

**AICPA Peer Review Board  
Open Session Highlights  
November 14, 2016  
Teleconference**

***PRB Members:***

Tom Parry, Chair  
Jeannine Birmingham  
Brian Bluhm  
James Clausell  
Bert Denny  
Liz Gantnier  
Jeff Gendreau  
John Guido  
Karen Kerber  
Bill Lajoie  
Barbara Lewis  
Andrew Pope  
Debra Seefeld  
Marty Shannon  
Todd Shapiro  
Karen Welch  
Tom Whittle

***Absent:***

Dawn Brenner  
Bill Calder  
Keith Rowden

***AICPA Staff:***

Karen Aylor  
Rachelle Drummond  
Kim Ellis  
Gary Freundlich  
Donna Roethel Freundlich  
Jennifer Gum  
Tim Kindem  
Sue Lieberum  
Justin Long  
Carl Mayes  
Fran McClintock  
LaVonne Montague  
Tracy Peterson  
Beth Thoresen  
Tricia VanVliet

***Guest Participants:***

See [Exhibit 1](#)

**Agenda Item 1.1: Welcome Attendees and Roll Call of Board– Mr. Kindem/Mr. Parry**

Mr. Kindem conducted the roll call of the Board and guest participants. Mr. Parry called the open session to order and welcomed the Board members, specifically the four new Board members participating in their first meeting, and all observers.

**Agenda Item 1.2: Approval of Modifications of Report and Representation Letter**

**Guidance Changes – Mr. Pope**

*Discussion Summary:*

The Board discussed the proposed guidance changes included within this agenda item in three parts. The first part of the discussion focused on the proposed changes to the Standards (PRP Section 1000) as shown in Agenda Item 1.2B. These changes were first exposed for public comment in August 2016 and a summary of the comments received for that exposure draft was included at Agenda Item 1.2A.

Board members first discussed the comment from Cherry Bekaert in further detail. Board members of the Standards Task Force stated the representation in question was included for the firm's benefit in case questions regarding the sufficiency of the review's scope were asked later on. The updated representation letter could be used as evidence to indicate all necessary must-select engagements were selected and reviewed as part of the peer review. It would also help the firm determine whether or not the report they receive from the reviewer is correct.

Board members then discussed the comment from the Indiana CPA Society, specifically whether or not representation letters for firms undergoing engagement reviews should be enhanced to explicitly reference that must select engagements were not performed by the firm. It was noted that the PRB had already approved the inclusion of such a representation effective for reviews commencing on or after January 1, 2017.

The second part of the discussion centered on the proposed reviewer alert shown at Agenda Item 1.2C. Board members first questioned why the two different illustrations included in the alert were necessary. The two illustrations were produced in order to provide a more accurate depiction of what the peer reviewer had reviewed. Next, the Board discussed why the term "Single Audit" was being used as opposed to "OMB Circular A-133" or "Uniform Guidance." It was noted that the term "Single Audit" is being used to account for the fact that upcoming peer reviews could have engagements subject to OMB Circular A-133, Uniform Guidance or both, and Single Audit would serve as an effective all-encompassing term. Finally, it was noted that Peer Review Administrators and Technical Reviewers should request revisions if the submitted reports or representation letters do not conform to the new guidance.

Lastly, the Board discussed whether the reviewer alert shown in Agenda Item 1.2C should be incorporated into the Peer Review Program Manual, specifically PRP Section 3100. PRB members suggested it was critical that this was done and discussed other sections of the manual where the guidance could be included.

*Resolutions:*

Agenda Item 1.2B

1. The proposed guidance changes in Agenda Item 1.2B were approved unanimously as presented.

Agenda Item 1.2C

1. The dates included within the example reports and representation letters in Agenda Item 1.2C will be changed to be after January 1, 2017 to avoid confusion on when the guidance changes are effective.
2. The appropriate report titles will be included in the example reports included in Agenda Item 1.2C. Section headers will also be revised to align with terminology included within the PRPM.
3. The reviewer alert as shown in Agenda Item 1.2C was approved unanimously subject to the changes noted above.
4. Incorporating the revised alert into the PRPM, specifically Sections 3100, 4100 and 4200 was approved unanimously.

*Open Items:*

1. When incorporating the alert into the PRPM, the dates included in the example representation letter and peer review reports will be changed to more evergreen dates to avoid potential confusion regarding the effective date (for example, April 1, 2017 will become April 1, 20x7).
2. In conjunction with adding the alert to the PRPM, Staff will look into creating a table of contents for PRPM Section 3100 and include effective dates of any of the items that were added.
3. Staff will create additional wrap around guidance for the Board's review that will include a clarification on:
  - a. When each illustration included in Agenda Item 1.2C should be used.

- b. The fact that the term Single Audit is meant to include both engagements subject to OMB Circular A-133 and engagements subject to Uniform Guidance.

### **Agenda Item 1.3: Approval of Alternative Practice Structure Supplemental Form for QCPP Compliance and Design Testing – Mr. Pope**

#### *Discussion Summary:*

Mr. Pope and Mr. Mayes provided a brief overview of the development of a supplemental checklist, included in the materials as Agenda Item 1.3A, that would serve as a replacement for PRPM Sections 5100, 5200 and 5300. Staff determined that these checklists would only be necessary for roughly 10 to 20 firms. Therefore, it was decided that separate checklists were unnecessary and a shorter supplemental checklist was created. This supplemental checklist would be completed by reviewers in conjunction with the completion of PRPM Sections 4500 and 4600 (or 4550 and 4650 for sole practitioners). The instructions included in the new supplemental checklist, were taken directly from the existing checklists.

Discussion ensued regarding the relevance of the second and third sentences of paragraph .01 of Agenda Item 1.3A. PRB members also discussed adding language to the supplemental checklist to clarify that the form included procedures related to both the reviewer's evaluation of the design of the firm's system of quality control and the reviewer's testing of the firm's compliance with that system.

#### *Resolutions:*

1. The 2<sup>nd</sup> and 3<sup>rd</sup> sentences from paragraph .01 of Agenda item 1.3A will be removed.
2. The title of the checklist will be revised to include "and Testing" after "Supplemental Guidelines for Review...."
3. Headers will be included within the checklist to indicate that question 3 relates to evaluating the design of the firm's system of quality control and that question 4 relates to the testing of the firm's compliance with their system.
4. Agenda Item 1.3A was approved unanimously subject to the revisions described in items 1 through 3 above.

#### *Open Items:*

1. The updated checklist will be included in the PRPM beginning in early 2017 and is effective for reviews commencing on or after January 1, 2017 of firms closely aligned with non-CPA owned entities.

### **Agenda Item 1.4: Future Open Session Meetings**

1. January 31, 2017 Open session – Naples, FL
2. May 12, 2017 Open session – Durham, NC
3. August 17, 2017 Open session – Nashville, TN
4. September 29, 2017 Open session – Conference call

The meeting adjourned at 12:33pm EST.

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

| Name                    | Organization                        |
|-------------------------|-------------------------------------|
| 1. Glen Tesch           | NYS Education Department            |
| 2. Alan Long            | Baldwin CPAs, PLLC                  |
| 3. Paul Pierson         | Illinois CPA Society                |
| 4. Lorita Bill          | Lorita K Bill CPA Consulting LLC    |
| 5. Doris Cubitt         | SC Board of Accountancy             |
| 6. Dipesh Patel         | Texas Society of CPAs               |
| 7. Bob Giblichman       | Warady & Davis LLP                  |
| 8. Julie Salvaggio      | Kentucky Society of CPAs            |
| 9. Marsha Moffitt       | AR Society of CPAs                  |
| 10. Patti Bowers        | CA Board of Accountancy             |
| 11. Bill Bailey         | U.S. Dept of Labor                  |
| 12. Rita Barnard        | KSCPA                               |
| 13. Phyllis Barker      | Oregon Society of CPAs              |
| 14. Julie Phipps        | Washington Society of CPAs          |
| 15. Mark Mersmann       | MSCPA/GSCPA                         |
| 16. Cindy Shears        | OH Society of CPAs                  |
| 17. Wendy Garvin        | Tennessee Board of Accountancy      |
| 18. Katie Cheek         | TSCPA                               |
| 19. Jerry Cross         | TSCPA                               |
| 20. Stacey Lockwood     | LCPA                                |
| 21. Paul Brown          | FICPA                               |
| 22. Heather Lindquist   | Illinois CPA Society                |
| 23. Patty Hurley        | Oklahoma Society of CPAs            |
| 24. Katy Batt           | Indiana CPA Society                 |
| 25. Cheryl Hartfield    | Thomson Reuters                     |
| 26. Mary Kline-Cueter   | Kline Group, PC                     |
| 27. Sherry McCoy        | CA Board of Accountancy             |
| 28. Heather Trower      | PICPA                               |
| 29. Grant Simmons       | GAO                                 |
| 30. Donna Oklok         | Ohio Board of Accountancy           |
| 31. Tracy Poe           | Idaho Society of CPAs               |
| 32. Jeff DeLyser        | CA Board of Accountancy – PROC      |
| 33. Pamela Lemire       | NEPR                                |
| 34. Reza Mahbod         | RMA Associates, LLC                 |
| 35. Michael Fredrickson | RMA Associates, LLC                 |
| 36. Gregg Taketa        | HI State Board of Accountancy       |
| 37. Ernest Markezin     | NYSSCPA                             |
| 38. David Holland       | Holland & Reilly                    |
| 39. D. Boyd Busby       | Alabama Board of Public Accountancy |
| 40. Terry Griffin       | Oregon BOA – PROC                   |
| 41. Colin Autin         | Oklahoma Accountancy Board          |
| 42. Wade Jewell         | Virginia Board of Accountancy       |
| 43. Linda McCrone       | CalCPA                              |
| 44. Noma Gillis         | Mississippi Society of CPAs         |
| 45. Ed Mann             | E. L. Mann PC                       |

|                   |                            |
|-------------------|----------------------------|
| 46. Ellen Adkins  | SC Board of Accountancy    |
| 47. Karen Moody   | MS Society of CPAs         |
| 48. Mike Wagner   | PricewaterhouseCoopers LLP |
| 49. Michael Jack  | Indiana CPA Society        |
| 50. Leona Johnson | NASBA                      |