document reviewer performance deficiencies or findings on individual reviews. Committees should use reviewer performance feedback forms when performance deficiencies or findings are noted during the review acceptance process or through other means such as oversight. Reviewer performance 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 performance feedback form is to document specific areas of needed improvement. Reviewer performance feedback forms also help the AE and staff monitor the performance of the reviewer, including whether there is a pattern of reviewer performance findings/deficiencies. Deficiencies or findings noted on reviewer performance feedback forms should be substantiated by peer review guidance. Completion of the explanation section of the reviewer performance feedback form or other written correspondence with the reviewer (which is retained with the reviewer performance feedback form) is required to ensure that the reviewer understands the reviewer performance deficiencies or findings.

The reviewer performance feedback form is designed to give reviewers feedback directly from the committee or board. The reviewer performance 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 reviewer performance feedback to the committee or board but should not issue or sign reviewer performance feedback forms.

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 performance feedback forms issued by committees or the board. The AE issuing the feedback is required to upload all reviewer performance feedback forms to this platform within 30 days of issuance. This procedure enhances monitoring of reviewers' performance. Each AE should have procedures in place to allow for periodic monitoring of reviewer performance feedback forms to determine whether there is a pattern of findingsdeficiencies in a reviewer's performance.

Significant Reviewer Performance Deficiencies

The following is a listing of significant reviewer performance deficiencies that would be documented on a reviewer performance 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 and did not demonstrate sufficient knowledge and experience required to review the engagement and identify issues 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 FindingsDeficiencies

The following is a listing of reviewer performance findingsdeficiencies (not all inclusive) that would be documented on a reviewer performance feedback form:

- 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 to perform additional work after the review working papers were submitted to the administering entity. This 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. 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~~
 - ~~did not~~ select a sufficient or appropriate scope of engagements for review in accordance with guidance. This includes selecting too many engagements on an engagement review. (standards sec. 1000 System Reviews [par. .53–.63](#); Engagement Reviews [par. .104–.109](#))
 - ~~did not~~ properly select the “surprise” engagement or did not provide sufficient documentation of reasoning for selection. (standards sec. 1000 [par. .61](#))
 - ~~identified all significant issues in an engagement but 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)~~
- Assessment and Disposition of Matters: The reviewer did not
 - identify matters, findings, deficiencies, or significant deficiencies appropriately. (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](#))
 - properly consider or document the need to expand scope to other engagements or functional areas. (standards sec. 1000 [par. .68](#) and [Interpretation No. 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. (System Reviews [sec. 4960](#); Engagement Reviews [sec. 6600](#))

- properly identify a repeat finding. ([Interpretation No. 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. (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 Working Papers: 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 No. 66-1](#))
- Other departures from Standards for Performing and Reporting on Peer Reviews or other authoritative program guidance.

A reviewer [performance](#) feedback form should not be issued for inconsequential matters (See Section C), nor should a reviewer [performance](#) feedback form be used when a reviewer commits an egregious act. If [acts by the a-reviewer’s performance, based on facts, circumstances, and evi-](#)

~~dence,~~ 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](#).

Regardless of whether the reviewer cooperated in revising documents requested by the technical reviewer or committee, a reviewer [performance](#) feedback form is required to be issued whenever one or more of the above reviewer performance deficiencies [or findings](#) are noted during oversight, technical review, or the RAB acceptance process.

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.

Self-Reported Reviewer Performance Deficiencies [or Findings](#)

When a reviewer notifies an AE that performance deficiencies [or findings](#) 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 [performance](#) 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 [a reviewer performance](#) feedback [form](#) 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 reviewer [performance](#) feedback forms on the other reviews.

C. Other Communications to the Reviewer

Reviewer performance matters that do not rise to a sufficient level to be included on a reviewer [performance](#) 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 reviewer performance deficiencies [or findings](#) considered on a reviewer [performance](#) 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 [performance](#) feedback form. 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 [performance](#) feedback form. If a reviewer [performance](#) 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.

D. Performance Deficiency Letters

[Issuance of a deficiency letter for reviewer performance findings](#)

If a pattern of reviewer performance findingsdeficiencies 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 or recommend to the board that the reviewer be prohibited from performing peer reviews in the future.

Issuance of a deficiency letter for reviewer performance deficiencies

If more than onesignificant reviewer performance deficiencyies isare 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). However, if the reviewer's performance on a review is considered egregious, the board or committee may 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 based on a single instance of reviewer performance deficiency.

Determining whether there is a pattern of reviewer performance findingsdeficiencies is a matter of professional judgment. In assessing whether a pattern of performance findingsdeficiencies is present, the committee or board should consider the recentness, nature and pervasiveness of the performance findingsdeficiencies, taking note 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 findingsdeficiencies were noted for all three, the committee or board may consider this a pattern of performance findingsdeficiencies. However, if a high-volume reviewer performs over 100 reviews each peer review cycle and reviewer performance findingsdeficiencies were noted on three of them, the committee or board may determine that a pattern of performance findingsdeficiencies 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 findingdeficiency for a particular reviewer, the AE should search the AICPA's web-based platform for additional performance feedback forms which were issued to that reviewer. If an AE has a review submitted to the committee that has similar reviewer performance findingsdeficiencies to those identified in reviewer performance feedback forms issued by another AE, and the AE determines a pattern of performance findingsdeficiencies is present, the AE 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 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.

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. The AE issuing a performance deficiency letter should communicate (through e-mail) with the reviewer. This communication should include the various reviewer performance feedback forms, results of oversight, or a description of the significant reviewer performance deficiencies found in a particular review.

If, after considering the results of communications with the reviewer, it is determined that corrective action or restriction is appropriate, the AE should issue the performance deficiency letter.

- a. state that improvements are needed in the performance of the reviewer.
- b. include an explanation of the performance deficiencies.
- 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) until evidence of completion of a future reviewer's training or accounting or auditing course(s) is received or performance improves.
 - ii. Have committee oversight on the next peer review(s) performed by the reviewer at the expense of the reviewer's firm (including out-of-pocket expenses, such as cost of travel).
 - 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 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 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 coop-

erate, such as by failing to return a signed acknowledgement 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 a hearing panel of the board, 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 ~~findings~~ 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 not performance deficiency letter is being drafted or will be drafted by the AE, staff may refer 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.

E. Appeals to the Board^{fn 20}

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.

See [section VI](#) of this chapter for appeal procedures per the *Rules of Procedure for Peer Reviewers*.

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

^{fn 20} See [footnote 3](#).

- 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 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.

When an AE requests the board to remove 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 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.

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 **performance** feedback forms, performance deficiency letters, and results of 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 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.
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 **performance** feedback **forms** issued; deficiency letters; information of other communications, whether verbal or written; notes from committee meetings; 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.

I. Egregious **ActsPerformance by a Reviewer**

Upon notification and evidence of egregious **actsperformance matters**, the board or committee should consider 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. The administering entity issuing a removal letter should communicate (either through discussion or email) with the reviewer the evidence supporting the allegation. It 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 **actsperformance** by a reviewer include, but are not limited to, the following:

- Signing false documents.
- Failure to perform a peer review board directive resulting from a hearing or review panel in a timely and professional manner.
- 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 the AE or firm to find another reviewer to complete the review and causing the firm harm.

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 No. 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 Performance 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 finding deficiency. Consistent with the guidance in [section IV](#) of this chapter, a reviewer performance feedback form should be issued to the reviewer documenting this matter.

H. Appeal to the Board^{fn 24}

^{fn 24} See [footnote 3](#).