

**AICPA Peer Review Board
Open Session Highlights
May 3, 2016
Durham, NC**

PRB Members:

Anita Ford, Chair
Brian Bluhm
Dawn Brenner
Bill Calder
James Clausell
Bert Denny
Mike Fawley
Karen Kerber
Bill Lajoie
Mike LeBlanc
Barbara Lewis
Alan Long*
Tom Parry
Andrew Pope
Keith Rowden
Debra Seefeld
Martin Shannon
Todd Shapiro
Tom Whittle

Absent:

Jeannine Birmingham

AICPA Staff:

Jim Brackens
Gary Freundlich
Fran McClintock
Sue Lieberum
Beth Thoresen
Donna Roethel-Freundlich
Rachelle Drummond
Tim Kindem
LaVonne Montague
Karl Ruben
Jennifer Capoccia
Jaime Henderson
Tracy Peterson
Tricia VanVliet
Andrew Volz
Nicole Welman
Brad Coffey
Laurel Gron
Toni Lee-Andrews
Karen Aylor
Susan Rowley
Dave Andrews
Justin Long
Lisa Joseph
Ciara Locklear
Rachel Pearsall
Kim Ellis

*via phone for first 45 minutes

Guest Participants:

See Exhibit 1

Agenda Item 1.2 A-C: Approval of Improving Transparency and Effectiveness of Peer Review Exposure Draft Guidance Changes - Mr. Parry

Discussion Summary:

1. Certain suggestions were made by Peer Review Board (PRB) members in a closed session discussion. These included:
 - a. Interpretation 100-1: In response to non-conforming engagements, the considerations provided by the firm should be approved by the Team Captain.
 - b. Interpretation 54c-1 and Staff Interview paragraph .04: Removed the scope limitation as a result of not being able to review an element of Quality Control.

2. Comments received provided positive feedback applauding the PRB for proposing changes to strengthen the program.
3. Some comments received provided additional suggestion that the PTF will discuss in the near future.
4. The comments received to the exposure draft were categorized by the standards and interpretations impacted and discussed by the STF. The STF spent significant time discussing the following topics:
 - a. Compliance testing (paragraph .54, Interpretation 54c-1) - the requirement to test compliance with every element of QC and the reviewers ability to look back beyond the peer review year, as necessary, to meet the compliance testing requirement. Emphasize the fact that QC is not a triannual event.
 - b. Removal of the reviewer recommendation and requiring the firm to identify appropriate remediation (paragraphs .73 and .99). Reviewers are still permitted to assist the firm, and they should approve of the firms' actions taken or planned, but the ultimate responsibility lies with the firm.
 - c. The addition of a closing meeting (paragraph .91, .92, and .115). Concerns were raised about the timing. This should encourage reviewers to properly plan the review.
 - d. Decision to not recall would not automatically result in a tone at the top deficiency if the reviewer believed that the firms' considerations were appropriate.

Resolutions:

1. The proposed changes to the standards, interpretations, and conforming manual changes as presented in Agenda Items 1.2B-1, 1.2B-2, and 1.2C-1 through 1.2C-19 were approved as presented with the changes proposed during closed session applied, as discussed above, effective for reviews commencing January 1, 2017 or later.

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

Discussion Summary:

1. Changes were made to Standards paragraph .146 of the Standards and new Interpretations were added to PRPM Section 2000 to clarify what information (for example, objective versus subjective information) can be provided by the AICPA to outside parties with firm consent.

Resolutions:

1. The proposed changes to the standards, interpretations, and conforming manual changes as presented in Agenda Items 1.2D-1, 1.2D-2, and 1.2D-3 were approved as presented, effective immediately.

Agenda Item 1.2 E Forms for Evaluation of Quality Control: Approval of Revisions to Standards and Interpretation for Qualifying for Service as a Peer Reviewer - Mr. Parry

Discussion Summary:

1. As part of the Enhancing Audit Quality Initiative, these forms are meant to assist the reviewer in identifying systemic quality control issues and replace the current checklists (PRPM Sections 4500 and 4600) and managing partner questionnaire.
 - a. The managing partner questionnaire was incorporated into the Team Captain Checklist in the conforming changes related to this exposure draft.
2. The design and compliance checklists were pilot tested by several reviewers from December through February. The following was some feedback received;
 - a. Suggested the checklist be separated into two parts; design and compliance.

- i. This would facilitate completion of the design checklist during planning while the compliance checklist could be completed during fieldwork.
 - b. The reviewers found the checklists assisted them in identifying non-conformity with SQCS that they would not have otherwise identified.
 3. Effective date January 2017, with early implementation available. The managing partner checklist would be mandatory until January 2017, therefore would need to be completed if these materials were early implemented.

Resolutions:

1. The new Guidelines for Review of and Testing Compliance with the Firm's System of Quality Control and the staff interview forms, as presented in Agenda Items 1.2E-1 through 1.2E-5 were approved, for reviews commencing on or after January 1, 2017, with early implementation permitted.

Agenda Item 1.3: Approval of Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Exposure Draft - Mr. Parry

Discussion Summary:

1. This exposure draft would allow firms with no AICPA members to enroll in the AICPA Peer Review Program. Once enrolled these firms would also be allowed to elect to have their peer reviews administered by the National Peer Review Committee, if they choose.
2. Closed session discussion summary:
 - a. EAQ is intended to further the audit profession as a whole, not just the audit practices of AICPA members,
 - b. The exposure draft allows firms with no AICPA members to enroll in the AICPA Peer Review Program, it does not mandate they do so,
 - c. There are approximately 7,000 firms that do not have an AICPA member,
 - d. The Exposure Draft proposes an effective date of May 2017, but that date is subject to change based on technology concerns or other comments received.
3. The ultimate goal is to enhance quality by increasing consistency, efficiency and effectiveness.
4. The appeals process for a firm with no AICPA members will be subject to fair procedures which are currently under development. A firm with no AICPA members can appeal to the AICPA PRB.

Resolutions:

1. The Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Exposure Draft was approved as presented. The Exposure Draft will be published May 19, 2016 with comments requested by August 19, 2016.

Agenda Item 1.4: Approval of Revisions to Forms Related to SEC Independence Requirements - Mr. Parry

Discussion Summary:

1. A risk has been identified that firms may not know they are subject to SEC independence rules and may be issuing reports when they are not independent (making the reports invalid).
2. The revisions described in agenda item 1.4 develop the means for assisting firms and peer reviewers to determine whether the reviewed firm is subject to various SEC independence requirements.
3. Staff has worked with AICPA experts to develop a table of known entities that are subject to SEC Independence rules. An excerpt of this table was shown at Agenda Item 1.4F.

4. The scheduling form was modified to include a question to the firm that they review the table of known entities (Agenda Item 1.4F).
5. A draft version of the table of known entities (Agenda Item 1.4F) will be posted on AICPA.org concurrently with the effective date of the changes in the checklists and forms.

Resolutions:

1. The modifications to the Interpretations, Team Captain Checklist, General Audit Checklist, Engagement Profiles and Scheduling Form presented in Agenda Items 1.4A through 1.4E were approved effective for reviews commencing on or after June 1, 2016

Agenda Item 1.5: Approval of Revisions to the Document Retention Guidance - Mr. Parry

Discussion Summary:

1. The addition of Interpretation 25-3 will allow the AICPA to retain data to facilitate research in connection with the Enhancing Audit Quality initiative as well as for purposes of complying with standards and guidance.
 - a. An example application would be the use of anonymized data to develop case-studies for the peer review conference after the information was sterilized.
2. It is important to note that the data will be anonymized prior to being shared
3. The PRB discussed updating the last sentence of Interpretation 25-3 to clarify no client information will be shared.
4. Firm consent for research would not be for an individual project. Consent will remain in effect for any projects that fit the research definition, but can be rescinded by the firm at any time.

Resolutions:

1. Interpretation 25-3 presented in Agenda Item 1.5A was approved subject to the above clarification.

Agenda Item 1.6: Approval of Revisions to the Reviewer Performance Guidance - Mr. Parry

Discussion Summary:

1. Through feedback received from the Enhanced Oversight process, a need was identified to clarify the reviewer performance guidance effective for reviews commencing on or after December 31, 2015. When taken literally, each time a non-conforming engagement is not identified by the reviewer, even when appropriate procedures were followed, it would result in a reviewer feedback form that notes a significant reviewer performance deficiency. This was not the PRB's intention.
2. The changes presented at Agenda Item 1.6A and 1.6B clarify reviewer performance deficiencies.
 - a. Added a competency component to the deficiency description
 - b. Allows for a deficiency when there is a pattern of reviewer performance findings
 - c. Clarified when a performance deficiency letter would be appropriate
3. The STF updated the following;
 - a. The name of the form itself has been changed to "Reviewer Performance Form"
 - b. The significant deficiency category has been renamed to deficiency
 - c. The deficiency category has been renamed to finding
 - d. A paragraph will be added above the deficiency and finding sections of the Reviewer Performance Form to define the process and consequences of each performance finding or deficiency noted
 - e. These conforming changes will applied through the RAB handbook

4. The effective date of the changes is as soon as practicable due to the numerous conforming changes throughout the manual

Resolutions:

1. The proposed changes to the Reviewer Feedback Form and RAB Handbook as presented in Agenda Item 1.6A and 1.6B were approved subject to the changes described above, and negative clearance provided by the STF.

Agenda Item 1.7: Approval of Revisions to Training Requirements - Ms. Kerber

Discussion Summary:

1. Proposed initial training requirements for new RAB members.
 - a. The completion of an introductory course developed by the AICPA within 12 months prior to serving on a RAB.
 - b. Current RAB members are grandfathered in and not required to meet the initial training requirement.
 - c. Those beginning service as a RAB member after January 1, 2017 would be required to meet the requirements.
 - d. The course would be offered free of charge.
2. Proposed initial training requirements for new technical reviewers
 - a. The completion of an introductory course developed by the AICPA within 12 months prior to serving as a technical reviewer.
 - b. Current technical reviewers are grandfathered in and not required to meet the initial training requirement.
 - c. Those beginning service as a technical reviewer after January 1, 2017 would be required to meet the requirements.
3. Proposed ongoing training of technical reviewers.
 - a. For each calendar year after initial training requirements are met, technical reviewers should complete a technical reviewer update course developed by the AICPA or attend the Annual Peer Review Conference.
 - b. Designed to update technical reviewers regarding recent changes in guidance.
 - c. Current technical reviewers would be required to meet the ongoing training requirement beginning in calendar year 2017.
4. Proposed ongoing optional training of RAB members.
 - a. RAB update webcast offered annually. Ongoing training for RAB members would be optional.
 - b. The course would be developed by the AICPA and offered free of charge.

Resolutions:

1. The training requirements presented at Agenda Item 1.7 were approved as presented subject to removal of on-demand criteria.

Agenda Item 1.8: Task Force Updates

See Peer Review Board Open Meeting Agenda for details

Agenda Item 1.9: Federal Audit Clearinghouse Completeness Update - Ms. Montague

Discussion Summary:

1. Goal: Collection of EINs to increase efficiency and accuracy of comparing publicly available information to information provided for peer review.
 - a. Since March 2015, EINs have been captured through enrollment forms, scheduling forms, staff requests and other reputable sources of information.

- b. As of April 2016, the AICPA has attained approximately 60% of the 37,000 enrolled firms' EINs.
- 2. Goal: Identification of source data for certain types of engagements performed by firms to assist in determining compliance with peer review requirements.
 - a. The AICPA has identified various federal regulators for which we have obtained or expect to obtain engagement and audit information.
 - b. Currently, staff is evaluating data in the Federal Audit Clearinghouse (FAC) to determine compliance with peer review requirements.
 - c. If a firm is confirmed as unenrolled (not in compliance with peer review requirements) those firms will be submitted to Ethics or other appropriate enforcement body for further investigation.
 - d. If an enrolled firm's peer review was not in compliance with peer review requirements, the review will be recalled and the firm may either be required to have a replacement review or subject to hearing panel to determine if the firm's enrollment may be terminated from the peer review program.
- 3. The AICPA offers a Voluntary Correction Program (VCP) to firms that come forward and notify their administering entities or the AICPA of an omission or misrepresentation of their accounting and auditing practice that may have resulted in a material departure in their firms most recent peer review prior to outreach by AICPA or administering entity.
 - a. The firm would be required to have a replacement review, but would not be subject to a hearing panel. Refer to Interpretation 5h-1 for further details.

Agenda Item 1.10: Operations Directors Report - Ms. Thoresen

Discussion Summary:

- 1. Conference planning is well underway, the agenda will be posted shortly on the website.
 - a. Optional sessions will be held on Monday, General Session will be held on Tuesday and Wednesday.
- 2. Technology
 - a. In March 2016, the Institute began the migration from Oracle to netFORUM as our new association management system to provide our members with enhanced features, including seamless web page transitions and a smoother dues process to name a few.
 - i. Member sign-in will be their email address.
 - ii. Members can update their employee information, contact information and join/pay for their AICPA dues.
 - iii. Administrators will be able to make changes to firms and individuals once the PRISM-replacement system is implemented.
 - b. Project to replace the PRISM system is in progress: vendors and replacement software have been selected.
 - i. Working with user groups and staff in development of requirements.
 - ii. Realistic timeline expected in August.
 - iii. More versatile, self-service options.
- 3. Evolution of Peer Review Administration
 - a. Straw man proposal sent out in February addressed to State Society CEOs.
 - b. Intention is to increase the efficiency, consistency and expedite approvals of peer reviews.
 - c. Looking for feedback from states and stakeholders.

Agenda Item 1.11: Report from State CPA Society CEOs - Mr. Shapiro

Discussion Summary:

1. State Society CEOs received the "Proposed Evolution of Peer Review Administration," a discussion paper seeking input from state CPA society leaders.
2. State Society leaders will meet on May 15, 2016 for an in depth discussion of the paper.
 - a. Initial reactions from the State Society CEOs have generally been supportive of the proposed changes detailed in the discussion paper, but there are questions that remain to be addressed.

Agenda Item 1.12: Update on National Peer Review Committee - Mr. Fawley

Discussion Summary:

1. The last NPRC meeting was Feb 2, 2016.
 - a. This was Mr. Gray's, the former NPRC chair, last meeting. Mr. Fawley is the new committee chair.
 - b. There are three new members of the committee; Brian Bluhm (Eide Bailly), Dave Maraldo (EY), and Kristen Mascis (Deloitte).
 - c. Accepted 2 QCM reviews.
2. There are 12 large firm reviews that require oversight in 2016, 4 will require a panel.
3. Three QCM reviews to be performed in 2016.
4. All 24 Association Information Form submissions have been accepted.

Agenda Item 1.13: Update on Peer Review Program Manual - Ms. Rowley

Discussion Summary:

1. As discussed in the April reviewer alert, PRPM is no longer migrating to OPL exclusively, it will also be available on the website.
 - a. Engagement checklists, supplemental guidance, zip files and PM toolkits also available on .org.
 - b. Subscribers to OPL will have, however, the ability to search, bookmark and link to all guidance they have access to within OPL.
 - c. Peer review webpages have been updated to reflect these changes.
2. Since our January PRB update, our peer review pages and OPL were updated for several guidance changes;
 - a. In January - PRPM 3300, RAB Handbook, changes previously made to the 2015 CD/Loose-leaf versions were carried onto OPL.
 - b. In February – The .31 Interpretations approved at January PRB meeting.
 - c. Changes made at the current PRB meeting will be reflected in late May.
 - d. Continue to monitor monthly reviewer alerts for additional PRPM updates.

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

In Person	
Robert Brooks	NC State Board of CPA Examiners
David Nance	NC State Board of CPA Examiners
Via Phone	
John Guido	Arnett Carbis Toothman LLP
Karen Welch	Walsh and Company, PC
Paul Pierson	Illinois CPA Society
Leona Johnson	NASBA
Sharon Romere-Nix	Thomson Reuters (PPC)
Nancy Corrigan	Singerlewak LLP
Gloria Snyder	LCPA
Tiffany Tocco	Missouri Society of CPAs
Nichole Favors	Indiana CPA Society
Dipesh Patel	Texas Society of CPAs
Wade Jewell	Virginia Board of Accountancy
Bob Giblichman	Warady & Davis LLP
Julie Salvaggio	Kentucky Society of CPAs
Marsha Moffitt	AR Society of CPAs
Mike McNichols	Iowa Society Peer Review Committee
Patty Hurley	Oklahoma Society of CPAs
Susan Somers	Kansas Board of Accountancy
Bill Bailey	U.S. Dept of Labor
Gerard Stifter	Minnesota Society of CPAs Technical Reviewer
Kathleen Meyer	Missouri Society of CPAs
Tiffney Duncan	Texas State Board of Public Accountancy
Daniel Weaver	Texas State Board of Public Accountancy
John Dailey	NASBA
Rita Barnard	KSCPA
Dan Sweetwood	Nebraska State Board of Public Accountancy
Kent Absec	Idaho State Board of Accountancy
Michael Jack	Indiana CPA Society
Nicole Kasin	South Dakota Board of Accountancy
Phyllis Barker	Oregon Society of CPAs
D Boyd Busby	Alabama Board of Public Accountancy
Julie Phipps	Washington Society of CPAs
Paul Ziga	Georgia State Board of Accountancy
Colin Autin	Oklahoma Accountancy Board
Heather Trower	PICPA
Wendy Garvin	Tennessee Board of Accountancy
Jerry Cross	TSCPA
Stacey Lockwood	LCPA
Pamela Lemire	New England Peer Review
Bill Felder	Harper, Rains, Knight & Company, P.A.
Linda McCrone	CalCPA

Reza Mahbod	RMA Associates, LLC
Paul Brown	FICPA
Abby Dawson	F G Briggs Jr., CPA Professional Association
Glenn Roe	NJCPA
Liren Wei	Wei, Wei & Co., LLP
Peggy Jury	MICPA
Mary Ellen Clark	Office of Attorney General
Gloria Roberts	Gloria P. Roberts CPA
Allison Henry	PICPA
Heather Lindquist	Illinois CPA Society
Richard Hill	Mitchell Emert & Hill
Faye Hayhurst	Minnesota Society of CPAs
Jon Campbell	LARA – Michigan
Tracy Poe	Idaho Society of CPAs
Colleen Conrad	NASBA
Mark Mersmann	Kiefer, Bonfanti & Co., LLP
Thomas Kirwin	Sullivan Bille PC