

Peer Review Board Open Session Materials

May 12, 2017

Durham, North Carolina

**AICPA Peer Review Board
Open Session Agenda
May 12, 2017
Durham, NC**

Date: Friday, May 12, 2017

Time: 10:30 AM - 12:00 PM ET, 12:30 PM - 3:00 PM ET

Meeting room: International Plaza

Conference call number: External: 855 880 1246 (US Toll Free) AICPA Staff: 408 638 0968

Meeting ID: 919 402 2199

- 1.1 Welcome Attendees and Roll Call of Board** - Mr. Kindem/Mr. Parry
- 1.2 Approval of QCM Interpretation Updates* - Mr. Pope
- 1.3 Approval of Revised National PRC Requirements* - Mr. Pope
- 1.4 Approval of Revised Guidance Related to Failure to Improve or Correct Deficiencies or Significant Deficiencies after Consecutive Corrective Actions* - Mr. Pope
- 1.5 Approval of Nonconforming Engagement Reason Code Revisions* - Mr. Pope
- 1.6 Discussion of the Peer Review Information Form* - Ms. Brenner
- 1.7 Approval of National Suspension for Resume Verification* - Mr. Hill
- 1.8 Approval of Revised Reviewer Noncooperation - Unsigned Performance Deficiency Letter* - Mr. Hill
- 1.9 Approval of Revisions to the Reviewer Performance Feedback Form* - Mr. Hill
- 1.10 Approval of Peer Review Administration Change Form* - Mr. Guido
- 1.11 Task Force Updates*
 - A. Standards Task Force Report - Mr. Pope
 - B. Education and Communication Task Force Report - Ms. Kerber
 - C. Oversight Task Force Report - Mr. Hill
- 1.12 Enhanced Oversight Update* - Mr. Hill
- 1.13 Completeness Projects Update* - Ms. Montague
- 1.14 Operations Director's Report** - Ms. Thoresen
- 1.15 Report from State CPA Society CEOs** - Mr. Shapiro
- 1.16 Update on National Peer Review Committee** - Mr. Volz
- 1.17 Other Business** - Mr. Parry
- 1.18 For Informational Purposes*:
 - A. Report on Firms Whose Enrollment was Dropped or Terminated*
- 1.19 Future Open Session Meetings**
 - A. August 17, 2017 Open session - Nashville, TN
 - B. November 9, 2017 Open session - Conference call

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

QCM Interpretation

Why is this on the Agenda?

A QCM provider may engage an independent third-party to perform one or more procedures from Standards paragraphs .167-.176 for an engagement that is not a QCM review. An interpretation is needed that provides guidance on how the related report could be evaluated by a team captain when considering the design of a reviewed firm's system of quality control.

The proposed interpretation at Agenda Item 1.2A makes it clear that:

- These are not QCM reviews and should not be relied upon as such.
- Based on the team captain's professional judgment, the extent of procedures to evaluate the reliability of QCM under Interpretation No. 42-2 may be reduced after considering certain factors identified in the interpretation.

Feedback Received

At its April 24th meeting, the QCM task force:

- Supported this interpretation moving forward.
- Will work with the STF to enhance the interpretation in the coming months so that it mirrors the current QCM review guidance in more detail.
- Will evaluate how this interpretation works into a long-term overhaul of the QCM guidance and process

This interpretation was also discussed with the National Peer Review Committee on May 4, 2017 and an update on their feedback will be provided.

PRIMA Impact

None. QCM processes are outside of PRIMA.

AE Impact

None. AE procedures will not change.

Communications Plan

Staff will develop an alert informing peer reviewers of the new interpretation, and share the alert with known QCM providers.

Manual Production Cycle (estimated)

The change to the Interpretations (PRP Section 2000) will be included in the next manual production (expected in June 2017).

Effective Date

Guidance is effective upon approval by the Board.

Board Consideration

Consider if the new Interpretation No. 42-4 provides the desired flexibility for QCM reviews.

Agenda Item 1.2A

(Interpretations 42-2 and 42-3 provided below the new interpretation 42-4 for background purposes)

42-4

Question—A QCM provider may engage an independent third-party to perform one or more procedures from paragraphs .167-.176. If the team captain has been furnished a report detailing the results of those procedures, how should that report be evaluated in the review team's consideration of the design of a reviewed firm's system of quality control?

Interpretation—Such engagements are not QCM reviews and the reported results should not be relied upon as though a QCM review had been performed. However, after evaluating the results, the team captain may determine, based on his or her professional judgment, that the extent of procedures that need to be performed to evaluate the reliability of QCM under Interpretation No. 42-2 may be reduced. Such a judgment should only be made after considering the

- Qualifications of the independent third-party;
- Nature of the procedures performed;
- Scope of the procedures, including which QCM were tested; and
- Results of the procedures, including any identified deficiencies and their relevance to the reviewed firm.

These considerations and their effect on the review team's evaluation of QCM should be documented in the peer review risk assessment.

42-2

Question—How should the review team evaluate the firm's quality control policies and procedures for the adequacy of the QCM used by the reviewed firm?

Interpretation—To plan the review, the review team should obtain a sufficient understanding of the reviewed firm's system of quality control, including how the firm uses QCM to promote consistency in the quality of engagement performance.

Firm's Policies and Procedures

As a part of obtaining the understanding of the system of quality control, the review team should understand the firm's policies and procedures for adopting, developing, updating, modifying, and maintaining QCM that are purchased from a third party or developed internally and determine if those policies and procedures are appropriately designed and implemented.

Reliability

The review team should understand the firm's policies and procedures for determining the reliability of the QCM utilized by the reviewed firm and determine if those policies and procedures are appropriately designed and implemented. The review team should also determine that the firm's QCM are reliable. If the QCM, whether developed by a third party or internally developed,

underwent a separate QCM review, then the results of that review should be considered as per Interpretation No. 42-3. Provider's QCM review results may be obtained from the AICPA's website, the provider, or the reviewed firm (which could also be the provider).

If the QCM did not undergo a separate QCM review, then the team captain should consult paragraphs .167-.176 for the procedures typically performed in assessing QCM for a QCM review performed for a provider. This step applies whether the QCM were obtained from a third party or were internally developed.

The objectives of those procedures are to determine whether the provider's system for the development and maintenance of the QCM was suitably designed and was being complied with during the year under review to provide firms with reasonable assurance that the materials are reliable aids to assist firms in conforming with all those components which are integral to the professional standards the materials purport to encompass. The procedures from paragraphs .167-.176 need to be adapted to the review team's use during a peer review of a reviewed firm. The team captain should use professional judgment in determining the extent of the procedures that need to be performed to evaluate the reliability of the QCM. Further, if the QCM were obtained from third parties, the team captain may be limited in his or her ability to assess the provider's system for the development and maintenance of the QCM and its compliance with that system. Therefore, there is a greater focus on whether the QCM is reliable.

Suitability

The review team should understand the firm's policies and procedures for determining the suitability of the QCM utilized by the reviewed firm, and determine if they are appropriately designed, implemented, and suitable for the firm. Examples of factors to be considered include whether the QCM

- * cover the practice areas and industries of the firm.
- * are used for the intended type of client and users.
- * are used by the firm as intended by the QCM's instructions and guidance (see Interpretation No. 176-1 for further guidance).
- * contain an appropriate level of explanatory guidance for the users.
- * are updated with current professional standards.

Any weaknesses noted in the system of quality control as a result of the preceding procedures should be considered when the team captain assesses other aspects of the firm's system of quality control. This includes the firm's compliance with quality control standards established by the AICPA and how the firm's policies and procedures identify and mitigate the risk of material noncompliance with applicable professional standards. The weaknesses should also be considered when the team captain prepares his risk assessment, determines scope, performs his functional testing, concludes on the peer review, and considers the systemic causes for matters, findings, deficiencies and significant deficiencies.

Question—Many firms rely on third party QCM as integral portions of the firm’s system of quality control. Some third party providers elect to undergo QCM reviews. How should the review team evaluate the results of a QCM review in its consideration of the design of a reviewed firm’s system of quality control?

Interpretation—An independent QCM review entails an assessment of the provider’s system of quality control to develop and maintain the QCM, and an assessment of the resultant materials.

The QCM review report includes opinions on the

- * provider’s system to develop and maintain reliable aids (see paragraph .175).
- * reliability of the specific QCM covered by the review.

The review team’s evaluation of the design of the reviewed firm’s system of quality as it relates to the QCM materials should assess the

- * reliability of the QCM and
- * the firm’s policies and procedures for adopting, updating, and modifying the provider’s QCM.

The review team should obtain the QCM review results (that is, the report or letter of response, if applicable) to consider the impact on the reviewed firm’s system of quality control. The provider’s QCM review results may be obtained from the AICPA’s website, the provider, or the reviewed firm.

The review team should carefully compare the specific QCM utilized by the firm with those materials and elements opined on within the QCM report. The provider determines which QCM are included within the scope and may not include all material published by the provider in the scope of a QCM review. The specific QCM opined on in the QCM review report will be listed in the first paragraph of the QCM review report or in an addendum to the report.

Other scoping factors to consider include the following:

- * The QCM review report is applicable to the substance and content of the specified QCM regardless of the different formats or media through which it could be available or marketed (for example, print or electronic), unless specified in the QCM review report.
- * QCM will often have different elements, such as written guidance, practice aids, letter templates, sample completed aids or templates, and continuing professional education modules. The QCM report will identify specific exclusions or inclusions if only a particular element or portion of a guide (for example, practice aids) is opined on in the QCM review report.

The review team should also consider the QCM review’s report rating as it relates to the QCM used by the firm.

If the provider received a pass report, then the review team can place reliance on the provider’s QCM review results with respect to that portion of the reviewed firm’s design of its system. This should be reflected in the review team’s discussion of control risk in the overall peer review risk

assessment. Ordinarily, a pass QCM report on materials that are integral to the firm will help lower control risk.

If the provider received a pass with deficiencies report, the review team should first determine whether the deficiency(ies) impacted the reliability of one or more of the QCM listed in the report. Next, the review team should consider the reasons for the deficiencies identified in the report and assess their relevance to the reviewed firm. Once this assessment is made, the review team can determine the degree of reliance it can place on the provider's results.

If a deficiency is impacting the reliability of one or more QCM used by the reviewed firm, the review team should determine whether the reviewed firm has mitigated the risk that its reliance on the QCM may lead to the firm not addressing one or more integral components of professional standards in its performance of audit or attest engagements.

If a deficiency is on the provider's system of quality control but does not directly affect the separate opinion on the QCM, or is specific to QCM that are not used by the reviewed firm (for example, a deficiency related to an employee benefit plan manual, but the firm only uses a construction manual from that provider), then once this assessment is made, the review team can determine the degree of reliance it can place on the provider's results.

The impact (or lack thereof) of a pass with deficiencies QCM report should be fully explained in the discussion of control risk in the overall peer review risk assessment.

If the provider received a fail report, no reliance can be placed on the results and the review team should evaluate and document the impact on the reviewed firm's system of quality control in the peer review risk assessment. The review team will also need to consider the impact on the peer review scope if the firm fully relied on QCM that are not reliable aids.

If applicable, the review team should review the definitions of deficiencies and significant deficiencies in QCM reviews provided in paragraph .178 to further understand the impact to the reviewed firm.

If the provider obtained a QCM review, but the specific QCM used by the reviewed firm were not opined on in the QCM report, the review team will need to perform the appropriate procedures to evaluate whether the QCM were suitably designed. See Interpretation No. 42-2 for additional information.

The review team should always obtain the most recently accepted QCM report. and consider (a) the version date of the materials relative to the period covered by the report and (b) the amount of time that has passed since the period covered by the report in determining the degree of reliance that can be placed on the QCM review results.

Factors to consider include the following:

- * The issuance of new standards
- * Changes in regulatory requirements
- * Changes in economic conditions that affect the provider

* Limitations or restrictions on authors of the materials

* Any substantial changes or updates to the materials

Regardless of the degree of reliance placed on the provider's QCM review results, the review team is still responsible for determining which forms, checklists, or programs are used by the reviewed firm as a part of its system of quality control, how often the materials are updated, the degree of reliance that the reviewed firm placed on the materials, and assessing compliance with their use. The results of the provider's QCM review should weigh in the assessment of control risk and be documented in the risk assessment.

For additional information on QCM reviews, please see paragraphs .154–.204 and appendix A of the standards.

Revised National PRC Requirements

Why is this on the Agenda?

The National PRC would like the PRB to consider the changes to Interpretation No. 11-1 proposed in Agenda Item 1.3A. This proposal is due to confusion about which firms are required to have their peer reviews administered by the National PRC. The National PRC is proposing to require administration based on the performance of an engagement under PCAOB standards with a year-end during the peer review year. The National PRC is also proposing to clarify that firms that perform a substantial role in an engagement subject to permanent inspection by the PCAOB are required to have their reviews administered by the National PRC. Finally, the first criterion listed in the interpretation (“The firm is required to be registered with and subject to permanent inspection by the PCAOB”) has been deleted as it is repetitive.

Timing of Engagements Performed

Interpretation No. 11-1 currently states that the requirement to be administered by the National PRC is based on when the audit is performed versus the year end of the audit (which is what most other peer review guidance is based off of). The National PRC and staff propose that firms be required to have their review administered by the National PRC if the firm performs engagements under PCAOB standards with a period ending during the peer review year.

The following examples illustrate the confusion under the current guidance and how the proposed guidance would address those issues.

- Example 1 – Firm A’s peer review year end is December 31, 2015. They perform a 10-K audit in January/February 2015 with a December 31, 2014 year-end. They do not perform the December 31, 2015 10-K audit or any other engagements under PCAOB standards with periods ending during the peer review year. Under the current guidance, this firm would be required to be administered by the National PRC for their peer review year ended December 31, 2015. Under the proposed guidance, this firm would NOT be required to be administered by the National PRC for their peer review year ended December 31, 2015.
- Example 2 – Firm B’s peer review year end is December 31, 2015. They perform a 10-K audit with a December 31, 2015 year end in January/February 2016. Under the current guidance, this firm would NOT be required to be administered by the National PRC for their peer review year ended December 31, 2015 because the engagement was not performed until after the peer review year end. Under the proposed guidance, this firm would be required to be administered by the National PRC for their peer review year ended December 31, 2015.

Firms that play a substantial role in engagements subject to inspection by the PCAOB

The PCAOB requires firms to register with the PCAOB in different categories, which include:

- A. Audit report for at least one issuer
- B. No audit reports for issuers but played a substantial role in the audit for at least one issuer
- C. Audit reports for at least one broker-dealer
- D. No audit reports for broker-dealers, but substantial role in audit of at least one broker-dealer

- E. None of the above
- F. No Form 2 filed

Questions have arisen over whether firms registered as categories B and D are required to have their peer reviews administered by the National PRC. Firms registered in these categories are subject to permanent inspection by the PCAOB. There are approximately 7 U.S. companies registered as category B and 3 U.S. companies registered as category D (that are not included in categories A and C) as of April 26, 2017. The National PRC and staff propose changing Interpretation No. 11-1 to clarify that firms that play a substantial role in an engagement subject to PCAOB inspection are required to be administered by the National PRC.

Feedback Received

The National PRC discussed this issue at their December 8, 2016 meeting and supported the change as proposed in Agenda Item 1.3A. The AATF discussed and agreed with the year-end change as proposed.

PRIMA Impact

Questions in the Peer Review Information (PRI) request form within PRIMA for scheduling peer reviews will be added/modified to reflect the changes to the interpretation and more clearly reflect what the requirements to be administered by the National PRC are. These changes will be made this summer/fall.

AE Impact

The impact to AEs is that some firms will have different AEs (NPRC or other AE) for those firms that are impacted by the requirements change.

Communications Plan

The change will be communicated to peer reviewers and other stakeholders in a Reviewer Alert after it is approved at the May Peer Review Board meeting (if approved).

Manual Production Cycle (estimated)

The changes will be included in the June 2017 OPL update.

Effective Date

Effective for reviews commencing 6/1/17 or later.

Board Consideration

1. Review and approve the proposed changes outlined in Agenda Item 1.3A.

Peer Reviews To Be Administered by the National Peer Review Committee

11-1

Question—[Paragraphs .11](#), [.128](#), and [.161](#) of the standards note that peer reviews intended to meet the requirements of the program should be carried out in conformity with the standards under the supervision of a state CPA society, group of state CPA societies, the National PRC, or other entity (hereinafter, administering entity) approved by the board to administer peer reviews. Under what circumstances are peer reviews administered by the National PRC?

Interpretation—Firms are required to have their review administered by the National PRC if they meet any of the following criteria:

- ~~a. The firm is required to be registered with and subject to permanent inspection by the PCAOB.~~
- a. The firm performed an engagements under PCAOB standards with a year-end during the peer review year.
- b. The firm played a substantial role in an engagement subject to inspection by the PCAOB with a period ending during the peer review year.
- c. The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews.

~~Firms that meet any or all of the preceding criteria during the peer review year, but not as of their peer review year end (for example, because they resigned or were terminated from their SEC issuer clients, whether or not they deregistered with the PCAOB) are still ordinarily required to have their review administered by the National PRC. The firm's peer reviewer is still required to comply with guidance specific to firms administered by the National PRC, including, but not limited to, guidance at Interpretations 40-1 and 40-2 regarding other planning considerations and reporting of PCAOB inspection results. One exception is if a firm was required to be registered with and inspected by the PCAOB during the peer review year, but then did not perform the engagement during that period (because they resigned or were terminated and thus were no longer the "auditor or accountant of record"), is not required to have its review administered by the National PRC if they deregister with the PCAOB prior to scheduling their review.~~

Firms that are not required to have their review administered by the National PRC may choose to do so. However, such firms are subject to the National PRC's administrative fee structure and should familiarize themselves with that structure prior to making such a decision. ~~This would also require that at least one owner of the firm be a member of the AICPA.~~

Failure to Improve or Correct Deficiencies or Significant Deficiencies after Consecutive Corrective Actions

Why is this on the Agenda?

The standards, the interpretations and the RAB Handbook should be clearer and provide more guidance about when a RAB can or should refer a firm for a termination hearing for noncooperation due to a failure to improve after consecutive corrective actions.

Peer Review Standards

Paragraph .144 of the Standards includes the statement that “a firm that fails to correct deficiencies or significant deficiencies after consecutive corrective actions requested by the committee may also be deemed as a firm refusing to cooperate.” It’s not clear from the current wording that the statement is referring to corrective actions on the same peer review. In addition, the word “requested” implies that the performance of corrective actions is optional.

Staff recommends changing the statement in paragraph .144 to indicate that it is referring to corrective actions on the same peer review. Staff also recommends changing “requested” to “required”.

Peer Review Interpretations

The question posed in Interpretation 5h-1 refers to paragraphs .05(h) and .143 of the standards and asks, “Under what circumstances will a firm (or individual) be not cooperating, and what actions can be taken by the board for noncooperation?”

The AICPA Peer Review Board termination resolution contained in Interpretation 5h-1 includes examples of when firms would be deemed as failing to cooperate. The examples of noncooperation do not include a firm’s failure to correct deficiencies or significant deficiencies after consecutive corrective actions requested by a peer review committee (paragraph .144 of the standards).

Staff recommends the following:

1. Revising the question in Interpretation 5h-1 to include a reference to the guidance in paragraph .144 of the standards (see Agenda Item 1.4A) and,
2. Adding to the existing termination resolution to include a firm’s failure to correct deficiencies or significant deficiencies after consecutive corrective actions requested by a peer review committee as an example of failing to cooperate (see Agenda Item 1.4A).

RAB Handbook

Chapter 6 of the RAB Handbook addresses monitoring corrective actions and implementation plans but the guidance is unclear as to when a RAB should refer a firm for noncooperation when the firm fails to improve after consecutive corrective actions.

Corrective Action Section II (Requiring Additional Corrective Actions): This section acknowledges that additional corrective actions are required when actions previously requested have been completed but did not result in expected improvement. This section also provides various considerations in determining the need for additional corrective actions. However, the section

does not explicitly state when a RAB should stop asking for additional corrective actions and, instead, refer the firm for noncooperation.

Corrective Action Section IV (Determining Noncooperation of Reviewed Firms): This section references paragraph .05h of the standards that requires firms to cooperate in all matters related to the peer review. This section also refers to paragraph .144 of the standards and provides instances of noncooperation that mirror those in paragraph .144.

Although Section IV indicates that the examples of instances of noncooperation is not all inclusive the examples provided do not include the portion of paragraph .144, that identifies a firm's failure to correct deficiencies or significant deficiencies after consecutive corrective actions as noncooperation.

Staff recommends revising the Section IV list of instances of noncooperation to include failure to correct deficiencies or significant deficiencies after consecutive corrective actions. Section II should also be revised to include a reference to Section IV when firms fail to correct deficiencies or significant deficiencies after consecutive corrective actions. See Agenda Item 1.4A.

Feedback Received

Staff has received inquiries from technical reviewers and committee members regarding an AE's ability to refer a firm for noncooperation for failure to correct deficiencies and significant deficiencies after consecutive corrective actions. After consultation, the inquirers agree that Standard paragraph .144 allows referral to a termination hearing, but requested clearer guidance.

PRISM/PRIMA Impact

Revise the Committee Acceptance Letter General Follow up Action (COMLTR10) and the Additional Follow Up letter (FULTR5) to notify a firm that failure to correct deficiencies and significant deficiencies after consecutive corrective actions may be deemed as noncooperation prompting referral to the Board for termination hearing.

Creation of appropriate Hearing Referral Notices and Hearing Notice templates from AICPA to firms for failure to correct deficiencies and significant deficiencies after consecutive corrective actions.

The letters and hearing referral and hearing notice templates would be updated when PRIMA has been implemented. See Agenda Item 1.4B proposed revisions to these letters.

AE Impact

Enhancements to Administrator and Committee training to emphasize committee assessments of firm noncooperation for failure to correct deficiencies and significant deficiencies after consecutive corrective actions.

Communications Plan

Staff anticipates developing alerts for administering entities informing them of the changes to the Interpretations and RAB Handbook. These alerts would be sent no later than the month following board approval.

Manual Production Cycle (estimated)

The changes to the Standards (PRP Section 1000), Interpretations (PRP Section 2000) and RAB Handbook (PRP Section 3300) will be included in the next manual production after Board approval (June 2017).

Effective Date

Guidance is effective upon approval by the Board.

Board Considerations

The Board is asked to consider the following, provide comment, or approve for implementation:

1. Proposed conforming change to paragraph .144 of the standards to state that a firm may be deemed as a firm refusing to cooperate if the firm fails to correct deficiencies or significant deficiencies after consecutive actions “on the same peer review” (Agenda Item 1.4A).
2. Proposed conforming change to paragraph .144 of the standards to indicate that corrective actions are “required” by the committee versus “requested” (Agenda Item 1.4A).
3. Proposed conforming change to the question in Interpretation 5h-1 to reflect paragraph .144 of the standards (Agenda Item 1.4A)
4. Proposed conforming change to the termination resolution in Interpretation 5h-1 to include a firm’s failure to correct deficiencies and significant deficiencies after consecutive corrective actions requested by a peer review committee as an example of a firm’s failing to cooperate (Agenda Item 1.4A)
5. Proposed conforming change to Corrective Action Section IV of Chapter 6 of the RAB Handbook to include a firm’s failure to correct deficiencies or significant deficiencies after consecutive corrective actions as an example of a firm’s failing to cooperate (Agenda Item 1.4A).
6. Proposed conforming change to paragraph two of Corrective Action Section II of Chapter 6 of the RAB Handbook to refer to Corrective Action Section IV (Agenda Item 1.4A).
7. Whether acceptance letters for non-pass reports should include language that informs firms that if they fail to correct deficiencies or significant deficiencies after consecutive corrective actions on the same peer review that the firm could be referred for a noncooperation termination hearing (Agenda Item 1.4B). Similar language would be included in letters communicating additional corrective actions (Agenda Item 1.4B).

Proposed Revisions to Paragraph .144 of the Standards and the Termination Resolution in Interpretation 5h-1

PRP Section 1000

AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS

.144 If a reviewed firm refuses to cooperate, fails to correct deficiencies or significant deficiencies, or is found to be so seriously deficient in its performance that education and remedial, corrective actions or implementation plans are not adequate, the board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm’s enrollment in the program should be terminated or whether some other action should be taken. A firm that receives peer reviews with recurring deficiencies or significant deficiencies that are not corrected may be deemed as a firm refusing to cooperate. In addition, a firm that fails to correct deficiencies or significant deficiencies after consecutive corrective actions ~~required requested~~ by the committee on the same peer review may also be deemed as a firm refusing to cooperate.

PRP Section 2000

PEER REVIEW STANDARDS INTERPRETATIONS

Cooperating in a Peer Review

5h-1 *Question*—Paragraph .05(h) of the standards notes that firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm’s enrollment in the program, including arranging, scheduling, and completing the review and taking remedial, corrective actions as needed (paragraph .143 and .144 of the standards). Under what circumstances will a firm (or individual) be not cooperating, and what actions can be taken by the board for noncooperation?

Interpretation—The AICPA Peer Review Board has issued a resolution regarding terminating a firm’s enrollment from the AICPA Peer Review Program that is as follows:

AICPA Peer Review Board Resolution (Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, August 8, 2012, January 30, 2014, September 30, 2014, and November 30, 2014)

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required to have a peer review once every three years performed in conformity with the *AICPA Standards for Performing and Reporting on Peer Reviews*; and

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required under the *AICPA Standards for Performing and Reporting on Peer Reviews* to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board in all matters related to the review, that could impact the firm's enrollment in the program;

BE IT FURTHER RESOLVED: That a firm's failure to cooperate with the administering entity would also include failing to receive a pass report rating subsequent to receiving notification via certified mail, or other delivery method providing proof of receipt, after a peer review rating of pass with deficiencies or fail that a consecutive peer review rating of pass with deficiencies or fail may be considered a failure to cooperate with the administering entity. [In addition, a firm that fails to correct deficiencies or significant deficiencies after consecutive corrective actions required by the committee on the same peer review may also be deemed as a firm failing to cooperate.](#)

RAB Handbook – Revisions to Chapter 6, Corrective Action Section II and IV

Staff recommends the following conforming revisions to Chapter 6, Monitoring Corrective Actions and Implementation Plans, Corrective Action Sections II and IV.

II. Requiring Additional Corrective Actions

Guidance for determining when and what type of initial corrective action(s) to require as a result of a review is contained in [chapter 4](#) and [chapter 5](#) for System and Engagement Reviews, respectively.

Additional corrective actions are required when such actions previously requested of the firm have been completed, but the results indicate that the actions did not bring about the improvement expected ([see Corrective Actions section IV Determining Noncooperation of Reviewed Firms](#)).

IV. Determining Noncooperation of Reviewed Firms

[Paragraph .05h](#) of the standards notes that firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, including taking remedial, corrective actions as needed.

Failing to Correct Deficiencies or Significant Deficiencies

Instances of noncooperation by a reviewed firm would include, but are not limited to (sec. 1000 [par. .144](#))

- refusal to cooperate
- failure to correct deficiencies or significant deficiencies [after consecutive corrective actions required by the committee on the same peer review](#)
- deficiencies that indicate the firm to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate
- receiving peer reviews with recurring deficiencies or significant deficiencies that are not corrected
- failure to receive a pass report after receiving a peer review rating of *pass with deficiencies* or *fail* and the firm received notification through a method providing proof of receipt that a consecutive peer review report rating of *pass with deficiencies* or *fail* may be considered a failure to cooperate with the administering entity

Revised Acceptance Letter & Follow-up Letter Wording

Suggested Additional Wording in Peer Review Acceptance Letters with Corrective Actions

PLEASE NOTE: Paragraph .144 of the Standards for Performing and Reporting on Peer Reviews states that a firm that fails to correct deficiencies or significant deficiencies after consecutive remedial or corrective actions requested by the Committee on the same peer review may be deemed as a firm refusing to cooperate.

Suggested Additional Wording in Follow-up Letters Requiring Additional Corrective Actions

In the Committee's letter dated [DATE] you were notified that Paragraph .144 of the Standards for Performing and Reporting on Peer Reviews states that a firm that fails to correct deficiencies or significant deficiencies after consecutive remedial or corrective actions requested by the committee on the same peer review may be deemed as a firm refusing to cooperate. If the Committee concludes that the results of the additional remedial or corrective actions described above indicate that the firm has not corrected deficiencies or significant deficiencies, then the Committee may refer the firm to the AICPA Peer Review Board to consider whether the firm's enrollment in the program should be terminated or whether some other action should be taken.

Nonconforming Engagement Reason Codes

Why is this on the Agenda?

In May 2016, the Standards Task Force approved changes to the nonconforming engagement reason codes included on the System Review Engagement Statistics Data Sheet in the Summary Review Memorandum (SRM) and on the Engagement Review Engagement Statistics Data Sheet in the Review Captain Summary (RCS).

The changes are intended to provide reviewers with more appropriate options for identifying the reason(s) for the nonconforming engagement. For example, if an engagement is nonconforming for noncompliance with Government Auditing Standards or PCAOB Standards, the current options do not include either of those Standards as an option. Reviewers would have to pick "GAS – Non GAAS."

The proposed options mirror the list of professional standards that are used to identify no answers on the MFC form. Refer to Agenda Item 1.5A.

PRIMA Impact

The revised options have already been programmed in PRIMA.

AE Impact

A mapping document has been provided to AEs for purposes of entering the data statistics on reviews where workpapers were received prior to the switch to PRIMA.

Communications Plan

The change will be communicated to peer reviewers and other stakeholders in the next Reviewer Alert.

Manual Production Cycle (estimated)

The changes outlined in Agenda Item 1.5A will be incorporated into the SRM and RCS and will be included in the next manual production after Board approval (June 2017).

Effective Date

The revisions will be effective for reviews with workpapers submitted to the AE prior to April 10, 2017. Reviewers are not expected to revise statistics on reviews already submitted to the AE. AEs will enter statistics using the mapping document they were provided. Reviewers will enter statistics directly in PRIMA for reviews submitted after April 10th and will be asked to input the new nonconforming engagement reason codes.

Board Consideration

Approve the proposed nonconforming engagement reasons in Agenda Item 1.5A.

Nonconforming Engagement Reason Codes

Reason Codes

For each engagement identified as ~~for engagements~~ not performed and/or reported in conformity with applicable professional standards in all material respects, the following reason codes should be used to identify the professional standards that were not complied with:

Code	Description
GAA	Non-GAAS and Non-GAAP
GAP	Non-GAAP
GAS	Non-GAAS
SAR	Non-SSARS
ATT	Non-SSAE

Code	Description
<u>A-133</u>	<u>OMB Circular No. A-133, Audits of States, Local Gov't, and NFP Org</u>
<u>AAG</u>	<u>Accounting and Audit Guide</u>
<u>AR-C</u>	<u>Accounting and Review Services – Clarified</u>
<u>AT</u>	<u>Attestation Standards</u>
<u>AU-C</u>	<u>US Auditing Standards - Clarified</u>
<u>CFR</u>	<u>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Guidance</u>
<u>CT</u>	<u>FASB Accounting Standards Current Text</u>
<u>ET</u>	<u>Code of Professional Conduct</u>
<u>FASB</u>	<u>FASB Accounting Standards Codification</u>
<u>FDI ACT</u>	<u>Federal Deposit Insurance Act</u>
<u>FRFSME</u>	<u>Financial Reporting Framework for Small- and Medium-Sized Entities</u>
<u>GAS</u>	<u>Government Auditing Standards</u>
<u>GASB</u>	<u>Codification of Gov't'l Acctg and Financial Reporting Stds</u>
<u>GASB TB</u>	<u>Gov't'l Acctg Stds Board Technical Bulletin</u>
<u>HUD</u>	<u>Consolidated Audit Guide for Audits of HUD Programs</u>
<u>Other</u>	<u>(reviewer to enter description)</u>
<u>PCAOB</u>	<u>Public Company Accounting Oversight Board</u>
<u>QC</u>	<u>Quality Control</u>
<u>SEC</u>	<u>Securities and Exchange Commission</u>
<u>TPA</u>	<u>AICPA Technical Practice Aids</u>

Peer Review Information Form (PRIF)

Overview

The AICPA Peer Review Program (Program) is committed to assisting firms in maximizing audit quality on a regular basis and not just during the firm's peer review year. The Program is also working to make the peer review process more efficient and convenient so that firms can focus less on filling out paperwork and more on promoting quality in accounting and auditing services.

To that end, AICPA staff requests the Peer Review Board (PRB) to consider the implications of applying noncooperation procedures to firms that do not complete the Peer Review Information Form (PRIF) annually. In January, the PRB discussed the development of a form for firms to voluntarily submit practice related information on an annual basis, including ranges of certain engagements and responses to a few quality control related questions. During the discussion, concerns were expressed that a volunteer basis would limit its effectiveness. As noted in the points below, completion of the PRIF annually will benefit individual firms and support efforts to maintain self-regulation of the profession.

Purpose

The PRIF is designed to serve as a central location for firms to provide specific practice information, as well as to further the efforts of the AICPA's Enhancing Audit Quality (EAQ) Initiative. Please refer to Agenda Item 1.6A for other common questions and concerns related to the annual PRIF.

Improving Communication

Annual requests for information will more frequently remind firms of Program changes, free practice guides and resources available. By having more detailed firm information available, the AICPA will be able to tailor communications around emerging issues to impacted firms.

Providing Firms with More Relevant Resources

Firms are expected to be aware of unique risks associated with certain engagements when entering into new industries or practice areas; however, this is not always the case. With annual PRIF submissions, the AICPA will be able to timely identify when firms have changed the types of engagements performed and reference appropriate tools and resources applicable to the change.

For example, when a firm engages in new areas of practice, the AICPA will be able to provide reference to applicable CPE courses, acceptance and continuance tools, and checklists – with many of these resources provided for free. Another example is when significant changes occur to Program guidance and reporting that affect all firms, the AICPA will be able to timely inform firms so they are aware of such changes and applicable resources, using the convenient online dashboard that is being used as the primary source of peer review related communications. Furthermore, as reviewers express interest on their resumes to serve as outside consultants for other firms through performing pre-issuance reviews, engagement quality control reviews, or monitoring functions, the AICPA will also be able to refer firms to other firms that are engaging in similar services.

Currently, the Program faces the challenge of not having a mechanism to recognize when a firm changes the composition of its practice. For example, a reviewer and the firm's administering entity may not realize a firm has expanded its practice into new areas until potentially three years after an engagement is first performed. As a result, the AICPA is not as effective as it can be in

helping firms when they first enter such areas. In essence, the AICPA is limited to hoping a firm will be aware it should seek additional resources *and* that such resources are readily available.

Promoting Quality Control

Annual reporting and increased data collection about aspects of a firm's system of quality control may prompt firms to update their documentation and consider their compliance each year – not just during peer review years. This also supports efforts to provide high quality services while maintaining self-regulation.

Increasing Efficiency for Firms

The current version of the PRIF is an online submission that includes Firm Enrollment, Scheduling, and Annual No A&A Confirmation (a submission already required each year for firms that do not perform audit or attest work), which are all completed using the Peer Review Integrated Management Application (PRIMA). For firms already enrolled in the Program, question responses have been pre-populated based upon information firms have already submitted historically. In subsequent years, previously-entered data will be saved so that firms will not need to submit the same information year after year. Rather, firms can focus on new or updated data, which will minimize the time spent completing the form.

Additionally, the PRIF's electronic format automatically determines what information a firm needs to provide based upon how the firm answers initial questions, thus removing irrelevant requests for data and reducing both confusion and completion time.

Helping Reviewers

Peer reviewers should have the tools necessary to best serve the firms they are engaged to review. Providing more relevant and objective data up front will allow reviewers to better tailor their testing approaches, such as targeting engagement/office selection, thus allowing for a more effective and efficient review.

Identifying Trends

The information requested will be objective in nature, and over the longer term, the PRIF may help the AICPA and AEs identify which firm traits indicate an increased risk for audit quality issues. This, in turn, will help inform the PRB of specific audit quality concerns so that it can better address these challenges as it considers guidance revisions and other activities, such as highlighting areas of concern to reviewers and committees in annual training courses.

Scope and Content

When firms complete this form annually, the exhibit below is intended to provide a general overview of the objective information that will be requested in addition to what is already being provided as firms complete the current PRIF during peer review years. Agenda Item 1.6B is also included to highlight where new information will be requested.

Category	New Information Requested
General Firm Information	None
No A&A Confirmation	None
Firm Industries & Practice Areas	Ranges of Must-Select and Must-Cover Engagements(1, 2-5, 6-10, 11+)
Firm Quality Control	Changes in Leadership, Timing of QCD Updates & Communication to Staff, and QCM Characteristics

Timing

If the PRB approves development of noncooperation procedures for firms that do not complete the PRIF annually:

1. AICPA Staff will tailor the current PRIF so that firms must submit practice related information each year, including ranges of certain engagements and quality control related questions.
2. The PRB will need to approve corresponding changes to interpretations and other guidance at the August Open Session.

Board Consideration

1. To what extent should firms be held accountable if an annual submission is not completed?
2. Currently, firms are dropped from the Program when failing to timely file requested information with the AE concerning the arrangement or scheduling of peer reviews.
 - a. If annual submissions are required as a matter of cooperation with the Program, should current noncooperation procedures apply?
 - b. Should a separate process, or any other implications be considered in the development of fair procedures and changes in guidance?

Peer Review Information Form (PRIF) Q&A

To address common questions and concerns about the annual Peer Review Information Form (PRIF), the following questions and answers will address how annual submissions and enhanced data collection will benefit firms and strengthen the peer review process:

1. How will submission of annual practice-related information help firms?

Answer: Firms will benefit from submitting practice-related information on an annual basis primarily through more frequent assessment of services performed. When a firm enters a new area of practice, the PRIF will call attention to changes that may warrant further consideration. In addition, the PRIF will annually call firms’ attention to significant changes to professional standards.

For example, if a firm begins to perform employee benefit plan audits for the first time, the firm could receive an automated message that recommends relevant audit guides or quality control tools intended to help the firm perform the highest quality audit possible, as well as a link to other practitioners willing to assist in a consulting capacity. Or, if a firm currently performs employee benefit plans, and a major change to the relevant audit guide has occurred, the firm will be reminded of the guide’s revision.

2. Which processes are being replaced by the PRIF? When will the annual form go live?

Answer: A basic version of the PRIF was released in the beginning of May, which only includes the legacy No A&A (a required annual confirmation when a firm does not perform audit or attest work), enrollment, and scheduling processes.

The annual requirement to complete the PRIF, certain enhancements to include ranges of engagements in must-select or must-cover practice areas, and questions on quality control will go live as part of Phase 2 of PRIMA implementation. The summary below highlights the additional (objective) information requested in the annual process.

Category	New Information Requested
General Firm Information	None
No A&A Confirmation	None
Firm Industries & Practice Areas	Ranges of Must-Select and Must-Cover Engagements (1, 2-5, 6-10, 11+)
Firm Quality Control	Changes in Leadership, Timing of QCD Updates & Communication to Staff, and QCM Characteristics

3. Will annual submissions of practice related information benefit the accounting profession as a whole?

Answer: Yes - The accounting profession has a long-standing commitment to quality, consisting of working to respond to challenges as they arise, and to utilize technology

(where appropriate) to analyze trends or enhance our ability to deliver high quality services more efficiently.

The AICPA has combined the use of technology with its Enhancing Audit Quality Initiative (EAQ) to improve the effectiveness and efficiency of the peer review process. To that end, the AICPA has designed the Peer Review Integrated Management Application (PRIMA) to include the ability to assist firms by providing links to resources and tools related to quality control and audit and attest services (many are offered at no additional charge) when changes in a firm's practice may warrant further attention.

4. Does the AICPA intend to increase the frequency of peer reviews?

Answer: No. At this time, the Peer Review Board does not intend to require peer reviews more frequently than currently provided by the AICPA Standards for Performing and Reporting on Peer Reviews (Standards). If the peer review climate evolves and changing circumstances warrant consideration of a change in frequency, a separate proposal including revisions to Standards and related interpretations would be considered.

5. I have a small or medium-sized firm that does not frequently change its audit and attest services performed on a yearly basis. How will completing the form annually help my firm?

Answer: While a firm may not frequently change the types of services it performs, all firms are required to maintain and document an effective quality control system in accordance with professional standards (Statements on Quality Control Standards - SQCS). A smaller firm with limited changes to the types of services performed will benefit from a more frequent assessment of its quality control system, and from reminders related to changes in standards and guidance in engagements it already performs.

Similar to when a firm enters into a new area of practice like performing a new EBP engagement, the firm will receive tailored messages to assist with documenting design and compliance requirements related to its system of quality control. Furthermore, if a particular change in guidance is noted as a common matter or finding in peer reviews, the system will include reference to pertinent information a firm should consider when providing a certain type of service.

6. If a firm is only required to have an Engagement Review, why is it required to complete the quality control questions included in the PRIF?

Answer: SQCS require firms to design and comply with an effective system of quality control, regardless of whether the firm is required to have a System Review or an Engagement Review. As SQCS are applicable to all firms, the system will provide notifications when significant changes may warrant reassessment of a firm's design or compliance with its system of quality control.

7. It appears the form is requesting a lot of information; will this create an additional administrative burden by requiring firms to complete the PRIF annually?

Answer: No. The System will pre-populate certain firm details that have been provided historically, therefore firms should not expect a significant increase in the amount of time required to complete the form. Firms will, however, need to plan in advance to provide the ranges of engagements within the must-select or must cover practice areas on an

annual basis. Firms will also experience increased familiarity with the PRIMA system by completing the form annually, which will also allow for more efficient completion.

PRIMA will only show the questions that are applicable to the firm based on information being provided. Help text (instead of footnotes in paper forms) is provided in areas where firms struggle, which will also increase the efficiency of completing each submission.

In addition to data provided historically, a firm will only have to indicate a range of the number of engagements performed within the must-select or must-cover practice areas, and answer a few questions related to characteristics of the firm's system of quality control.

8. How will other peer review stakeholders benefit from providing accounting and auditing practice-related information on an annual basis?

Answer: With the release of PRIMA, firms, reviewers, and administering entities (AEs) will experience a more centralized and simplified means to submit and obtain relevant peer review information.

With annual submissions, firms and reviewers will benefit from a heightened awareness of changes to a firm's accounting and auditing practice on a year-to-year basis. The increased familiarity with the composition of a firm's practice will assist firms and reviewers with identifying potential weaknesses or opportunities to enhance certain QC policies and procedures.

Currently, data collected annually may be used by AEs to identify when an oversight of one or more specific engagements or of the firm's peer review may be desirable. Oversight of peer reviews is a routine way for AEs to assist with improving the quality of reviewers and thus, to better assist firms with identifying issues that should be addressed in performance of audit and attest related services. The oversight process does not pose additional costs to firms; it is designed to determine if reviewers are following the Standards and is intended to be remedial in nature.

9. Since the data collected by the PRIF will assist AEs with oversights of peer reviews and firms, are AEs going to oversight all firms and reviewers?

Answer: No. The current requirements for AE oversight will remain unchanged. Chapter 2 of the AICPA Peer Review Program Oversight Handbook requires a minimum of 2% of reviews being performed that year to be selected for oversight by AEs. As part of the minimum reviews to be oversights, at least two system reviews are required to be performed onsite

10. Are enrolled firms without AICPA members required to complete the PRIF, and are they also subject to oversight by the AE?

Answer: Yes. All firms are required to complete the PRIF and will receive the same benefit of tailored information as AICPA member firms. In addition, all firms are subject to oversight by the AE, regardless of whether a firm has members of the AICPA. In either case, failure to complete the PRIF in its entirety would be considered noncooperation with the Peer Review Program (Program).

11. After my submission is finalized, what if my answer changes?

Answer: Your firm will not need to update the form with real-time changes, as the data is collected as of a point-in-time. Firms are expected to complete the form annually, and if information about your practice changes subsequent to completing the form, the PRIF submission in the following year will capture those changes.

If your submission has been finalized and you discovered an error in the information, you will have the ability to revise your submission.

12. Can I skip a question? Can I refuse to answer a question?

Answer: You may skip questions and go back to them to complete at a later time, however all responses must be completed. Refusing to complete the form in its entirety may be considered noncooperation with the Program.

13. Who will have access to my responses?

Answer: AEs and the AICPA will have access to the specific information you provide, and once the team captain of your peer review has been approved, he or she will be provided with certain details in order to plan and perform the peer review.

14. Will my state board have access to my responses?

Answer: Your state board will not have access to the information that you provide unless your firm has sent written authorization to the AE or the AICPA to share specific information in accordance with paragraph .146 and Interpretation 146-3 of the Standards.

15. What protections or safeguards exist in PRIMA for the data that is being collected, given that firm specific information is accessible by all AEs?

Answer: The AICPA and AEs are bound by confidentiality requirements in the Standards. The SOC 2 report covering Pegasystems, Inc.'s Pega Cloud system, upon which PRIMA is built, covers security, availability and confidentiality of the information provided. This includes the supporting operating system, database and application server software required to deploy Pega products.

INSTRUCTIONS

The Peer Review Information Form asks about your firm's practice to identify your firm's peer review needs and certain characteristics of its system of quality control. Your firm is required to respond to all questions as a condition of cooperation with the Peer Review Program. In the year of your firm's peer review, certain information requests will be more detailed and used for scheduling purposes.

The goal of practice monitoring, the peer review program itself, and the AICPA's [Enhancing Audit Quality](#) initiative is to promote quality in the accounting and auditing services provided by the CPA firms (and individuals) subject to Standards for Performing and Reporting on Peer Reviews.

Accurate responses to questions on this form regarding the nature of your firm's practice are imperative to the administration and performance of your firm's peer review. Failure to properly represent your firm's practice may result in your firm's enrollment in the Peer Review Program being dropped or terminated and, if dropped or terminated, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies. If you are uncertain about how to classify any engagements, consider consulting AICPA *Professional Standards* or your peer reviewer.

FIRM INFORMATION

101

Your firm's Peer Review Information Form should be completed as of your peer review year-end - xx/xx/xxxx (if this date is incorrect, please contact your Administering entity):

103

Firm Number :

Firm Name:

Firm Address:

Note: This information reflects the data in the AICPA's Service Center membership system. You may update the information via the My Account section at www.aicpa.org or by contacting the AICPA's Service Center at 888.777.7077.

104

Firm's Federal Employer Identification Number (EIN): _____

106

Does the firm belong to one or more Associations of CPA firms? Yes No

Indicate the name of the association(s): _____

Is the firm closely aligned with a non-CPA owned entity? Yes No

Indicate the name of the non-CPA owned entity(s): _____

109

Please select your firm's Managing Partner from the list below.

Note: If the name you are looking for does not appear in the list, please contact the Peer Review Hotline at 919.402.4502.

Managing Partner:

Managing Partner Member Number:

Managing Partner Address:

Managing Partner Telephone:

Managing Partner Email Address:

Please select your firm's peer review contact from the list below. Provide the contact person for peer review matters. Peer Review communications will be sent only to the managing partner and peer review contact.

Note: If the name you are looking for does not appear in the list, please contact the Peer Review Hotline at 919.402.4502.

Same as Managing Partner

Peer Review Contact:

Peer Review Contact Member Number:

Peer Review Contact Address:

Peer Review Contact Telephone:

Peer Review Contact Email Address:

110 Firm Personnel

Enter the number of personnel that provide A&A services in each category below.

Firm Personnel including non-CPAs	Personnel that provide A&A services
Partners, (or equivalent)	
Managers (or equivalent)	
Leased or Per Diem	
Other professionals	
Total in Firm	

Total CPAs (including non-A&A personnel)	
-----------------------------------------------------	--

Firm Quality Control (For Engagement Reviews and System Reviews)

402

Has there been any change(s) to the firm's Managing Partner, Quality Control Director (or equivalent), or other leadership role(s)? Yes No Not applicable as this is a new firm

403

Statements on Quality Control Standards (SQCS) requires that your firm review and or update, and communicate changes to staff regarding your Quality Control Documentation (QCD). Please indicate the dates of the most recent update or review of your firm's QCD and communication to staff:

Date of most recent update or review: (calendar/date selection) I don't remember

Date most recently communicated to staff: (calendar/date selection) I don't remember N/A – Sole Practitioner

404

If your firm is a provider of quality control materials (QCM), does your firm perform the peer review of any of the users of those materials? Yes No N/A

Does your firm obtain quality control materials from any of the following providers (select all that apply)?

- a. BDO USA, LLP
- b. CCH, a Wolters Kluwer business
- c. Crowe Horwath International
- d. John Wiley & Sons, Inc. Advantage Audit Guides
- e. RSM US LLP
- f. Thomson Reuters Practitioner's Publishing Company (PPC)
- g. Caseware USA
- h. Other, indicate name _____
- i. N/A – our firm develops its own quality control materials
- j. N/A – our firm does not use quality control materials. Explain _____

404A

You have indicated that your firm uses QCM developed by a third party: Using the provider's last [QCM Review Report](#), are the Quality Control Materials used by the firm covered under the scope of the provider's last review? Yes No N/A
If no, please explain_____.

Firm Practice Areas and Industries

201A

Your responses to the following questions will determine whether your firm will have an engagement review or system review, or to confirm that no A&A related engagements are being performed.

Has your firm performed engagements under the following standards with periods ending (whether issued or not) during the year xx/xx/xx – xx/xx/xx or subsequent to it?

	Performed	Did not Perform
Statements on Auditing Standards (SASs)		
Engagements	<input type="checkbox"/>	<input type="checkbox"/>
Government Auditing Standards (GAS)		
Financial Audits	<input type="checkbox"/>	<input type="checkbox"/>
Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	<input type="checkbox"/>	<input type="checkbox"/>
Performance Audits	<input type="checkbox"/>	<input type="checkbox"/>
International Standards		
International Standards on Auditing, Assurance Engagements and related Services (ISAs), or any other standards issued by the International Auditing and Assurance Standards Board (IAASB)	<input type="checkbox"/>	<input type="checkbox"/>
Any other international standards on audit, assurance or related services	<input type="checkbox"/>	<input type="checkbox"/>
Any international accounting or reporting standards (except for International Financial Reporting Standards-IFRS)	<input type="checkbox"/>	<input type="checkbox"/>
Standards of the Public Company Accounting Oversight Board (US)		
PCAOB Auditing Standards	<input type="checkbox"/>	<input type="checkbox"/>
PCAOB Attestation Standards	<input type="checkbox"/>	<input type="checkbox"/>

201B

Provide responses for the preceeding calendar year, as reported to the PCAOB on your most recent Form 2 Annual Report Form submission, of the number of SEC issuers for which the firm:

- Prepared audit reports:
- Prepared attestation reports:
- Played a substantial role in the audit:
- Not Applicable:

202

	Performed	Did not Perform
Statements on Standards for Accounting and Review Services (SSARS)		
Reviews of financial statements	<input type="checkbox"/>	<input type="checkbox"/>
Compilations of financial statements with disclosures	<input type="checkbox"/>	<input type="checkbox"/>
Compilations of financial statements that omit substantially all disclosures	<input type="checkbox"/>	<input type="checkbox"/>
Preparation of financial statements with disclosures (with or without disclaimer reports)	<input type="checkbox"/>	<input type="checkbox"/>
Preparation of financial statements that omit substantially all disclosures (with or without disclaimer reports)	<input type="checkbox"/>	<input type="checkbox"/>
Statements on Standards for Attestation Engagements (SSAEs)		
Examinations of written assertions (Including SOC 1 and 2 engagements)	<input type="checkbox"/>	<input type="checkbox"/>
Reviews of written assertions	<input type="checkbox"/>	<input type="checkbox"/>

202A

Has your firm performed engagements under the following standards with report dates (whether issued or not) during the year xx/xx/xxxx – xx/xx/xxxx or subsequent to it, as applicable?:

	Performed	Did not perform
Examinations of prospective financial statements	<input type="checkbox"/>	<input type="checkbox"/>
Compilations of prospective financial statements	<input type="checkbox"/>	<input type="checkbox"/>
Agreed-upon procedures	<input type="checkbox"/>	<input type="checkbox"/>

202B

What independence standards apply for engagements that you perform? You must review and consider this [list of examples](#) of engagements that would subject you to SEC independence rules before you are able to complete your response. (Check all that apply.)

- AICPA
- DOL
- SEC
- PCAOB
- GAGAS
- Other (please list here): _____

203

Based on your responses, you may elect (not) to enroll your firm. Options for firm to elect enrollment will be tailored based on the types of services performed.

Firm Practice Areas and Industries

204

The purpose of the following questions is to identify the types and ranges of engagements your firm performs and, in a peer review year, to determine if your peer review team has the appropriate experience to perform the review. Multiple categories may apply to a single engagement. For example, a not-for-profit university that receives federal funding may fall under categories 013, 265, and 150.

Provide the range(s) of number of engagements for all practice areas or industries in which the firm performed an engagement for the year of xx/xx/xxxx - xx/xx/xxxx (or a report date during the year for financial forecasts and projections).

Select All That Apply	Range	Category	Code	Description
Government Auditing Standards (Yellow Book)				
	Dropdown: • 1 • 2-5 • 6-10 • 11+	Government Auditing Standards (Yellow Book)	005	Engagements Under Government Auditing Standards (Yellow Book)(Excluding OMB Single Audit Engagements)
	Dropdown	Government Auditing Standards (Yellow Book)	013	OMB Single Audit Act (not included in other Yellow Book categories below)
	Dropdown	Government Auditing Standards (Yellow Book)	265	Not-for-Profit Organizations (including voluntary health & welfare organizations)
	Dropdown	Government Auditing Standards (Yellow Book)	325	State & Local Governments
FDICIA				
	Dropdown	FDICIA	007	Audits of Federally Insured Depository Institutions subject to the FDICIA (with more than \$500 million or greater, but not more than \$1 billion, in total assets at the beginning of its fiscal year)
	Dropdown	FDICIA	008	Audits of Federally Insured Depository Institutions subject to the FDICIA (with more than \$1 billion in total assets at the beginning of its fiscal year, required to have an annual report on internal controls)
SSAE				
	Dropdown	Service Organization Control Reports	312	Service organizations (SOC 1 Reports)
	Dropdown	Service Organization Control Reports	313	Service organizations (SOC 2 Reports)
ERISA				
	Dropdown	ERISA	380	Defined Contribution Plans—Full & Ltd Scope (excluding 403(b) plans)
	Dropdown	ERISA	383	Defined Contribution Plans—Full & Ltd Scope (403 (b) plans only)
	Dropdown	ERISA	390	Defined Benefit Plans—Full & Ltd Scope
	Dropdown	ERISA	400	ERISA Health & Welfare Plans
	Dropdown	ERISA	403	ESOP Plans
Other Regulatory				
	Dropdown	Other Regulatory	440	Carrying Broker-Dealers
<i>None of the above practice areas/industries apply</i>				

205

In order to verify the review team has the appropriate experience, review your previous submissions below, and update as necessary for engagements (whether issued or not) in all practice areas/industries your firm has performed, with periods ending during the year xx/xx/xxxx - xx/xx/xx or subsequent to it (or report dates during the year xx/xx/xxxx - x/xx/xxxx or subsequent to it, as applicable) that would require a System Review.

Additionally, select the individual practice areas or industries in which over **ten percent** of your firm’s practice hours are concentrated (only those hours related to audit and attest work not subject to permanent inspection by the PCAOB). Please select those that are applicable to your firm, as this list is not all-inclusive for all industries.

Note: Your firm is required to have a System Review if it performs engagements under the Statement on Auditing Standards (SAs,) the Government Auditing Standards (Yellow Book), examinations under the Statement on Standards for Attestation Engagements (SSAEs), or engagements under the PCAOB standards, that are not subject to **permanent inspection** by the PCAOB.

Select All That Apply	>10%?	Code	Description
Brokers and Dealers in Securities:			
		450	Non-Carrying Broker-Dealers
Depository and Lending Institutions:			
		125	Banks, Savings Institutions, & Credit Unions
		190	Finance Companies
		250	Mortgage Companies
Entities with Oil and Gas Producing Activities			
		180	Extractive Industries—Oil and Gas
		185	Extractive Industries—Mining
Health Care Entities:			
		210	Health Maintenance Organizations
		216	Hospitals
		217	Skilled Nursing, intermediate and related facilities
		XXX	Other healthcare entities
Investment Companies:			
		230	Investment Companies and Mutual Funds, including private equity
		295	Real Estate Investment Trusts
Insurance Companies:			
		200	Property and Casualty Insurance Co.
		240	Life Insurance Companies
		300	Reinsurance Companies
Other Government & Compliance Engagements			
		186	Federal Student Financial Assistance Programs
		205	Government Contractors
		222	HUD Engagements Under the HUD Consolidated Audit Guide
		308	Rural Utilities Service Borrowers
		505	State & Local Governments – GASB (Non-Yellow Book)
		510	Other Federal Compliance Audit and Attestation Engagements not otherwise identified
		XXX	State & Local Governments – Special Purpose Framework (Non-Yellow Book)
Other Industries or Practice Areas:			
		110	Agricultural, Livestock, Forestry & Fishing
		115	Airlines
		120	Auto Dealerships
		145	Gaming
		150	Colleges and Universities
		155	Common Interest Realty Associations
		165	Construction Contractors
		195	Franchisors
		260	Not-for-Profit Organizations (including voluntary health & welfare organizations) – Non-Yellow Book
		268	Personal Financial Statements
		314	Service Organizations (SOC 3 Reports)
		330	Communications
		335	Utilities
		460	Entities subject to Regulation Crowdfunding
		XXX	Cybersecurity Engagements performed under SSAE
		900	Any types of engagements referenced above that would subject the accountant to SEC independence rules
None of the above practice areas/ industries apply			

National Suspension for Reviewer Resume Verification

Why is this on the Agenda?

During administering entity (AE) oversights, staff noted many instances where reviewers have not submitted their resume verification when requested; however, some AEs have not historically referred reviewers to staff for national suspension in accordance with guidance. This leads to inconsistent treatment and the possibility that reviewers continue to perform reviews without a verification of their qualifications.

Currently, the Report Acceptance Body (RAB) Handbook guidance requires the following:

- After all required AE communications are sent, reviewers who fail to verify their reviewer resume should be suspended from scheduling and performing reviews for that particular AE.
- The AE should request the Peer Review Board (Board) to nationally suspend the reviewer from scheduling and performing reviews in all jurisdictions until the verification is complete.
- The Director or designee have judgment about whether a Board hearing panel is appropriate and/or necessary for national ratification of a resume suspension. In practice, the Director's designee (i.e., staff) have been determining that there is no need for a hearing and granting these national suspensions without a hearing.

Refer to Agenda Item 1.7A for proposed revisions to the RAB Handbook Chapter 8 to clarify the guidance and streamline this process to nationally suspend reviewers timely for noncooperation. These changes seek to:

- Promote consistency, efficiency, and effectiveness as national suspension will be electronically processed in PRIMA;
- Ensure reviewers are appropriately suspended from scheduling and restricted from performing reviews in all jurisdictions when this noncooperation is identified and fair procedures have been granted; and
- Eliminate potential Board hearing volume from AE referral of reviewers who have not verified resumes.

Feedback Received

This approach was approved in concept by the Administrative Advisory Task Force at their November 2016 meeting and the Oversight Task Force at their March 2017 meeting.

PRISM/PRIMA Impact

Upon approval of change in this guidance, the PRIMA programming requirements will be changed accordingly to do the following:

- Remove the steps and associated letters for AE to notify or request national suspension or release of suspension by AICPA staff (allow AE ability to apply and release suspension).
- Add steps and communications to notify all AEs where reviewer has reviews scheduled at the time of the suspension.

AE Impact

- The resume verification process is currently manual and outside of PRISM. The proposed changes related to automatic national suspension without a hearing or consideration by AICPA may be implemented immediately as it reflects current expectations and system

functionality. Suspensions in PRISM currently act as national suspensions to prohibit the scheduling of future reviews. Until PRIMA functionality is available, AEs will not be expected to proactively notify other AEs of suspension and restriction for reviews already scheduled.

- Upon PRIMA implementation, manual steps would be eliminated from AE processes as national suspension will be electronically processed after the AE performs the fair procedures and outreaches in accordance with guidance for performing resume verifications.
- PRIMA will notify all applicable AEs where reviewer has reviews currently scheduled about the suspension so that the AEs can properly consider the impact on reviews scheduled to commence or in progress. Reviewer may not perform reviews scheduled but not commenced.
- PRIMA will not allow future reviews to be scheduled until the noncooperation matter is resolved and suspension is released.

Communications Plan

- A Reviewer Alert will be drafted upon approval by the Board.
- Upon approval and until PRIMA is programmed to facilitate this process, AEs will also be reminded to promptly suspend reviewers from scheduling future reviews if the reviewer has not completed the requested resume verification. This will act as a national suspension.

Manual Production Cycle (estimated)

Changes would be incorporated in the Peer Review Manual within the month after the effective date (see below).

Effective Date

Effective when approved by the Board and able to be implemented in PRIMA.

Board Consideration

The Board is asked to discuss the following:

1. Should suspensions for failure to verify reviewer resume be nationally applied (preventing reviewer's ability to schedule and perform reviews in all jurisdictions) without consideration by AICPA staff or Board hearing panel?
2. Should wrap around guidance and programming allow AE judgment for varying degrees of noncooperation with resume verification that should not automatically result in national suspension from scheduling and performing reviews?
 - a. For example, reviewer provided some information for verification, but failed to clear discrepancies even after all warning letters and other AE outreach attempts.
3. Consider and approve revisions to the RAB Handbook Chapter 8 in Agenda Item 1.7A.

Proposed Revisions to PRP 3300 for National Suspension for Resume Verification

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

An active reviewer is defined as one who has updated his or her résumé or performed peer reviews under the AICPA Peer Review Program standards within the last three years. While reviewers are required to update their résumé annually, as part of required oversight procedures, AEs must request reviewers to verify their résumé information every three years, at a minimum. AEs are encouraged to perform the initial verification of a reviewer's résumé within one year of the reviewer entering his or her résumé into the reviewer résumé database on the peer review administrative website. Thereafter, the résumé verification for that reviewer should follow the regular three-year résumé verification cycle, unless circumstances warrant an interim verification. The objective is to validate the accuracy of the experience codes on the résumé are accurate. The verification process must include documentation to support all industries noted on the reviewer's résumé.

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

Initial Request for Résumé Information

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

Resume Warning Letter

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

to schedule and perform reviews for all AEs~~that AE, and the AE may request the board to suspend the reviewer nationally.~~

Contact Reviewer

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

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

Resume Suspension Letter

After the preceding procedures have been completed, and the reviewer has not complied with the requests, the AE should~~may~~ suspend the reviewer from scheduling or performing reviews in all jurisdictions. 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 in all jurisdictions~~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 provide a copy of the resume suspension letter to AICPA staff and communicate the suspension to other AEs where the reviewer has reviews already scheduled~~refer the reviewer to the board for national suspension when a reviewer is sent the résumé suspension letter. Failure to submit documents for resume verification and complete the verification process disqualifies the reviewer from scheduling and performing reviews in all jurisdictions (see Section II. D. of this chapter for AE considerations of reviews already scheduled). The reviewer is not allowed to perform reviews that are scheduled but have not commenced at the time of the suspension. 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 Release~~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, or revised the reviewer resume to the satisfaction of the AE, or the board lifts the suspension as a result of an appeal.~~

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. 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 18}

Reviewers who wish to appeal a suspension letter must request that a hearing panel be assembled. That request must be made in writing (via email 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 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.

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

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

^{fn 18} See [footnote 17](#).

Reviewer Noncooperation – Failure to Sign Reviewer Performance Deficiency Letter

Why is this on the Agenda?

There are currently no immediate consequences for failing to sign a performance deficiency letter (“PDL”). Current guidance states that if a peer reviewer has not signed and returned a PDL 37 days after issuance a committee should submit a removal letter to the Peer Review Board. Until such time as the board can consider the committee’s request, reviewers with performance deficiencies are allowed to continue to schedule and perform reviews. OTF believes that this represents a risk to the integrity of the Peer Review Program and that a restriction would provide a safeguard during this period.

Because of this risk the OTF recommends the following changes to the guidance in Chapter 8:

Section IV Reviewer Performance

E. *Appeals to the Board* (see Agenda Item 1.8A for draft revisions).

A restriction that was imposed for failing to acknowledge a PDL will be lifted once the reviewer acknowledges the letter.

F. *AE Considerations when Reviewers have Restrictions or Corrective Actions Placed Upon them With the Issuance of a Performance Deficiency Letter* (see Agenda Item 1.8A for draft revisions).

If a reviewer has not acknowledged a PDL 30 days after the date of the PDL and if it has not been appealed, then the reviewer should be restricted from scheduling reviews and performing reviews that have been scheduled but have not commenced. This restriction will be effective in all jurisdictions.

Guidance remains unchanged for AEs to consider the impact of unsigned deficiency letters on reviews already in progress. The revised performance deficiency letter also includes a warning about the restriction from scheduling and performing reviews if the PDL is not acknowledged (see Agenda Item 1.8B).

Feedback Received

None

PRISM/PRIMA Impact

- PDLs are not currently in PRISM. PRIMA requirements are proposed to track the timing of the issuance and receipt of the PDL.
- PRIMA will send an automatic electronic notification to the reviewer 14 days after the date of the letter, to remind the reviewer to acknowledge the PDL in PRIMA.
- PRIMA will apply the restriction from scheduling and performing reviews in all jurisdictions. The restriction would be imposed 30 days after the date of the PDL unless the AE indicates a new agreed upon extended due date for receiving the signed PDL.

AE Impact

- After PRIMA implementation, the AE will enter the date that the reviewer received the PDL (signed proof of delivery is required) or PRIMA will enter the date the PDL was acknowledged by reviewer via PRIMA, if sooner. The acceptance date is necessary for purposes of fair procedures.

-
- PRIMA will prompt the AE to contact the reviewer 21 days after the date of the letter to find out if there is a disagreement or why the reviewer did not acknowledge the PDL. The AE must document this outreach attempt in PRIMA. Currently, there are no electronic reminders for AEs that manually track PDLs.
 - If there is an insufficient response after the documented AE outreach, and the PDL is not acknowledged within 30 days of the date of the letter, PRIMA will impose a restriction from scheduling and performing reviews in all jurisdictions and send a notification to the reviewer, and impacted AEs (AEs where reviews are already scheduled). The AE will not have to manually notify other AEs or staff of the restriction from scheduling and performing reviews, as required by current guidance. The restriction will be noted on the reviewer's performance record in PRIMA.

Communications Plan

- A Reviewer Alert will be sent at the time of PRIMA implementation and will reference the PRB approved agenda item.
- Staff will further discuss the revised guidance on an AE bi-weekly call.

Manual Production Cycle (estimated)

Changes would be incorporated in the Peer Review Manual within the month after the effective date (see below).

Effective Date

Effective when approved by the Board and implemented within PRIMA (estimated August 1, 2017).

Board Consideration

The board is asked to discuss the following:

1. Is it appropriate to restrict reviewers nationally who do not acknowledge a PDL (or appeal) within 30 days of the date of the letter from scheduling reviews or performing reviews that are scheduled but have not commenced?
2. Is it appropriate to lift a restriction that was imposed for failing to acknowledge a PDL once the reviewer acknowledges the letter?
3. See agenda item 1.8B for the proposed changes to the Performance Deficiency Letter. Note that staff will make corresponding revisions to Section IV, Part D (Performance Deficiency Letters) based on the board's discussion. This letter does not require PRB approval.

PRP Section 3300

AICPA Peer Review Program Report Acceptance Body Handbook

Chapter 8

Reviewer Qualifications, Responsibilities, and Performance

IV. Reviewer Performance

E. Appeals to the Board

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 email 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 ~~acknowledged~~~~issued~~, the restriction imposed for failing to acknowledge the performance deficiency letter will be removed. However, the action(s) or restriction(s) included in the performance deficiency letter will remain in effect for reviews that the reviewer ~~has commenced~~ until the reviewer has shown improved performance, or the 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

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

1. *A performance deficiency letter has been issued within the last 30 days and has not been signed by the reviewer.* The action or restriction included in the letter cannot be imposed if the reviewer has not acknowledged ~~the letter agreement by signing and submitting the letter~~. If the reviewer does not ~~acknowledge sign and submit~~ the letter within ~~21~~ 30 days of ~~the date of the letter issuance~~, the AE should contact the reviewer by phone or e-mail (using the telephone number or e-mail address on the reviewer's resume) to determine why the reviewer did not respond. The results of this call or electronic request and the AE's assessment of the reviewer's explanation for not responding should be documented.

If the letter is not ~~received~~ acknowledged within ~~7~~ 30 days of the date of the letter (or by the agreed upon extended due date) ~~contacting the reviewer and the reviewer has not appealed the letter~~, the AE should restrict the reviewer from scheduling reviews and from

performing reviews that are scheduled but have not commenced. This restriction will apply to all jurisdictions. The committee should submit a ~~removal~~ letter to the board requesting the removal of the individual's name from the list of qualified reviewers for due to the reviewer's failure to cooperate.

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

Reviewer Performance Feedback Form

TCPER03- Reviewer Performance Deficiency Letter- peer reviews commenced on/after 8/1/17 (estimated PRIMA functionality)

[Date]

[Name of Reviewer], CPA
 [Firm Name]
 [Firm Address]

Common Carrier – Signed Proof of Delivery Required

Dear [Mr./Ms.] [Last Name of Reviewer]:

~~The purpose of this letter is to advise you that d~~Deficiencies have been noted in your performance as a reviewer that are of such significance or severity that we have determined that immediate action is needed. Specifically, we noted [insert description of deficiencies].

The [administering entity committee] has discussed the reviews you have conducted and has decided that you must agree to comply with the following action in order to continue scheduling and performing reviews:

[Conditional language to describe committee action.]

All other administering entities will also impose the above action or restriction. ~~We are providing a copy of this letter to the~~ The AICPA Peer Review Board ~~so they can~~will also monitor your performance on future reviews.

If improvements are not noted in your performance or you refuse to cooperate, the [Administering Entity] may request the AICPA Peer Review Board to remove your name from the national list of reviewers qualified to perform peer reviews, or determine any other action deemed appropriate by the board.

Your agreement to take this action demonstrates your commitment to the goals of the AICPA practice monitoring programs. Please acknowledge your agreement by logging into the Peer Review Integrated Management Application system and then accessing the Performance Deficiency Letter from the Reviewer Profile Screen. Click on "Acknowledge" to evidence your agreement with the conditions of this letter. You must acknowledge the letter -by returning a signed copy of this letter to us at the address noted on this letterhead- within 30 days from the receipt date of this letter. ~~Failure to return a signed copy of this letter as requested will be deemed as a failure to cooperate.~~

If you don't acknowledge this performance deficiency letter by [date is 30 days from date of the performance deficiency letter] and you have not appealed the actions in the performance deficiency letter, it may be deemed as noncooperation. Your ability to schedule reviews and perform reviews that are scheduled but have not commenced will be restricted in all administering entities and you will be referred to the AICPA Peer Review Board for consideration of removal from the list of qualified reviewers for failure to cooperate.

However, if you believe this action is not warranted, you may appeal this decision within 30 days of receipt of this letter to the AICPA Peer Review Board in writing by mailing your appeal to 220 Leigh Farm Road, Durham, NC 27707-8110. If appealed, the actions or restrictions outlined in this letter will remain in effect for all reviews that you commence, pending the appeal.

Sincerely,

[Name]

[Chair], [Administering Entity] Peer Review Committee

Reviewer Member Number: _____

Acknowledged Signature: _____ Date: _____

cc: ~~AICPA Peer Review Board~~

~~— [Administering Entity] Peer Review Program Administrator~~

[Reviewing Firm Managing Owner]

~~— [Applicable Administering Entity(ies)]¹~~

~~_____ ¹ This letter should be copied to all administering entities where the reviewer has performed reviews during the past 12 months preceding the date of this letter, or has reviews scheduled.~~

Revisions to the Reviewer Performance Feedback Form

Why is this on the Agenda?

The Peer Review Board (Board) approved the adoption of the changes reflected in the [Improving Transparency and Effectiveness of Peer Review Exposure Draft](#), effective for reviews commencing on or after January 1, 2017. The Exposure Draft included significant revisions to Standards, related interpretations, and conforming changes throughout the Peer Review Program Manual. Some of the approved changes relate to the reviewers' responsibility for writing the peer review report and staff identified new elements that the Board should consider as reviewer performance findings.

Refer to Agenda Item 1.9A for proposed revisions to the Reviewer Performance Feedback Form and Agenda Item 1.9B for proposed revisions to the RAB Handbook Chapter 8.

Feedback Received

This approach was approved in concept by the Oversight Task Force at their January 2017 meeting.

PRISM/PRIMA Impact

The wording change will be reflected in the Feedback entry screen in PRIMA.

AE Impact

AEs would be required to utilize the new Reviewer Performance Feedback Form electronic entry screens upon availability in PRIMA.

Communications Plan

Prior to effective date (see below):

1. Peer Review Administrative Alert
2. Discussion on a bi-weekly AE call
3. Discussion on a quarterly Technical Reviewers call

Manual Production Cycle (estimated)

Changes would be incorporated in the Peer Review Manual within the month after the effective date (see below).

Effective Date

Effective when approved by the Board and able to be implemented in PRIMA.

Board Consideration

1. Consider and approve revisions to the Reviewer Performance Feedback Form and RAB Handbook Chapter 8 in Agenda Items 1.9A and 1.9B.

REVIEWER PERFORMANCE FEEDBACK FORM
(updated for reviews commencing on or after TBD)

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

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

I. REVIEWER PERFORMANCE DEFICIENCIES	
If more than one reviewer performance deficiency 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 (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.	
A. Engagement Selection and Review	
<input type="checkbox"/>	1. Reviewer did not appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects prior to technical review, oversight or RAB consideration and did not demonstrate sufficient knowledge and experience required to review the engagement and identify issues prior to technical review, oversight or RAB consideration. (System – Std. Par. .66–.67; Engagement – Std. Par. .109)
B. Assessment and Disposition of Matters	
<input type="checkbox"/>	1. Reviewer did not appropriately aggregate or evaluate matters noted on the review (System – Std. Par. .75–.86; Engagement – Std. Par. .111–.115), such that the committee determined a deficiency was present when the reviewer did not elevate the matter beyond an MFC, or the committee determined a significant deficiency was present when the reviewer did not elevate the matter beyond an FFC.
II. REVIEWER PERFORMANCE FINDINGS	
If a pattern of reviewer performance findings 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.	
A. Reviewer Cooperation and Qualifications	
<input type="checkbox"/>	1. Reviewer did not perform in a timely, professional manner resulting in suspension of the reviewer's ability to schedule and/or perform reviews. (Std. Par. .147)

<input type="checkbox"/>	2. Reviewer did not maintain the required reviewer qualifications resulting in suspension of the reviewer's ability to schedule and/or perform reviews. (Std. Par. .31 and .34)
B. Planning	
<input type="checkbox"/>	1. Reviewer did not obtain team member approval timely after determination that the review team or reviewer did not possess the proper qualifications or adequate experience to perform the review of an engagement in a particular practice area or industry (Std. Par. .30)
<input type="checkbox"/>	2. Reviewer did not 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 (Std. Par. .41-.45)
<input type="checkbox"/>	3. Reviewer did not 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 (Std. Par. .49-.50)
C. Engagement Selection and Review	
<input type="checkbox"/>	1. Reviewer did not select a sufficient or appropriate scope of engagements for review (System- Std. Par. .53-.63; Engagement- Std. Par. .104-.109)
<input type="checkbox"/>	2. Reviewer did not properly select the "surprise" engagement or did not provide sufficient documentation of reasoning for selection (Std. Par. . 61)
<input type="checkbox"/>	3. Reviewer 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)
D. Assessment and Disposition of Matters	
<input type="checkbox"/>	1. Reviewer did not identify matters, findings, deficiencies, or significant deficiencies appropriately (System- Std. Par. 70; Engagement- Std. Par. .110)
<input type="checkbox"/>	2. Reviewer did not appropriately dispose of matters noted on the review or properly complete the DMFC Form (System- Std. Par. 72-74; Engagement- Std. Par. .112-114)
<input type="checkbox"/>	3. Reviewer did not properly consider or document the need to expand scope to other engagements or functional areas (System- Std. Par. 68 and Interpretation 84-1)
<input type="checkbox"/>	4. Reviewer did not appropriately aggregate and evaluate matters noted on the review (System- Std. Par. .75-.86, Engagement- Std. Par. .111-.115)
E. Completion of FFC Forms	
<input type="checkbox"/>	1. Reviewer did not write findings systemically in a System Review (Std. Par. .83)
<input type="checkbox"/>	2. Reviewer did not sufficiently complete or write FFC forms or evaluate the firm's response (System- section 4960; Engagement- section 6600)
<input type="checkbox"/>	3. Reviewer did not properly identify a repeat finding (Interpretation 83-2)
<input type="checkbox"/>	4. Reviewer did not provide proper recommendations to the firm to sufficiently address the finding (System–section 4960; Engagement–section 6600)
F. Reporting	
<input type="checkbox"/>	1. Reviewer did not properly identify that a deficiency was a repeat. (System- Std. Par. .96(pa); Engagement- Std. Par. 122(n))

<input type="checkbox"/>	2. Reviewer did not provide sufficient peer review working papers <u>or</u> /documentation to support the report rating. (System- Std. Par. .87-.90; Engagement- Std. Par. .117-.119)
<input type="checkbox"/>	3. Reviewer did not systemically write deficiencies in a System Review report and a revision was required (System- Std. Par. .96m) <u>This line intentionally left blank</u>
<input type="checkbox"/>	4. Reviewer did not “close the loop” when reporting on deficiencies in a System Review (section 4200.54g) <u>This line intentionally left blank</u>
<input type="checkbox"/>	5. Reviewer did not provide proper recommendations to the firm to sufficiently address the deficiencies noted in the peer review report (System- Std. Par. .96m; Engagement- Std. Par. .122m) <u>This line intentionally left blank</u>
<input type="checkbox"/>	6. Reviewer did not present the report in standard form in accordance with peer review guidance or significant revisions to the report were needed (System- Std. Par. .96; Engagement- Std. Par. .122)
<input type="checkbox"/>	7. Reviewer did not properly review <u>and,</u> evaluate <u>and comment on</u> the reviewed firm’s letter of response when the reviewer received the letter prior to its submission to the administering entity. (System- Std. Par. .10097; Engagement- Std. Par. .1263)
G. Completion and Submission of Workpapers	
<input type="checkbox"/>	1. Reviewer did not complete peer review documentation comprehensively, or the documentation that was submitted required revisions (Std. Par. .24)
<input type="checkbox"/>	2. Reviewer did not properly report in engagement statistics or did not properly discuss in other peer review practice aids when it was determined that the engagement was not performed or reported on in conformity with applicable professional standards in all material respects (Interpretation 66-1)
<input type="checkbox"/>	3. Reviewer did not use appropriate practice aids that conform to the relevant peer review standards, follow current templates, materials, and checklists that have significant and relevant changes from versions used. (Std. Par. .24 and Interpretation 24-1)
H. Other	
<input type="checkbox"/>	1. Other departures from Standards for Performing and Reporting on Peer Reviews or other authoritative program guidance. See explanation below.

Explanation of above items (shaded boxes will expand as needed):

Recommendations to avoid similar performance deficiencies or findings on reviews performed in the future:

The committee appreciates your involvement in the process. If you would like to discuss the above comments, please feel free to call or e-mail _____. If you submitted other reviews with the same deficiency or finding, please contact the administering entity. You will be given the opportunity to make the appropriate corrections on those reviews prior to the technical review.

Committee Member: _____
Date: _____

Additional Proposed Revisions to PRP 3300 for Reviewer Performance Feedback Forms

Reviewer Performance Findings

The following is a listing of reviewer performance findings (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 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](#))

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- 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. (standards sec. 1000 System Reviews [par. .66–.67](#); Engagement Reviews [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](#))
 - Reporting: The reviewer did not
 - properly identify that a deficiency was a repeat. (standards sec. 1000 System Reviews [par. .96p](#); 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](#))~~
 - 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 ~~and~~, 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. [.10097](#); Engagement Reviews par. [.1263](#))

- 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](#))
 - use appropriate practice aids that conform to the relevant peer review standards, follow current templates, materials, and checklists that have significant and relevant changes from versions used. (standards sec. 1000 [par. .24](#) and [Interpretation No. 24-1](#))
- Other departures from Standards for Performing and Reporting on Peer Reviews or other authoritative program guidance.

Peer Review Administration Change Form

Why is this on the Agenda?

Over the past couple of years, several state societies transitioned peer review administration to other administering entities (AEs) either temporarily or permanently. AE required oversight procedures are in various stages when these transitions occur.

Transferring State or AE	AE Assuming Administration	Effective Date
Iowa	Illinois	January 2015
New Hampshire (New England Peer Review)	Massachusetts	May 2016
New Mexico	Colorado	August 2016
South Carolina	Illinois	August 2016
Georgia	Ohio	October 2016 (temporary)
West Virginia	Illinois	March 2017
Wisconsin	Illinois	April 2017

Additionally, the AICPA has provided assistance when an administrator leaves an AE (South Carolina and Virginia).

Currently, there are no requirements for AEs to provide any specific information to the Oversight Task Force (OTF) and Peer Review Board (PRB) regarding these transitions. Typically, the AICPA is notified via email once the transition has occurred.

In order to better understand the status of many required procedures including an AE’s ability to absorb the increased workload, staff developed a Peer Review Administration Change Form. Similar to the annual Plans of Administration, AEs would be required to submit the completed form along with supporting information to the OTF for approval.

Note: The Peer Review Computer Systems Usage Policy and Agreement and Excel templates referenced in the Peer Review Administration Change Form are not included in the agenda materials, but will be posted on the Extranet with the final form.

Feedback Received

Staff obtained feedback from external stakeholders.

PRIMA Impact

None.

AE Impact

Both the predecessor and successor AEs would be required to complete this form when transitioning peer review administration.

Communications Plan

Upon approval, the final form including attachments will be posted on the Extranet.

Manual Production Cycle (estimated)

N/A

Effective Date

Effective upon PRB approval.

Board Consideration

1. Consider if any questions should be revised or added to the form.

Peer Review Administration Change Form

Instructions

This form should be completed when an administering entity (AE) is transitioning peer review administration to another AE either permanently or temporarily. State CPA society Chief Executive Officers (CEOs) should jointly complete this form with the assistance of state society peer review staff or AICPA staff, as needed.

If the transition is planned, this form should be prepared as much in advance of the effective date as possible. If the transition was not planned, the form is due within 30 days of the effective date.

This completed form including each AEs' supporting information should be combined and sent to prsupport@aicpa.org. These documents will be forwarded to the Oversight Task Force for review and approval.

If you have any questions, please contact the peer review team at 919.402.4502 or prsupport@aicpa.org.

General transition information

1. _____ (predecessor AE) is transitioning peer review administration to _____ (successor AE).
2. Effective date of transition is _____.
3. Means of transitioning peer review administration: Reviews commencing on or after _____ (date) will be administered by the successor AE.
4. Permanent change
 If a permanent change, does the agreement between the AEs have a termination date? Yes
 No If yes, what is the termination date? _____
5. Temporary change
 Anticipated end date _____
6. Each AE should enter total estimated number of reviews to be administered.

AE name	Calendar Year <u>2017</u>		Calendar Year <u>2018</u>		Calendar Year <u>2019</u>	
	Engagement	System	Engagement	System	Engagement	System
Predecessor AE _____						
Successor AE _____						

7. Whether the change is permanent or temporary, the predecessor AE should provide the transition date and plan for each category listed below.
 - Workpapers received for technical review – For example, the successor AE will perform the technical review for all workpapers received after June 1, 2017.
 - Transition date and plan: _____
 - Reviews ready for RAB – For example, reviews ready for RAB prior to June 1, 2017 will be considered for acceptance by the predecessor AE.
 - Transition date and plan: _____
 - Reviews with outstanding corrective actions and/or implementation plans – For example, reviews with outstanding corrective actions and/or implementation plans as of June 1, 2017, will be transitioned to the successor AE.
 - Transition date and plan: _____

8. Each AE should provide a year-to-date status (including the predecessor AE's transition date and plan for any in process) for the following AE oversight requirements by completing the Excel templates:
 - Oversights of peer reviews and reviewers
 - Annual verification of reviewers' resumes

Additional required information

1. Predecessor AE should provide signed *Peer Review Computer Systems Usage Policy and Agreement* granting permission to the successor AE assuming administration.

2. If peer review administration transition is permanent, the successor AE should provide a revised back-up plan for key individuals involved in peer review administration for the coming year. If utilizing a third-party, this back-up plan should be signed by all parties.

3. Have you obtained signed confidentiality agreements from all individuals anticipated to attend RAB or committee meetings (e.g. new RAB or committee members, Peer Review Oversight Committee (PROC) members)? Yes No

4. Successor AE should explain any staffing changes as a result of this transition. _____

Signatures of state CPA society Chief Executive Officers (CEOs)

Predecessor AE

(Signature of CEO)

(Date)

(Print name)

(AE name)

Successor AE

By signing this form, I agree to administer the AICPA Peer Review Program in accordance with AICPA Peer Review Program Standards and related guidance issued by the AICPA Peer Review Board.

(Signature of CEO)

(Date)

(Print name)

(AE name)

Draft

Standing Task Force Updates

Why is this on the Agenda?

Each of the standing task forces of the PRB will provide this information to the Board at each open session meeting as a way to garner feedback and input on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

Standards Task Force

Accomplished since last PRB meeting:

- Approved revisions to QCM review interpretations
- Approved revisions to the National PRC Requirements interpretation
- Approved revisions to guidance when firms fail to improve after consecutive corrective actions on the same peer review
- Approved conforming Representation Letter changes effective February 2017
- Approved revisions to Yellow Book independence questions on PRPM 4800, 20500, and 20600 effective April 2017
- Approved revisions to engagement checklist instructions on PRPM 20100, 20400, 20500, 20600, and 20700 effective with the next checklist update (with the exception of 20500 which will be updated in October)
- Discussed nonconforming engagement criteria and determined
 - That Staff will reevaluate areas of guidance that could be improved to assist reviewers in identifying nonconforming engagements
- Discussed Rules of Procedures for disagreement review panels; which will be discussed further at the May 2017 STF meeting
- Discussed incorporating the AICPAs Certificate Programs into peer review guidance; to be further addressed at the July 2017 meeting
- Clarifying SSARS guidance changes (removal of references to SSARS No. 19)
- Discussed Familiarity Threat examples in response to Evolution

Upcoming tasks:

- Prioritize future agenda items and consider a clarity redraft of the peer review standards
- Further evaluation of nonconforming engagement criteria
- Consider changes to PRPM 3600 in response to failure to improve after consecutive corrective action guidance changes
- Consider qualifications for outside reviewers of corrective actions and implementation plans
- Consider Certificate Programs as remediation for firms and reviewers
- Guidance needed in response to the implementation of PRIMA;
 - Reinstatement after hearing
 - Rules of Procedures for Nonmembers
 - Risk Assessment Toolkit in narrative form
- Consider Cybersecurity advisory service implications; such as must-select industry

Education and Communication Task Force

Accomplished since last PRB meeting:

- Discussed the agenda for the upcoming Peer Review Conference
- Reviewed and approved a group of proposed Conference Cases
- Discussed ways to improve the content included on the Peer Review website.
- Reviewed and approved the updated peer review program Q&A document
- Updated various training offerings including the:
 - Initial Training Framework online modules
 - Initial Training Framework Live Seminar Case Study
 - Live seminar Advanced course (for the ongoing team captain training requirement)
 - Live seminar Are You Ready course (for the benefit of firms about to undergo a peer review)
 - Live seminar Peer Review Update course offered by the State Societies
- Offered the following webcasts
 - Are You Ready – designed for firms about to undergo a peer review
 - EAQ Update for Reviewers – where frequently asked questions from reviewers regarding the various EAQ initiatives were addressed.
- Offered alternative must-select training sessions at the
 - EBP Conference - May 8th through the 10th.

Upcoming tasks:

- Finalize the Peer Review Conference agenda
- Finalize all Conference content, including presentations, cases and other material
- Analyze the peer reviewer pool by state, including must-select reviewers
- Continue to identify and implement improvements to the Peer Review website
- Offer alternative training sessions, including must-select training sessions at"
 - Engage – June 12th through the 15th (TC/RC Ongoing Training)
 - NFP Industry Conference – June 21st through the 23rd.

Oversight Task Force

Accomplished since last PRB meeting:

- Approved RAB Observation reports
- Reviewed responses from AEs to RAB Observation reports
- Approved AE oversight visit reports
- Accepted, conditionally accepted and deferred AE plans of administration
- Monitored the Enhanced Oversight results
- Discussed type of feedback issued by AEs as a result of the Enhanced Oversight
- Monitored open reviews
- Monitored reviewer performance
- Approved revisions to guidance on unsigned reviewer performance deficiency letters
- Approved revisions to the Reviewer Performance Feedback Form
- Approved revisions to the RAB Handbook related to national suspension for reviewer resume verification
- Approved revisions to the RAB Handbook related to EAQ initiative conforming guidance

Upcoming tasks:

- OTF members will conduct AE oversight visits
- Monitor results of Enhanced Oversight
- Approve RAB Observation reports
- Monitor open reviews
- Monitor reviewer performance

Enhanced Oversight Update

Why is this on the Agenda?

Objective

Provide an update on the results of the 2015 Enhanced Oversight sample.

Annual Report on Oversight

Agenda Item 1.12A will be included in the annual report on oversight. There are two oversights (one targeted selection and one single audit random selection) from the 2015 sample that have not been completed. The completion of the two oversights may have a small effect on the numbers presented in the report.

2016 Sample

The 2016 sample consists of approximately 115 engagements (42 random selections and 73 targeted selections). The reviews selected are reviews with must-select engagements performed between August 1, 2016 and December 31, 2016. The random sample will not be statistically valid.

2017 Sample

The population for the 2017 sample will consist of reviews performed between January 1, 2017 and December 31, 2017. AICPA Staff has selected the initial oversight sample and the oversights for this sample have commenced.

Feedback Received

N/A

PRIMA Impact

N/A

AE Impact

N/A

Communications Plan

Presented in Annual Report on Oversight.

Manual Production Cycle (estimated)

N/A

Effective Date

N/A

Board Consideration

Review results of 2015 oversights and provide feedback on the presentation of the results.

Engagement-Level Enhanced Oversight

Background

In 2014, the Peer Review Board (PRB) launched an enhanced oversight program, the objective of which is to gather data on the factors driving audit quality to support auditors in quality improvement and raise awareness of common quality issues. The program also aims to enhance the effectiveness of firm and peer reviewer performance by providing insights from expert practitioners. Enhanced Oversight and other improvements to the Program comprise one element of the AICPA's Enhancing Audit Quality (EAQ) Initiative. The Enhanced Oversight program (program) evaluates reviewer performance solely through the assessment of an individual engagement by a subject-matter expert (SME).

Peer Reviewer Performance

The program determines, on a selected basis, whether peer reviewers are identifying all engagement-level material departures from professional standards. The PRB believes it is critical to the success of the AICPA Peer Review Program that peer reviewers appropriately identify and document instances in which reviewed firms fail to perform and report on engagements in conformity with professional standards in all material respects (non-conforming engagements). Engagements are selected by using two types of samples. The first sample type is a statistically valid random sample that provides a 95% confidence level that the true population values are within +/- 10% of the measured sample mean. This means that the sample has a 95% chance of representing the overall population. The second sample type is a targeted risk-based sample based on certain risk criteria.

Oversight Focus

The program has, until now, focused exclusively on must-select engagements (engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers and examinations of service organizations). For *Government Auditing Standards* engagements with Single Audit Act/A-133 portions of the engagement, the oversight focused only on the Single Audit Act/A-133 portion of the audit.

Subject Matter Experts

The SMEs consist of members of the applicable Audit Quality Center executive committees and expert panels, PRB members, former PRB members, individuals recommended by the Audit Quality Center executive committee and expert panel members and industry experts from firms that perform numerous must-select engagements. SMEs are approved by the Oversight Task Force (OTF). Staff provide all SMEs with training materials, including a must-see video and detailed instructions.

Oversight Process

The oversight process consists of the review of the financial statements and working papers by the SME for the engagement selected. The oversight process works as follows:

- Once the peer review working papers and peer review report have been submitted to the Administering Entity (AE), AICPA PRP staff selects an engagement for oversight.
- AICPA PRP staff notifies the peer reviewer and the firm that they have been selected for oversight. The notification is sent after the peer review working papers have been received to ensure that the peer reviewer is not aware that he/she has been selected for oversight until after the peer review has been completed.
- The peer reviewed firm submits the audit working papers to the AICPA for the engagement selected. The peer reviewer submits the completed peer review checklists for the engagement selected.
- AICPA PRP staff selects a SME to perform the oversight.
- The audit working papers and completed peer review checklists are provided to the SME for review.
- The SME reviews the audit working papers and completes the relevant peer review checklist, following the same process as the peer reviewer. Only one engagement is reviewed by the SME and the SME does not expand the scope of the oversight to determine if findings are pervasive.
- The SME compares his/her results to the results of the peer reviewer.
- The SME prepares a report detailing any material departures from professional standards that were not identified by the peer reviewer. On average, the SME spends six hours on the oversight, including drafting the oversight report.
- AICPA PRP staff provide a draft of the report the team captain. The team captain creates a letter of response that includes any additional procedures that were performed as a result of the oversight. If the team captain disagrees with the oversight results, the team captain provides an explanation of the disagreement in the letter of response.
- AICPA PRP staff provide the report and letter of response to the AE by AICPA PRP staff for consideration during the report acceptance process.
- AICPA staff monitors the effects of the oversights on the peer review results and what type of reviewer feedback (feedback form, performance monitoring letter or performance deficiency letter), if any, is issued to the peer reviewer.
- Data derived from the oversights is used, in part, to guide the development of resources and communications to assist firms in enhancing the quality of their attest practices.

Oversight Population

2014 Population - The 2014 oversight sample population consisted of peer reviews performed between January 1, 2014 and December 31, 2014.

2015 Population - The population for the targeted and random samples for 2015 consisted of peer reviews performed between August 1, 2015 and July 31, 2016 with must-select engagements. In addition to the targeted and must-select random samples, a random sample of peer reviews with single audit engagements was selected for oversight. The single audit sample is discussed below.

Oversight Year

The oversight years have changed to correspond with revisions to the oversight process. Starting with 2017 and going forward, the oversights selected will be those performed during a calendar year.

Random (Baseline) Sample Methodology

Each oversight year, a statistically valid random sample of reviews with must-select engagements is selected. Because it is statistically valid, the random sample acts as a baseline to compare the results from each oversight year. For a random sample to be valid, each review in the population must have an equal likelihood of being selected. The only criteria for inclusion in the population is that the review includes a must-select engagement on the peer review information form.

As the initial step to schedule peer reviews, all reviewed firms complete a peer review information form that includes the types of engagements they perform. The random samples are selected from a report that includes all scheduled reviews that indicate a must-select engagement on the peer review information form. To increase the likelihood that a review performed in the oversight year has an equal chance of being selected, multiple selections are made throughout the year using a weighted method. The sample selections are weighted based on the percentage of reviews performed in each quarter. A review is included in the population only once to make sure that it has only one chance of being randomly selected for oversight.

Single Audit Sample Methodology

For the 2015 sample, a single audit random sample was selected in addition to the random baseline sample. For the single audit random sample, the population consisted of reviews with single audit engagements on the firm's peer review information form that had not completed the Report Acceptance Body (RAB) process as of December 3, 2015. The only criteria for inclusion in the single audit sample population was that the review included a single audit engagement on the peer review information form. The purpose of the sample was to determine the non-conformity rate of single audits subject to peer review and the most common characteristics of quality performers. The latter objective was achieved by requiring each firm in the sample to complete a questionnaire. The questionnaire provided information about the firm and engagement team and assessed the correlation between the firms' responses and their conformity to professional standards.

Targeted Sample Methodology

For the targeted samples, risk criteria are established by AICPA Staff and approved by the OTF. All reviews that meet the targeted sample criteria are selected for oversight. For the targeted samples performed so far, these risk criteria include high volume reviewers, low volume reviewers, reviewers whose firm performs one or two engagements in a must-select category and firms that perform one or two engagements in a must-select category.

2015 Oversight Sample

For the 2015 overall sample, 190 reviews were selected for oversight (85 random, 81 random single audit and 24 targeted selections).

A total of 147 different team captains were selected for oversight through the random and targeted samples. From 2013–2015, 1,236 different peer reviewers served as team captains on system reviews. 2013-2015 is the most recent completed three-year peer review cycle. The 147 team captains selected for oversight served as team captains on 28% of all system reviews performed from 2013–2015.

The 190 must-select engagements selected for oversight consisted of the following:

Employee Benefit Plans	Single Audit/A-133	Government Auditing Standards	Service Organization Control (SOC) 1®	FDICIA	Total
60	110	18	1	1	190

Exhibit 1 contains the overall results for the 2015 and 2014 samples. The results are separated by the number of must-select engagements performed by each firm in the must-select category selected for oversight.

2014 Overall Results

For the 2014 calendar year sample, 90 reviews were selected for oversight (74 random and 16 targeted selections).

A total of 73 different team captains were selected for oversight through the random and targeted samples. From 2012–2014, 1,278 different peer reviewers served as team captains on system reviews. The 73 team captains selected for oversight served as team captains on 26% of all system reviews performed from 2012–2014.

The 90 must-select engagements selected for oversight consisted of the following:

Employee Benefit Plans	Single Audit/A-133	Government Auditing Standards	SOC 1®	Total
48	32	9	1	90

2015 Random (Baseline) Sample

SMEs identified 47 of the 85 (55%) engagements as non-conforming. Peer reviewers identified 26 of the 85 (31%) engagements as non-conforming.

For the 21 (47 identified by the SME less the 26 identified by the reviewers) engagements that were not identified as non-conforming by the peer reviewer, the oversight resulted in a change in peer review rating on 7 of the 21 (33%) of the peer reviews selected for oversight.

The 85 must-select engagements randomly selected for oversight consisted of the following:

Employee Benefit Plans	Single Audit/A-133	Government Auditing Standards	SOC 1® /FDICIA	Total
48	22	15	0	85

2014 Random (Baseline) Sample

SMEs identified 32 of the 74 (43%) engagements as non-conforming. Peer reviewers identified seven of the 74 (9%) engagements as non-conforming. All seven of the non-conforming engagements identified by the peer reviewers were employee benefit plan engagements.

One in every four engagements subject to oversight was determined to be non-conforming because of a lack of adequate audit documentation. As a result of these findings, the AICPA developed a comprehensive communications and education campaign around proper audit documentation that includes model working papers, staff education on the standard, a nano-learning segment on proper documentation and an aid to assist firms in performing their internal inspections. The AICPA is reinforcing these efforts through peer review by training reviewers on the application of AU-C 230, Audit Documentation, and providing tools to assist them during peer reviews.

For the 25 (32 identified by the SME less the seven identified by the reviewers) engagements that were not identified as non-conforming by the peer reviewer, the oversight resulted in a change in peer review rating on 11 of the 74 (15%) of the peer reviews selected for oversight.

The 74 must-select engagements randomly selected for oversight consisted of the following:

Employee Benefit Plans	Single Audit/A-133	Government Auditing Standards	SOC 1®	Total
37	27	9	1	74

2015 vs. 2014 Random Baseline Sample Results

Exhibit 2 contains the results for the random baseline samples for 2015 and 2014. The results are separated by the number of must-select engagements performed by each firm in the must-select category selected for oversight. The GAS/A-133 section also includes the results of the single audit random sample for comparison. The overall percentage of non-conforming engagements identified in the baseline sample increased to 55% in 2015 from 43% in 2014. The percentage of non-conforming engagements identified by the peer reviewer increased to 31% in 2015 from 9% in 2014. For 2015 and 2014, the results indicate that a significant decrease in the percentage of non-conforming engagements identified when the firm performs more than 10 engagements in the must-select category. Drawing from these results, peer reviewers and firms should be aware that it is more likely for a firm to issue a non-conforming engagement if it performs 10 or fewer engagements in a must-select category.

Significant improvements in peer reviewer performance occurred between the 2015 and 2014 oversight years. As part of the EAQ initiative, the Peer Review Program implemented multiple reviewer education initiatives between the 2014 and 2015 oversight years that are improving peer reviewer performance. These initiatives include the introduction of new peer reviewer training courses that were designed, in part, to assist reviewers with identifying non-conforming engagements. Future training courses will continue to focus on assisting reviewers with identifying non-conforming engagements. The future courses will also showcase resources to help reviewed firms improve engagement performance.

2015 Single Audit Random Sample

As noted above, for the 2015 sample, a random sample of peer reviews with single audit engagements was selected for oversight. The purpose of the sample was to determine the non-conformity rate of single audits subject to peer review and the most common characteristics of quality performers. The latter objective was achieved by requiring each firm in the sample to complete a questionnaire to gather information about the firm and engagement team and assess the correlation between the firms' responses and their conformity to professional standards. SMEs identified 43 of the 81 (54%) engagements as non-conforming. Peer reviewers identified 10 of the 81 (13%) engagements as non-conforming.

As noted above, a questionnaire was completed by each firm selected for the single audit oversight sample. The results of the questionnaire indicated that one the most common characteristic for quality performing firms is that the firm performs greater than 10 single audit engagements. These results are consistent with the results of the random sample that includes all must-select engagements. The questionnaire also revealed that the engagement partner is a critical element of quality. There was a significant increase in the rate of non-conforming engagements when the partner on the single audit engagement had one of three characteristics: 1) fewer than six years of experience, 2) a history of non-conforming engagements, and 3) less than nine hours of single audit-specific CPE in the last three years.

For the 33 (43 identified by the SME less the 10 identified by the reviewers) engagements that were not identified as non-conforming by the peer reviewer, the oversight resulted in a change in peer review rating on five of the 33 (15%) of the peer reviews selected for oversight.

2015 Targeted Sample

The targeted sample for 2015 consisted of firms that performed three or fewer engagements in a must-select category. For the targeted sample, the SMEs identified 11 of the 24 (46%) engagements as non-conforming. Peer reviewers identified 5 of the 24 (21%) engagements as non-conforming.

For the six (11 identified by the SME less the 5 identified by the reviewers) engagements that were not identified as non-conforming by the peer reviewer, the oversight resulted in a change in peer review rating on two of the six (33%) of the peer reviews selected for oversight.

The 24 targeted engagements selected for oversight consisted of the following:

Employee Benefit Plans	Single Audit/A-133	Government Auditing Standards	SOC 1 [®] /FDICIA	Total
12	7	3	2	24

2014 Targeted Sample

The targeted sample for 2014 consisted of reviewers who served as team captains on the largest number of system reviews between 2011 and 2013. If a team captain was selected during the random sample, they were not selected for the targeted sample. For the targeted

sample, the SME identified eight of the 16 (50%) engagements as non-conforming. The peer reviewers did not identify any of the engagements as non-conforming.

For the eight engagements that were not identified as non-conforming by the peer reviewer, the oversight resulted in a change in peer review rating on three of the eight (37%) of the peer reviews selected for oversight.

The 16 targeted engagements selected for oversight consisted of the following:

Employee Benefit Plans	Single Audit/A-133	Government Auditing Standards	SOC 1®	Total
11	5	0	0	16

Common Findings

Exhibit 3 lists items identified by the SMEs that were not identified by the peer reviewer that, either individually or in the aggregate, led to a non-conforming engagement. For the ERISA engagements selected for oversight, none of the items identified by the SME were noted on a significant percentage of the engagements selected for oversight. For the single audit engagements, findings related to internal control testing were identified on 72% of the non-conforming engagements that were not identified by the peer reviewer.

2015 Feedback Issued

Overall, 60 engagements were selected for oversight where the SME identified the engagement as non-conforming and the peer reviewer did not identify the engagement as non-conforming. Of those 60 oversights, 43 have completed the RAB process, including consideration of feedback.

For the 43 oversights referred to above, the following feedback was issued by the AE:

- 14 resulted in feedback
- 8 resulted in a significant reviewer performance deficiency
- 3 resulted in a performance deficiency
- 2 resulted in a monitoring letter
- 2 resulted in a deficiency letter
- 14 resulted in no feedback.

The OTF monitors the types of feedback issued as a result of the oversights. The OTF considers if any further actions are necessary, including, whether to issue a feedback form, monitoring letter or deficiency letter. The OTF has requested additional information from the peer reviewers on six of the oversights. As of the publication of this report, the OTF has not determined whether further action is necessary on those oversights.

Exhibit 1

Overall Non-Conforming Engagements Identified During 2015 and 2014 Enhanced Oversight by Firm Size

The 2015 enhanced oversight sample was divided into three samples: a random sample, a random single audit sample and a targeted sample. A total of 190 must-select engagements were selected for oversight (85 random selections, 81 single audit random selections and 24 targeted selections). The 2014 enhanced oversight sample was divided into two samples: a random sample and a targeted sample. A total of 90 must-select engagements were selected for oversight (74 random selections and 16 targeted selections). The following tables detail the number of non-conforming engagements identified in relation to the number of must-select engagements performed by the firm in that category for all must-select engagements selected for oversight for the 2015 and the 2014 samples. *These results are not statistically valid and are presented for informational purposes only.*

2015 Overall Sample			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	51	90	57%
3-5	25	47	53%
6-10	12	23	52%
11 or more	11	30	37%
Total	99	190	52%

2014 Overall Sample			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	19	43	44%
3-5	10	22	45%
6-10	9	15	60%
11 or more	2	10	20%
Total	40	90	44%

2015 Employee Benefit Plan Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	17	30	57%
3-5	7	16	44%
6-10	3	4	75%
11 or more	4	10	40%
Total	31	60	52%

2014 Employee Benefit Plan Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	15	30	50%
3-5	4	10	40%
6-10	3	4	75%
11 or more	0	4	0%
Total	22	48	46%

2015 GAS/A-133 Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	34	59	58%
3-5	18	31	58%
6-10	8	18	44%
11 or more	7	20	35%
Total	67	128	52%

2014 GAS/A-133 Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	3	12	25%
3-5	6	12	50%
6-10	6	11	55%
11 or more	2	6	33%
Total	17	41	41%

*Column represents the number of must-select engagements performed by the firm in the must-select category selected for oversight

Note: For the 2015 sample, 1 SOC® engagement and 1 FDICIA engagement was selected for oversight. The 2015 SOC® engagement was identified as non-conforming by the SME. For the 2014 sample, 1 SOC® engagement was selected for oversight. The 2014 SOC® engagement was identified as non-conforming by the SME.

Exhibit 2

Baseline Random Sample Non-Conforming Engagements Identified During 2015 and 2014 Enhanced Oversight Random Sample by Firm Size

The 2015 enhanced oversight sample was divided into three samples: a random sample, a random single audit sample and a targeted sample. A total of 190 must-select engagements were selected for oversight (85 random selections, 81 single audit random selections and 24 targeted selections). The 2014 enhanced oversight sample was divided into two samples: a random sample and a targeted sample. A total of 90 must-select engagements were selected for oversight (74 random selections and 16 targeted selections).

The following tables detail the number of non-conforming engagements identified in the baseline random samples for 2015 and 2014 in relation to the number of must-select engagements performed by the firm in that category for the must-select engagements randomly selected for oversight. The GAS/A-133 section also includes the results of the single audit random sample for comparison purposes. The overall random samples are statistically valid and were selected in order to provide a 95% confidence level that the true population values are within +/- 10% of the measured sample mean. *The results by engagement type and firm size are not statistically valid and are presented for informational purposes only.*

2015 Random Selections			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	25	41	61%
3-5	12	24	50%
6-10	5	8	63%
11 or more	5	12	42%
Total	47	85	55%

2014 Random Selections			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	13	33	39%
3-5	9	19	47%
6-10	8	13	62%
11 or more	2	9	22%
Total	32	74	43%

2015 Employee Benefit Plan Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	14	25	56%
3-5	4	12	33%
6-10	2	3	67%
11 or more	2	8	25%
Total	22	48	46%

2014 Employee Benefit Plan Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	10	21	48%
3-5	4	9	44%
6-10	3	4	75%
11 or more	0	3	0%
Total	17	37	46%

2015 GAS/A-133 Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	11	16	69%
3-5	8	12	67%
6-10	3	5	60%
11 or more	3	4	75%
Total	25	37	68%

2015 A-133 Sample			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	23	36	64%
3-5	10	18	56%
6-10	5	11	45%
11 or more	4	16	25%
Total	42	81	52%

2014 GAS/A-133 Engagements			
Number of Must-Select Engagements Performed by Each Firm Selected*	Number of Non-Conforming Engagements	Must-Select Audit Engagements Reviewed	Percentage of Engagements Reviewed Identified as Non-Conforming
1-2	2	11	18%
3-5	5	10	50%
6-10	5	9	56%
11 or more	2	6	33%
Total	14	36	39%

Exhibit 3

Common Findings

In 2014, the PRB approved the addition of engagement-level oversights performed by SMEs. As discussed in more detail in the Engagement Level Oversights section, the SMEs identified numerous material departures from professional standards that were not identified by the peer reviewers. The following is a list of departures from professional standards identified by the SMEs that were not identified by the peer reviewer for the 2015 sample. The SMEs identified these departures from professional standards, individually or in the aggregate, as material departures from professional standards that caused the engagement to be considered non-conforming. The departures identified in the 2015 sample were similar to the departures identified in the 2014 sample.

Employee Benefit Plan Engagements

- Insufficient documentation of evaluation of SOC[®] report.
- Failure to obtain sufficient appropriate audit evidence to provide reasonable assurance that fair value measurements (including appropriate leveling) and disclosures in the financial statements are in conformity with generally accepted accounting principles (GAAP).
- Overreliance on SOC[®] report. Missing testing included no specific testing of
 - allocation of contributions.
 - allocation of investment income.
 - investment elections.
- Errors in Auditor's report:
 - Lack of "Other Matters" paragraph when prior year's financial statements were compiled.
 - Auditor's report referenced the wrong custodian certifying investments and investment income.
 - Lack of reference to management's responsibility when the financial statements were prepared on the modified cash basis.
 - Lack of reference to prior year's financial statement being prepared on the modified cash basis of accounting.
- Lack of testing or inadequate testing for the following:
 - Employer contributions.
 - Benefit payments or distributions.
 - Vesting and forfeitures for distributions.
 - Participant data and elections.
 - Timeliness of participant contributions.
- Plan used a definition of compensation that did not agree with the plan document.
- Financial statements were not prepared on the liquidation basis of accounting.

Single Audit/A-133 and Government Auditing Standards Engagements

- Lack of testing of internal controls over some or all direct and material compliance requirements.
- Insufficient documentation of internal controls over compliance.

- Insufficient documentation of auditor analysis and judgment of which applicable compliance requirements were determined to be direct and material.
- Insufficient documentation of specific procedures performed to test direct and material compliance requirements.
- Insufficient documentation of how sample sizes were determined, including, selecting one sample for multiple grants.
- Lack of Yellow Book independence documentation, including lack of:
 - Evaluation of non-audit services for threats to independence.
 - Documentation of skills, knowledge and experience
 - Documentation of safeguards other than skills, knowledge and experience
 - Evaluation of self-review threat for a sole-practitioner
- Insufficient documentation supporting the assessment that compliance requirements were not applicable.
- Lack of documentation of fraud risk regarding noncompliance for major programs.
- Lack of documentation of internal control over preparation of SEFA.
- Lack of documentation of reconciliation of SEFA amounts.
- Reviewed firm performed a single audit when one was not required. Firm did not appropriately modify the auditor's report.
- Lack of documentation of materiality for each major program.
- Representation letter did not include all of the required elements for a single audit.
- Lack of documentation of risk assessment for Type B programs.
- Reviewed firm used incorrect compliance supplement.

SOC 1[®] Engagement

- Documentation did not provide sufficient detail to support the procedures performed.

Firm and Engagement Tracking “Population Completeness”

Objective

Research publicly available data to verify that all firms that should be enrolled in peer review are enrolled and to verify that all engagements that are within peer review scope are included in the population subject to peer review. Firms without AICPA members are also included in the scope of the project.

Status/Accomplishments

EIN Project

Goal: Obtain federal employer identification numbers (EINs) to increase efficiency and accuracy of comparing publicly available information to information provided for peer review.

Status:

- As of April 2017 we have obtained EINs for approximately 81% of total enrolled firms. This increases our total to approximately 27,000 for enrolled firms, with approximately 6,000 EINs left to obtain through the scheduling process.
- Our last direct EIN request was sent to enrolled firms in September 2016.
- Firms will not be able to schedule their next peer review without providing their EIN.
- Failure to provide complete scheduling information is considered noncooperation for which a firm’s enrollment can be dropped from the program.
- Firms that do not provide the requested information during the scheduling process will be sent a series of reminders and overdue letters prior to being dropped from the program.

DOL Completeness Project

Goal: Identify firms performing Employee Benefit Plan (EBP) audits via the Department of Labor (DOL) database and assess whether the firms are in compliance with peer review requirements.

Status: Staff has performed preliminary research of the 2014 and 2015 DOL databases to identify firms potentially not in compliance with peer review requirements.

Investigations have resulted in the following findings and potential repercussions.

- **Firms issuing EBP audit reports not enrolled in the peer review program:** Once a firm is confirmed as not being enrolled in the peer review program, the information is submitted to Ethics or other appropriate enforcement body for further investigation.

Staff is continuing to research firms’ enrollment in the peer review program as required by AICPA membership bylaw or state board of accountancy requirements.

Peer review improperly omitting EBP audits: If an enrolled firm is identified as having performed an EBP audit and issued an audit report, but the firm’s most recently accepted peer review does not include an EBP audit, it is considered a material departure. The acceptance letter for the review will be recalled. Appropriate state boards of accountancy will be notified by the administering entity of the change in the date of acceptance and period covered by the firm’s most recently accepted peer review as a result of the recall of the acceptance letter.

If a firm's peer review report is recalled for omitting EBP audits, the firm will be subjected to a hearing panel. The hearing panel may terminate the firm's enrollment in the peer review program or allow the firm a replacement review as well as other potential other remedial action.

Voluntary Correction Plan (VCP): Staff is encouraging firms to come forward to self-report under the VCP. By voluntarily notifying the administering entity, a firm's review will be recalled, but the firm will be allowed a replacement review and will avoid potential termination from the peer review program via a hearing panel. The firm will be required to submit the replacement review to its administering entity by the due date which will be approximately 90 days after the firm's notification to the administering entity.

Research and initial communications are expected to be completed by August 30, 2017.

Communications: Staff have begun sending communications and plan to continue through the coming months.

- Reviewer Alert: Reviewers were notified of the project in the April 2017 Reviewer Alert and provided additional information and resources about peer review compliance and completeness.
- VCP: Direct communication to firms identified in the preliminary database comparisons will be sent in May 2017.
- Recall Notifications: Additional notifications will be sent to impacted firms and reviewers beginning in May 2017, after firms have had an opportunity to take advantage of the VCP.

**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation
between January 21, 2017 and April 12, 2017**

Firm Number	Firm Name	State
10150733	Todd W. Tew CPA	AK
10035124	Freeman & Company	AR
10105708	Robert B. Barrett	AZ
10090861	Blye Accountancy Corporation	CA
5918174	Castle & Company Inc.	CA
10097932	CEA LLP	CA
10123629	Cutler & Associates An Account	CA
10139533	Don Biddle	CA
6158649	Don Cole & Company	CA
10117078	Earl G. Herrick	CA
1081508	Edward L. Cook	CA
10105032	Fetta Kidder & Wilcox CPA LLP	CA
10150078	Forrest & Company Inc.	CA
4549349	James E. Nerrie	CA
5170002	Jorgensen Brar Accountancy Cor	CA
8126411	Kelley G. Cohen CPA	CA
10120055	Michael Kwonchun Suh	CA
1154943	Michael P. Kelly	CA
6286597	Robert Ades Accountancy Corpor	CA
10100273	Robert C. Finston	CA
5406550	SOA Projects LLP	CA
10095689	Swift & Swift	CA
1107116	Wallace Rowe & Associates	CA
5757899	William J. Atkinson	CA
10137203	Wind & Stern LLP	CA
1067394	Wood Business Solutions Inc.	CA
10132765	Ronald E. Graham	CO
10155711	Biondi-Shannon Panebianco Cons	FL
9489194	GOLDSTEIN & DELGADO LLC	FL
9777324	Ruggiero & Associates DBA Adva	FL
11673592	Savransky Partners LLC	FL
10146810	Wald and Cohen PA	FL
4562080	Graham C. Bethel CPA	GA
255248203	Paul A. Thomas CPA	GA
10129443	Richard G Gold CPA P. C.	GA
255226275	Thomas Bailey CPA PC	GA

5561330	Arnone Salerno Company PA	KS
10142756	Robert D. Behrens APC CPA	LA
5733675	Gaudet & Hughes Inc.	MA
10140407	John E. Dahlquist CPA P. C.	MA
6438274	Pamela L. Hilton CPA	MA
10152031	Robert B. Audano Jr.	MA
10147285	Barry & Company P.C.	MI
255183415	Donna M. Bishop CPA PC	MI
10152744	Hiestand and Company PC	MI
5186634	Signet Professional Services P	MO
1091236	Steven T. Osborne CPA	MO
9594756	Michael L Thompson CPA PLLC	MS
1057936	Shotkoski & Associates P.C.	NE
8935417	Dorothy Pearlman CPA LLC	NJ
4727756	Loretta E. Valencia B.A MA CPA	NM
3821327	William Lawrence Lanphere CPA	NM
5350044	Fredrick JZ Leavitt	NV
5309651	Jack Dolan & Associates	NV
4960453	LLB CPA's	NV
3802090	Lowell M. Black CPA LLC	NV
10155095	Pitchford & Associates	NV
80584425	Ben A Milchman	NY
10137265	Duff W. Driscoll	NY
10091411	Finkle & Ross LLP	NY
732988	Jan M. Roswig CPA P. C.	NY
10149741	Jerry W. Caruso Jr.CPA	NY
4298752	Kranz & Co	NY
10103115	LJ Siro CPA Services PC	NY
10025839	Manger & Associate CPAs P.C.	NY
10153689	Provvidenza & Wright CPAs LLC	NY
10081672	Sedore & Company CPA's P.C.	NY
10145263	Sendziak & Sroda CPA's PLLC	NY
10095755	Zigman Levine & Fischgrund CPA	NY
10102730	Middleton & Dossey	OK
6280692	Scott A Stugart CPA	PA
4527687	Feliciano Seda & Associates CP	PR
5369834	Gustavo A. Perez Gonzalez CPA	PR
5219310	Jesus M. Mora Nieves CPA	PR
10130046	Ramon L Marrero CPA	PR
10101097	Joycelynn S. Knight CPA LLC	SC
1124869	Ronald L. Schur	SD
8904109	William A. Smith Jr. CPA LLC	TN

4680189	Barbara D. Penhall CPA	TX
9310473	Dana L Nichols CPA PLLC	TX
11458911	David Canion P.C.	TX
10114340	Donna Sellers CPA	TX
10135011	Jeff Pickering	TX
5845983	Julia Clark & Associates P.C.	TX
10107660	Keith Hinze	TX
255179367	Michael D Sledge	TX
6982017	Munshi CPA PC	TX
5513507	R Glenn Kirk CPA LLC	TX
255190275	Richard Meggs CPA	TX
1155952	Robert S. Cooper P. C.	TX
10110345	Sandidge & Company PLLC	TX
4636006	Tom B. Johnson CPA PC	TX
8601576	Wright CPA Firm LLP	TX
10098861	Dale K. Barker Co. P. C.	UT
10092988	Gary A. York & Associates	UT
6185556	Johnson & Semken CPAs PC	UT
10105668	Paul Reid Sorenson	UT
10090032	Prince Hansen Gray & Associate	UT
10108102	R. Paul Beard & Associates	UT
4303052	Richard Tomlinson PLLC	UT
1031703	Ted Johnstun & Associates PC	UT
9578716	A Balancing Act P.C.	VA
6196070	Birckhead Roszak Fulton & Eche	VA
6923347	Carole L. Feldman CPA	VA
10119826	Dinah J. Wright	VA
155476	Donald W. Coleman CPA Inc.	VA
247769	Feher Hoover & Feher CPAs P.C.	VA
10114216	Judith A. Strauss	VA
10154932	Robert W. Young CPA & Associat	VA
4105003	Taylor Group CPA LLC Michael E	VA
8852764	Turner Group PC	VA
10100301	Warren & Bandy PLC	VA
3880180	Warren V Camp CPA LLC	VA
5163393	Bardole & Wolfe	WI
5093664	Luedke & Associates CPA LLC	WI
5552320	Kathryn Goddard CPA	WV
6493658	Maunz & Company PLLC	WV

Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program Since Reporting at the January 2017 Meeting

Failure to complete a corrective action

The AICPA Peer Review Program terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate. The firms did not complete corrective actions designed to remediate deficiencies identified in their most recent peer review.

Nitchman & Company – Glendale, CA
Shawn Washington Accountancy Corporation – Moreno Valley, CA
Joseph P. Costello CPA – Braintree, MA
Matt Foster & Associates, LLC – Philipsburg, PA
Michael A. Stello – Punxsutawney, PA
Hunter, Farris, Mallett & Townsend, P. C. – Houston, TX
Williams, CPA, LLC – Milwaukee, WI

Consecutive non-pass reports in system reviews

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate by failing to design a system of quality control, and/or sufficiently complying with such a system, that would provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Ralph J. Hochman – Jacksonville, FL

Firm terminations are also published on our website at:

<http://www.aicpa.org/ForThePublic/PRFirmTerm/Pages/2017PeerReviewFirmTerminations.aspx>



Peer Review Program