

# **Peer Review Board Open Session Materials**

**September 27, 2016**

**Conference Call**

**AICPA Peer Review Board  
Open Session Agenda  
September 27, 2016  
Teleconference**

**Date/Time:** Tuesday September 27, 2016 1:00 PM – 4:00 PM (Eastern Time)

**Meeting Location:** Teleconference

- 1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Ms. Ford
- 1.2 Approval of the AICPA PRB Annual Oversight Report\* – Ms. Seefeld
- 1.3 Approval of RAB Handbook Revisions – Report Acceptance Process\* - Ms. Seefeld
- 1.4 Approval of Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Guidance Changes\* - Mr. Parry
- 1.5 Approval of Enhancing Audit Quality Initiative Conforming Guidance Changes\* - Mr. Parry
- 1.6 Approval of Guidance Changes Related to the SSARS Omnibus – 2016\* - Mr. Parry
- 1.7 Approval of Technical Reviewer Acceptance of Reviews with Preparation Engagements\* - Mr. Parry
- 1.8 Task Force Updates\*
  - A. Oversight Task Force Report – Ms. Seefeld
  - B. Standards Task Force Report – Mr. Parry
  - C. Education and Communication Task Force Report – Ms. Kerber
- 1.9 Operations Director's Report\*\* – Ms. Thoresen
- 1.10 Report from State CPA Society CEOs\*\* – Mr. Shapiro
- 1.11 Update on National Peer Review Committee\*\* – Mr. Fawley
- 1.12 For Informational Purposes:
  - A. Report on Firms Whose Enrollment was Dropped or Terminated\*
- 1.13 Future Open Session Meetings\*\*
  - A. November 14, 2016 Open session – Conference call
  - B. January 31, 2017 Open session – Naples, FL
  - C. May 12, 2017 Open session – Durham, NC
  - D. August 17, 2017 Open session – Nashville, TN
  - E. September 29, 2017 Open session – Conference call

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\*- Document Provided

\*\*-Verbal Discussion



# Peer Review Program

**ANNUAL REPORT ON OVERSIGHT**

**Issued  
September 27, 2016**

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## Acronyms

Certain acronyms are used throughout this Report.

AE	Administering Entity
AICPA	American Institute of Certified Public Accountants
PRP	Peer Review Program
CPA	Certified Public Accountant
CPE	Continuing Professional Education
CPCAF PRP	Center for Public Company Audit Firms Peer Review Program
EAQ	Enhancing Audit Quality
ECTF	Education and Communication Task Force
EQCR	Engagement Quality Control Review
ERISA	Employee Retirement Income Security Act
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FFC	Finding for Further Consideration
FSBA	Facilitated State Board Access
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office (U.S.)
IP	Implementation Plan
MFC	Matter for Further Consideration
NPRC	National Peer Review Committee
OTF	Oversight Task Force (AICPA Peer Review Board)
PCAOB	Public Company Accounting Oversight Board
PCPS	Private Companies Practice Section
POA	Plan of Administration
PRISM	Peer Review Information System Management
PRB	Peer Review Board (AICPA)
PRP	Peer Review Program
QCPP	Quality Control Policies and Procedures
RAB	Report Acceptance Body (Administering Entity Peer Review Committee)
SASs	Statements on Auditing Standards
SBA	State Board of Accountancy
SEC	Securities and Exchange Commission (U.S.)
SECPS	Securities and Exchange Commission Practice Section
SEFA	Schedule of Expenditures of Federal Awards
SOC	Service Organization Control
SME	Subject Matter Expert
STF	Standards Task Force
SQCS	Statements on Quality Control Standards
SRM	Summary Review Memorandum
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statements on Standards for Accounting and Review Services

## Introduction

### Purpose of This Report

The purpose of this Annual Report on Oversight (report) is to provide a general overview; statistics and information; the results of the AICPA Peer Review Program (AICPA PRP) oversight procedures; and to conclude on whether the objectives of the AICPA Peer Review Board's (PRB) 2015 oversight process were met.

### Scope and Use of This Report

This report contains data pertaining solely to the AICPA PRP and should be reviewed in its entirety and not taken out of context because

- approximately 26,000<sup>1</sup> firms enrolled in the AICPA PRP have a peer review performed once every 3 years.
- approximately 8,500 peer reviews take place each year.
- 39<sup>2</sup> administering entities (AEs) cover 55 licensing jurisdictions.
- there are more than 640 volunteer Peer Review Committee members.

### Years Presented in This Report

Statistical information presented in this report pertains to peer reviews commenced and performed during the calendar years 2013–2015. Accordingly, oversight procedures included in this report are performed on a calendar year basis.

1 Approximately 28,000 firms are enrolled in the AICPA PRP. Approximately 2,200 of those enrolled firms have indicated that they are not currently performing engagements subject to peer review.

2 Number of Administering Entities as of the date of this report. The National PRC has issued a separate report for the calendar year and its results are not included within this Report.

## History of Peer Review at the AICPA

A system of internal inspection was first used regularly in the early 1960s when a number of large firms used it to monitor their accounting and auditing practices and to make certain their different offices maintained consistent standards. Firm-on-firm peer review emerged in the 1970s. No real uniformity to the process existed until 1977, when the AICPA's Governing Council (council) established the Division for CPA Firms to provide a system of self-regulation for its member firms. Two voluntary membership sections within the Division for CPA Firms were created—the Securities and Exchange Commission (SEC) Practice Section (SECPS) and the Private Companies Practice Section (PCPS).

One of the most important membership requirements common to both sections was that once every three years firms were required to have a peer review of their accounting and auditing practices to monitor adherence to professional standards. The requirements also mandated that the results of peer review information be made available in a public file. Each section formed an executive committee to administer its policies, procedures and activities as well as a peer review committee to create standards for performing, reporting and administering the peer reviews.

AICPA members voted overwhelmingly to adopt mandatory peer review, effective in January 1988, and the AICPA Quality Review Program was created. Firms could enroll in the newly created AICPA Quality Review Program or become a member of the Division for CPA Firms and undergo an SECPS or PCPS peer review. Firms enrolling in the AICPA Quality Review Program that had audit clients would undergo on-site peer reviews to evaluate the firm's system of quality control, which included a review of selected accounting and auditing engagements. Firms without audit clients that only performed engagements under the attestation standards or accounting and review services standards would undergo off-site peer reviews, which also included a review of selected engagements to determine if they were in compliance with professional standards.

From its inception, the peer review program has been designed to be educational and remedial in nature. Deficiencies identified within firms through this process are then corrected. For firms that perform audits and certain other engagements, the peer review is accomplished through procedures that provide the peer reviewer with a reasonable basis for expressing an opinion on whether the reviewed firm's system of quality control for its accounting and auditing practice has been designed appropriately and whether the firm is complying with that system.

In 1990, a new amendment to the AICPA bylaws mandated that AICPA members who practice public accounting with firms that audit one or more SEC clients must be members of the SECPS. In 1994, council approved a combination of the PCPS Peer Review Program and the AICPA Quality Review Program under the name AICPA PRP governed by the PRB, which became effective in 1995. Thereafter, as a result of this vote, the PCPS no longer had a peer review program.

The Sarbanes-Oxley Act of 2002 established the Public Company Accounting Oversight Board (PCAOB) as a private sector regulatory entity to replace the accounting profession's self-regulatory structure as it relates to public company audits. One of the PCAOB's primary activities is the operation of an inspection program that periodically evaluates registered firms' SEC issuer audit practices.

As a result, effective January 1, 2004, the SECPS was restructured and renamed the AICPA Center for Public Company Audit Firms (CPCAF). The CPCAF Peer Review Program (CPCAF PRP) became the successor to the SECPS Peer Review Program (SECPS PRP), with the



objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with, and inspected by, the PCAOB. Because many state boards of accountancy (SBAs) and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAF PRP provided the mechanism (along with the PCAOB inspection process) to allow member firms to meet their state board of accountancy licensing and other state and federal governmental agency peer review requirements.

Because both programs (AICPA and CPCAF PRPs) were only peer reviewing non-SEC issuer practices, the PRB determined that the programs could be merged and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved the revised *AICPA Standards for Performing and Reporting on Peer Reviews* effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the programs at which time the CPCAF PRP was discontinued, and the AICPA PRP became the single program for all AICPA firms subject to peer review. Upon the discontinuance of the CPCAF PRP, the activities of the former program were succeeded by the National Peer Review Committee (NPRC), a committee of the AICPA PRB.

In the more than 25 years since peer review became mandatory for AICPA membership, 52 SBAs have adopted peer review requirements and many require their licensees to submit certain peer review documents as a condition of licensure. In order to assist firms in complying with state board peer review document submission requirements, the AICPA created Facilitated State Board Access (FSBA). FSBA allows firms to give permission to the AICPA or to their AEs to provide access to the firms' documents (listed in the following paragraph) to state boards through a state-board-only access website. Permission is granted through various opt-out and opt-in procedures. Some state boards now require their licensees to participate in FSBA; others recognize it as an acceptable process to meet the peer review document submission requirements.

The FSBA documents typically include the following:<sup>3</sup>

- Peer review reports
- Letters of response (if applicable)
- Acceptance letters
- Letters signed by the reviewed firm indicating that the peer review documents have been accepted with the understanding that the reviewed firm agrees to take certain actions (if applicable)
- Letters notifying the reviewed firm that required actions have been completed (if applicable)

<sup>3</sup> As of February 2015, a firm's current and prior peer review documents are available on FSBA. The documents are available if the state participated in FSBA for both review periods and the firm did not opt out of FSBA for either review.

**About the AICPA Peer Review Board**

The PRB is the senior technical committee governing the AICPA PRP and, as such, it is responsible for overseeing the entire peer review process. The PRB is dedicated to enhancing the performance and quality of accounting, auditing, and attestation engagements not subject to PCAOB permanent inspection performed by AICPA members and their firms that are enrolled in the program. The PRB seeks to attain its mission through education and remedial corrective actions which serves the public interest and enhances the significance of AICPA membership.

The mission of the PRB is achieved through establishing and overseeing the program. This includes developing, implementing, maintaining and enhancing comprehensive peer review standards and related guidance for firms subject to peer review, those performing peer reviews and others involved in administering the program for the PRB. In addition, the PRB is responsible for overseeing the entire peer review process. By reevaluating the validity and objectives of the program, the PRB furthers the goal of continuous enhancement of the quality in the performance of accounting, auditing, and attestation engagements not subject to PCAOB permanent inspection by AICPA members and their firms enrolled in the program, and explicitly recognizes that protecting the public interest is an equally important objective of the program.

The PRB composition has been developed to comprise of 20 members representing public practitioners from various size firms, including an individual from each of the four largest firms, state society CEOs and regulators.

Various subcommittees and task forces are appointed to assist the PRB in carrying out its responsibilities. Their work is subject to review by the PRB. Currently, the PRB has task forces for planning, oversight, standards, education and communication, the National Peer Review Committee, associations, quality control materials, technical reviewers' advisory and administrative advisory. Task forces are formed on an ad hoc basis to address various initiatives of the PRB.

The activities of the PRB and its task forces and subcommittees are supported by AICPA peer review program staff who assist with drafting standards and interpretations; developing peer review guidance related to emerging issues; and work on projects in cooperation with other teams at the AICPA.

**AICPA PEER REVIEW BOARD ROSTER**  
**OCTOBER 2015–OCTOBER 2016**

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(October 2015–October 2016)

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\*Member, AICPA Peer Review Board

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Laurel Gron, Technical Manager

Lisa Joseph, Technical Manager

Karl Ruben, Technical Manager

## Letter to the AICPA Peer Review Board

To the Members of the AICPA Peer Review Board:

We have completed a comprehensive oversight program for the 2015 calendar year. In planning and performing our procedures, we considered the objectives of the oversight program, which state there should be reasonable assurance that (1) Administering Entities (AEs) are complying with the administrative procedures established by the Peer Review Board (PRB) as set forth in the *AICPA Peer Review Program Administrative Manual*, (2) the reviews are being conducted and reported upon in accordance with the standards, (3) the results of the reviews are being evaluated on a consistent basis by all AE peer review committees and (4) the information provided via the Internet or other media by AEs is accurate and timely. Our responsibility is to oversee the activities of AEs that elect and are approved to administer the AICPA Peer Review Program (AICPA PRP), including the establishment and results of each AE's oversight processes.

Our procedures were conducted in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook* and included the following procedures:

- *Oversight Visits of Administering Entities.* Visits to the AEs, on a rotating basis ordinarily every other year, by a member of the Oversight Task Force (OTF). The visits included testing the administrative and report acceptance procedures established by the PRB. OTF members visited 18 AEs in 2015. See pages 13–14 “Oversight Visits of the Administering Entities.”
- *Review of AICPA PRP Statistics.* Monitoring the overall activities of the program. As of August 2016, there were 730 incomplete peer reviews. See pages 14–15, “Review of AICPA PRP Statistics.”
- *Report Acceptance Body (RAB) Observations.* RAB Observations are performed by OTF members and AICPA PRP staff. The RAB Observations began in July 2014 and include the review of materials provided to RAB members to ensure that RABs are performing all of their responsibilities. From August 1, 2015 – July 31, 2016, 494 reviews were selected for RAB Observations, or approximately 6.9 percent of the total reviews performed during this time period. See pages 15–16 for a detailed description of the RAB Observation process.
- *Engagement Level Oversight.* Oversight performed by subject matter experts (SMEs) on must-select engagements that include the review of the financial statements and working papers for the must-select engagements. The 2014 sample consisted of 90 engagements selected for oversight (74 random and 16 targeted selections). The random selections were chosen to obtain a 95 percent confidence rating for peer reviews with must-select engagements performed in 2014. The confidence rating indicates that there is a 95 percent likelihood that the sample is representative of the overall population. For the random sample, the SMEs identified 32 of the 74 (43 percent) engagements as not being performed or reported on in accordance with professional standards in all material respects (non-conforming). The peer reviewers identified 7 of the 74 (9 percent) engagements as non-conforming. The peer reviewers did not identify 25 of the 74 (34 percent) of the engagements as non-conforming. The 2015 sample of 190 has not been completed. The results of the 2015 sample will be included in the next oversight report. See pages 16–19 for a detailed description of the engagement level oversight process.
- *Peer Review Working Paper Oversight.* Reviews of peer review working papers by AICPA PRP staff that are reviewed and approved by the OTF, including its PRB members, which covered all parts of the peer review process from administrative functions, peer

reviewer documents and checklists, technical reviewer procedures and peer review committee actions. 2013 was the final year a full sample was selected for reviews of peer review working papers. The RAB Observations took the place of these reviews. After 2013, the reviews of peer review working papers are performed as needed. For 2014, 44 reviews were selected for oversight. The 44 reviews selected were replacement reviews that resulted from the Department of Labor (DOL) staff project that received a pass rating. See pages 19–20, “Peer Review Working Paper Oversight.”

Oversight procedures performed by the AEs in accordance with the *AICPA Peer Review Program Oversight Handbook* included the following procedures:

- *Administrative Oversight of the AE.* Administrative oversight performed by a peer review committee member in the year in which there was no oversight visit by a member of the OTF. 22 administrative oversights were performed in 2015. See page 20, “Administrative Oversight of the AE.”
- *Oversight of Peer Reviews and Reviewers.* Oversight of various reviews, selected by reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2015, approximately 3.6 percent of total reviews were selected for oversight at the AE level. See pages 20–22, “Oversight of the Peer Reviews and Reviewers.”
- *Annual Verification of Reviewers’ Resumes.* Verification of accuracy of information included on peer reviewer resumes. For 2015, resumes were verified for 771 reviewers. See page 22, “Annual Verification of Reviewers’ Resumes.”

Based on the results of the oversight procedures performed, the OTF has concluded, for the 2015 calendar year, that the objectives of the PRB oversight program, taken as a whole, were met.

Respectfully submitted,

*Debra Seefeld*

Debra Seefeld, Chair  
Oversight Task Force  
AICPA Peer Review Board

September 27, 2016

## The AICPA Peer Review Program

### Overview

AICPA bylaws require that members engaged in the practice of public accounting be with a firm that is enrolled in an approved practice-monitoring program or, if practicing in firms that are not eligible to enroll, the members themselves are enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice monitoring standards, and the firm or individual issues reports purporting to be in accordance with AICPA professional standards. In addition, 16 state CPA societies currently have made participation of a member's firm in an approved-practice monitoring program a condition of continued state CPA society membership. Also, of the 55 licensing jurisdictions, currently 52 SBAs have made participation in a type of practice-monitoring program mandatory for licensure. See exhibit 1.

The AICPA PRP has approximately 26,000 firms enrolled in the AICPA PRP within the United States and its territories who have a peer review performed once every 3 years, at the time this report was prepared. See exhibit 2. Approximately 28,000 firms are enrolled in the AICPA PRP, which includes, 2,200 firms that have indicated they do not currently perform any engagements subject to peer review. Approximately 8,500 peer reviews are performed each year by a pool of approximately 2,700 qualified peer reviewers.

Firms enrolled in the program are required to have a peer review, once every three years, of their accounting and auditing practice not subject to PCAOB permanent inspection covering a one-year period. The peer review is conducted by an independent evaluator known as a peer reviewer. The AICPA oversees the program and the review is administered by an entity approved by the AICPA to perform that role. An accounting and auditing practice, as defined by the standards, is "all engagements covered by Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office (GAO); and engagements performed under Public Company Oversight Board (PCAOB) standards.

The following summarizes the different peer review types, objectives and reporting requirements as defined under the standards. There are two types of peer reviews: system reviews and engagement reviews.

*System reviews:* System reviews are for firms that perform engagements under the SASs or *Government Auditing Standards*, examinations<sup>4</sup> under the SSAEs, or engagements under PCAOB standards. In addition, agreed-upon procedures, reviews, compilations and preparation engagements are also included in the scope of the peer review. The peer reviewer's objective is to determine whether the firm's system of quality control for its auditing and accounting practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including statement on quality control standards (SQCS) No. 8, *A Firm's System of Quality Control (Redrafted)* (AICPA,

<sup>4</sup> Prior to March 1, 2013, for SSAE engagements, the scope of the system review only included examinations of prospective financial statements or examinations of service organization's controls likely to be relevant to user entities' internal control over financial reporting.

*Professional Standards*, QC sec. 10), in all material respects. The peer review report rating may be *pass* (firm's system of quality control is adequately designed and firm has complied with its system of quality control); *pass with deficiency(ies)* (firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of deficiency[ies] described in the report); or *fail* (firm's system of quality control is not adequately designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects).

*Engagement reviews:* Engagement reviews are available only to firms that do not perform engagements under the SASs, *Government Auditing Standards*, examinations under the SSAEs, or engagements performed under PCAOB standards. The peer reviewer's objective is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. The peer review report may be a rating of *pass* when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects. A rating of *pass with deficiency(ies)* is issued when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported in conformity with applicable professional standards in all material respects except for the deficiency(ies) that are described in the report. A report with a peer review rating of *fail* is issued when the reviewer concludes that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.<sup>5</sup>

### **Administering Entities**

Each state CPA society annually elects the level of involvement that it desires in the administration of the AICPA PRP. The three options are (1) self-administer; (2) arrange for another state CPA society or group of state societies to administer the AICPA PRP for enrolled firms whose main offices are located in that state or (3) ask the AICPA to request another state CPA society to administer the AICPA PRP for enrolled firms whose main offices are located in that state. The state CPA societies that choose the first option agree to administer the AICPA PRP in compliance with the standards and related guidance materials issued by the PRB. The PRB approved 39 state CPA societies, groups of state societies or specific-purpose committees, known as AEs, to administer the AICPA PRP in 2015. See exhibit 3. Each AE is required to establish a peer review committee that is responsible for administration, acceptance and oversight of the AICPA PRP. In the last two years, some state CPA societies reevaluated their strategic priorities, discontinued administering the program and have transitioned administration to another AE.

In order to receive approval to administer the AICPA PRP, AEs must agree to perform oversight procedures annually. The results of their oversight procedures are submitted with the annual Plan of Administration (POA). The annual POA is the AE's request to administer the peer review

<sup>5</sup> Effective January 1, 2015, for engagement reviews, if a firm performs more than one engagement, and the same deficiency is identified on each engagement selected for review, the firm will receive a fail report. Prior to January 1, 2015, for firms that performed more than one engagement, if the same deficiency was identified on each engagement selected for review, the firm would have received a pass with deficiencies report.



program and is reviewed by the OTF. In addition, all AEs are required to issue and post to their website an annual report on their oversight of the previous calendar year.

AEs may also elect to use the standards and administer a peer review program for non-AICPA firms (and individuals). Non-AICPA firms (and individuals) are enrolled in the State CPA Society peer review programs and these, although very similar to the AICPA PRP, are not considered as being performed under the auspices of the AICPA PRP. They are not oversights by the AICPA PRB; therefore, this Report does not include information or oversight procedures performed by the AEs on their peer review programs of non-AICPA firms (and individuals).

## **Results of AICPA Peer Review Program**

### *Overall Results*

From 2013–2015, approximately 26,000 peer reviews were performed in the AICPA PRP. Exhibit 4 shows a summary of these reviews by type of peer review and report issued. For system reviews performed during that three-year period, approximately 83 percent of the reviews resulted in pass reports, 12 percent were pass with deficiency(ies) and 5 percent were fail. For engagement reviews performed during that three-year period, approximately 84 percent of the reviews resulted in pass reports, 12 percent were pass with deficiency(ies) and 4 percent were fail. A list of the most recent examples of matters noted in peer review can be found on the [AICPA's website](#). This list contains examples of noncompliance (both material and immaterial) with professional standards. Although this list is not all-inclusive and is not representative of all peer review results, it does contain more common examples of matters that were identified during the peer review process.

Exhibit 5 summarizes the number and type of reasons by quality control element as defined by the SQCS, for report modifications (that is, pass with deficiency[ies] or fail) on system reviews performed in the AICPA PRP from 2013–2015.

The standards state that an engagement is ordinarily considered “not being performed and/or reported in accordance with professional standards in all material respects” when deficiencies, individually or in the aggregate, exist that are material to understanding the report or the financial statements accompanying the report or represents omission of a critical accounting, auditing or attestation procedure required by professional standards. In 2013, 2014 and 2015, approximately 9, 8 and 7 percent, respectively, of the engagements reviewed were identified as “not being performed and/or reported in accordance with professional standards in all material respects,” otherwise known as non-conforming engagements. Although the overall percentage of non-conforming engagements identified decreased in 2014 and 2015, the percentage of audits identified as non-conforming increased. In 2013, 2014 and 2015, approximately 9, 12 and 12 percent, respectively, of the audit engagements reviewed were identified as non-conforming. The decrease in the overall percentage of non-conforming engagements for 2014 and 2015 is due to the large decrease in non-conforming SSARS engagements identified. The decrease in non-conforming SSARS engagements can be attributed to the fact that 2011 was the first peer review year which included engagements performed under SSARS No. 19, which was effective for engagements with financial statement years ending on or after December 15, 2010. SSARS 19 included a change to the report language for SSARS engagements and required an engagement letter with specific elements. If the significant changes for SSARS 19 were not fully implemented, the engagement is considered non-conforming. A large number of firms did not properly implement SSARS 19, leading to the identification of a large number of non-conforming SSARS engagements. SSARS 19 has been effective for one full peer review cycle from 2011–2013 and,

as expected, the number of non-conforming SSARS engagements has decreased significantly in 2014 and 2015.

#### *Non-Conforming Must-Select Engagements Identified*

Exhibit 6 shows the total number of individual engagements reviewed along with those identified as non-conforming engagements. There was a large increase in the number of non-conforming engagements in the ERISA category after 2013. This increase can be attributed to multiple factors. First, the clarified auditing standards were effective for financial statements with periods ending on or after December 15, 2012. Second, the peer review Employee Benefit Plan Audit Engagement Checklist was redesigned in January 2013 to focus the reviewer's attention on areas that lead to engagements being identified as non-conforming. Finally, a large number of non-conforming engagements were identified in the replacement reviews that resulted from the AICPA PRP Staff project focusing on ERISA engagements (detailed in the following paragraph).

In 2015, there was also a large increase in the number of non-conforming Single Audit Act (A-133) engagements. This increase is due to an emphasis on the Yellow Book independence documentation requirements. AICPA Staff issued additional guidance and training communications about Yellow Book independence documentation violations to assist reviewers with determining whether an engagement should be considered non-conforming.

#### *Corrective Actions and Implementation Plans*

During the report acceptance process, the AEs' peer review committees determine the need for and type of any corrective actions based on the nature, significance, pattern and pervasiveness of engagement deficiencies noted in the report. They also consider whether the recommendations of the review team appear to address the engagement deficiencies adequately and whether the reviewed firm's responses to the review team's recommendations are comprehensive, genuine and feasible. Corrective actions are remedial or educational in nature and are imposed in an attempt to strengthen the performance of the firm. There can be multiple corrective actions required on an individual review. Although there were fluctuations in the overall number of corrective actions from 2013–2015, the number of corrective actions as a percentage of overall reviews performed has remained consistent. The number of corrective actions as a percentage of overall reviews performed was 22 percent in 2013, 24 percent in 2014 and 21 percent in 2015. The increase in corrective actions in 2014 were the result of the increase in non-pass system review reports and the decrease in non-pass engagement review reports. In 2015, both non-pass system and engagement review reports decreased, resulting in a decrease in the corrective actions as a percentage of overall reviews. The PRB continues to provide guidance and education in the effective use of both implementation plans and corrective actions. In total, 6,041 corrective actions were required from 2013–2015 that are summarized in exhibit 7.

In addition to the aforementioned corrective actions, there may be instances in which an implementation plan is required as a result of FFCs. For implementation plans, the firm will be required to evidence its agreement to perform and complete the implementation plan in writing as a condition of cooperation with the AE and the PRB. Agreeing to and completing such a plan is *not* tied to the acceptance of the peer review. The reviewed firm would receive an acceptance letter with no reference to the implementation plan if the peer review committee did not otherwise request the firm to also perform a corrective action plan related to the deficiencies or significant deficiencies, if any, noted in the peer review report. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated.

Because a firm can receive a pass with deficiency or fail report, as well as FFCs that had not been elevated to deficiency or significant deficiency, it is possible for the firm to be responsible for submitting a corrective action plan related to the deficiency(ies) or significant deficiencies in the peer review report, as well as an implementation plan in response to the FFCs that did not get elevated.

## Peer Review Board Oversight Process

The PRB has the responsibility of overseeing all AEs. In addition, each AE is responsible for overseeing peer reviews and peer reviewers for each state they administer. This responsibility includes having written oversight policies and procedures.

All SBAs that require peer review accept the AICPA PRP as a program satisfying its peer review licensing requirements. Some SBAs have entered into an agreement with state CPA societies to perform oversight of their administration of the AICPA PRP. This report is not intended to describe or report on that process. Exhibit 8 shows whether the respective AE has entered into a peer review oversight relationship with the 52 SBAs that currently have made participation in a type of practice-monitoring program mandatory for licensure as indicated in exhibit 1.

### Objectives of Peer Review Board Oversight Process

The PRB has appointed the OTF to oversee the administration of the AICPA PRP and make recommendations regarding oversight procedures. The main objectives of the OTF are to provide reasonable assurance that the

- AEs are complying with the administrative procedures established by the PRB.
- reviews are being conducted and results of reviews are being evaluated and reported on in accordance with the standards and on a consistent basis in all jurisdictions.
- information provided to firms and reviewers (via the Internet or other media) by AEs is accurate and timely.

The oversight program also establishes a communications link with AEs and builds a relationship that enables the PRB to accomplish the following: obtain information about problems and concerns of AEs' peer review committees, provide consultation on those matters to specific AEs and initiate the development of guidance on a national basis, when appropriate.

### OTF Oversight Procedures

The following oversight procedures were performed as a part of the OTF oversight program.

#### *Oversight Visits of the Administering Entities*

##### **Description**

Each AE is visited by a member of the OTF (ordinarily, at least once every other year). No member of the OTF is permitted to visit the AE in the state that his or her main office is located; where he or she serves as a technical reviewer or may have a conflict of interest; or performed the most recently completed oversight visit.

During these visits, the member of the OTF will, at a minimum:

- meet with the AE's peer review committee during its consideration of peer review documents.

- evaluate a sample of peer review documents and applicable working papers on a post acceptance basis.
- perform face to face interviews with the administrator, committee chair and technical reviewers.
- evaluate the various policies and procedures for administering the AICPA PRP.

As part of the visit, the OTF member will request that the AE complete an information sheet documenting policies and procedures in the areas of administration, technical review, peer review committee, report acceptance and oversight processes in administering the AICPA PRP. The OTF member evaluates the information sheet, results of the prior oversight visit, comments from working paper oversights (if applicable) and comments from RAB observations to develop a risk assessment. A comprehensive oversight work program that contains the various procedures performed during the oversight visit is completed with the OTF member's comments. At the conclusion of the visit, the OTF member discusses any comments and issues identified as a result of the visit with the AE's peer review committee. The OTF member then issues an AICPA Oversight Visit Report (Report) to the AE that discusses the purpose of the oversight visit and that the objectives of the oversight program were considered in performing those procedures. The Report also contains the OTF member's conclusion regarding whether the AE has complied with the administrative procedures and standards in all material respects as established by the PRB.

In addition to the aforementioned Report, the OTF member issues the AE an AICPA Oversight Visit Letter of Procedures and Observations (Letter) that details the oversight procedures performed and observations noted by the OTF member. The Letter also includes recommendations that may enhance the entity's administration of the AICPA PRP. The AE is then required to respond to the chair of the OTF, in writing, to any findings reported in the Oversight Visit Report and Letter or at a minimum, when there are no findings reported, an acknowledgement of the visit. The oversight documents, including the Oversight Visit Report, the letter of procedures and observations and the AE's response, are presented to the OTF members for acceptance. The AE may be required to take corrective actions as a condition of acceptance. The acceptance letter would reflect corrective actions, if any. A copy of the acceptance letter, the oversight visit report, letter of procedures and observations and the response are posted to the following AICPA Peer Review Program web page: [www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Oversight/Pages/OversightVisitResults.aspx](http://www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Oversight/Pages/OversightVisitResults.aspx).

## **Results**

During 2014–2015, a member of the OTF performed at least one on-site oversight visit to 40 AEs (excludes NPRC). See Exhibit 9 for a listing of the AEs and the year of oversight. See exhibit 10 for a summary of observations from the on-site oversight visits performed during 2014–2015.

## ***Review of AICPA PRP Statistics***

### **Description**

To monitor the overall activities of the program, the OTF periodically reviews the following types of statistical data for each AE and evaluates whether any patterns are emerging that should be addressed:

- The status of reviews in process

- The results of reviews
- The number and types of corrective actions
- The number, nature and extent of engagements not performed in accordance with professional standards in all material respects
- The number of overdue peer reviews

## **Results**

As of August 2016, there were 730 incomplete reviews (145 due through 2014 and 585 due in 2015). Of these, 730 were in various stages of the evaluation process and 12 were in the background or scheduling phases of the review. AICPA PRP staff has been working with the AEs on these open reviews to ensure an appropriate course of action is taken on a case by case basis for each of these.

In 2015, AICPA staff began monitoring the system-generated letters for each AE to ensure that the letters are being sent in a timely fashion. If the system-generated letters are not being sent in a timely fashion, AICPA staff contacts the AE to determine the reasons for the delay in the letters. If the AEs do not respond to AICPA staff inquiries in a reasonable amount of time, the fact that the AE is not responding to AICPA inquiries will be included in the AE's AICPA Oversight Visit Report.

Also in 2015, AICPA staff began an initiative to investigate reviews from prior years that had not been completed. As a result of the initiative, a significant number of the older reviews (due dates in 2014 and earlier) that were open in August of 2015 are no longer open in August of 2016 (833 at 8/11/2015 versus 145 at 8/01/2016).

Results of AICPA PRP are further summarized on pages 10–12 of this Report.

## ***RAB Observations***

### **Description**

PRB approved the increase to the number of RAB observations in May of 2014. The purpose of the RAB observation is to determine whether

- the RAB is performing all of its responsibilities;
- the technical reviewer is performing all of their responsibilities;
- the reviews are being conducted and reported on in accordance with the peer review standards;
- the administrative procedures established by the PRB are being complied with;
- information is being entered into the computer system correctly; and
- results of reviews are being evaluated on a consistent basis within an AE and in all jurisdictions.

The objective of the RAB observations is to provide real-time feedback to the RABs to improve overall quality of the RAB process. Previously, RAB observations were only performed during the oversight visits of the AE once every other year. The process for the increased RAB observations is similar to the process used during the oversight visits. The RAB observer receives the materials that will be presented to the RAB prior to the RAB meeting. The observer selects a sample of AICPA member firm reviews from the package and reviews the materials that will be presented to the RAB. The observer notes any issues or items that are unclear for each review selected. During the RAB, the observer allows the RAB to deliberate

each review. If the RAB does not address the items noted by the observer, the observer will bring those items to the RAB's attention prior to the RAB voting on whether or not to accept the review. All items that were noted by the observer, but were not noted by the RAB, are included as comments in a RAB observation report. The OTF approves the report and the report is submitted to the AE peer review committee for its consideration. Each peer review committee has the opportunity to respond to the report.

## **Results**

From August 1, 2015 – July 31, 2016, each AE had at least one RAB observation. RAB observations were performed by OTF members as well as AICPA PRP staff. 494 reviews were selected for RAB observation covering 466 different peer reviewers; which represents approximately 6.9 percent of peer reviews conducted during this time period. Of the reviews selected, acceptance was delayed or deferred for 47 reviews based on comments by the observer. Additionally, 24 reviewer feedback forms and one monitoring letter were issued as a result of the observers' comments. Recurring comments generated by the RAB observations are summarized in exhibit 11.

## ***Engagement-Level Oversights***

### **Description**

In May 2014, the PRB approved the addition of engagement-level oversights (also known as enhanced oversights) performed by SMEs. For 2014, the SMEs consisted of members of the applicable Audit Quality Center executive committees and expert panels, PRB members, former PRB members, and individuals recommended by the Audit Quality Center executive committee and expert panel members. The SMEs were approved by the OTF.

The objective of the engagement-level oversight is to ensure that peer reviewers are identifying all issues in must-select engagements, including whether engagements are properly identified as non-conforming. The oversights increase confidence in the peer review process and identify areas that need improvement, such as peer reviewer training. The objective is achieved by selecting oversights in two samples. The first sample is a random sample that will achieve a 90 to 95 percent confidence level. The second sample is a risk-based sample based on risk criteria. The random sample is used to set a quality benchmark for evaluating whether there are improvements to audit quality. For 2014, the risk based sample consisted of peer reviewers that served as team captain on the largest number of system reviews. If an individual was selected in the random sample, they were not selected for the targeted sample.

The engagement-level oversights focus 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. These oversights will neither replace nor reduce the number of oversights currently required by AEs.

The engagement-level oversight process consists of the review of the financial statements and working papers by the SME for the engagement selected. AICPA PRP staff notifies the peer reviewer and the firm that they have been selected for oversight once the peer review

working papers and peer review report have been submitted to the AE. This ensures that the peer reviewer is not aware of the fact that they have been selected for oversight until after the peer review has been completed. The SME completes the relevant peer review checklist and compares their results to the results of the peer reviewer. The SME issues a report detailing any differences between the items they noted and the items noted by the peer reviewer. The report is provided to the AE for consideration during the report acceptance process. AICPA staff monitor 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) is provided to the peer reviewers.

The engagement-level oversights performed by SMEs revealed that peer reviewers are not properly identifying material departures from professional standards on must-select engagements. The 2014 sample of oversights will be used as a benchmark to measure audit quality improvements going forward. The enhanced oversights are one element of the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative.

### Overall Results

For the 2014 calendar year sample, 90 reviews were selected for engagement-level oversight (74 random and 16 targeted selections). 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 the team captain on 26 percent 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 <sup>®</sup>	Total
48	32	9	1	90

Exhibit 12 provides a listing of 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. Exhibits 13 and 14 shows the percentage of non-conforming engagements identified based on the number of must-select engagements performed by the firm in the category selected. Only one engagement was reviewed for each firm selected and the SME did not expand the scope of the oversight. For Exhibit 14, the detail of the random sample is provided because the sample is representative of the overall population. Refer to the following section for further discussion of the sample selection.

### Random Sample

The random sample was selected in order to achieve a 95 percent confidence rating for the population as a whole. This means that the sample has a 95 percent chance of representing the overall population. For the random sample, the SMEs identified 32 of the 74 (43 percent) engagements as not being performed or reported on in accordance with professional standards in all material respects (non-conforming). The peer reviewers only identified 7 of the 74 (9 percent) engagements as non-conforming. All 7 of the non-conforming engagements identified by the peer reviewers were employee benefit plan engagements.



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

As detailed in Exhibit 14, 17 employee benefit plan engagements and 14 Single Audit/A-133 and *Government Auditing Standards* engagements were identified as non-conforming by the SMEs for the random sample.

**Targeted Sample**

The targeted sample for 2014 consisted of reviewers who served as team captain 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 8 of the 16 (50 percent) engagements as non-conforming. The peer reviewers did not identify any of the engagements as non-conforming.

The 16 targeted must-select oversights selected consisted of the following:

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

**Feedback Issued**

Overall, there were 33 engagements selected for oversight where the SME identified the engagement as non-conforming and it was not identified as non-conforming by the peer reviewer. Of those 33 oversights, 30 have completed the RAB process, including consideration of feedback.

For the 30 oversights referred to above where the non-conforming engagement was not identified by the peer reviewer, the following feedback was issued by the AE:

- 6 resulted in feedback
- 7 resulted in a monitoring letter
- 10 resulted in a deficiency letter
- 1 resulted in removed from reviewer’s resume
- 6 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.

### ***Peer Review Working Paper Oversights***

#### **Description**

A selection of peer reviews are chosen as needed (by AICPA PRP staff and approved by the OTF) for submission to the AICPA PRP staff for a comprehensive review of all the documents prepared during a peer review. The selections are risk-based. Documents from all parts of the peer review process (administrative, peer review checklists, technical reviewer checklist, peer review committee actions, warning letters, extensions and reviewer feedback) are submitted and then reviewed by the AICPA PRP staff to determine whether

- the reviews are being conducted and reported on in accordance with the standards.
- the AE is in compliance with the administrative procedures established by the PRB.
- information is being entered into the computer system correctly.
- reviewers are following the guidance and use the most current materials contained in the AICPA Peer Review Program Manual.
- results of reviews are being evaluated on a consistent basis within an AE and in all jurisdictions.

As the AICPA PRP staff completes the comprehensive review of all the documents prepared during the peer review, a summary report with AICPA PRP staff comments is prepared for each AE and submitted to the OTF members for review and approval. Once approved, the summary report is submitted to the respective AEs' peer review committee chairs requesting that they share the findings with their committees, technical reviewers, peer reviewers and team captains, as applicable. The committee chair is asked to communicate the comments to the committee and return the acknowledgement of communication letter to the AICPA PRP staff. Normally, the cover letter (included with the summary report) sent to the AEs indicates that they are not asked to take any additional actions on the specific reviews.

If issues are noted with reviewer performance, the OTF may choose to suggest or require, depending upon significance of issues, additional oversight. If significant pervasive deficiencies, problems, or inconsistencies are encountered during the review of the aforementioned materials, the OTF may choose to (1) visit the AE in which the deficiencies, problems, or inconsistencies were noted to assist them in determining the cause of these problems and prevent their recurrence, or (2) request the AE to take appropriate corrective or monitoring actions, or both.

#### **Results**

For the year 2014, 44 working paper reviews were selected for oversight as needed. This selection was comprised of replacement reviews performed due to the DOL staff project that resulted in a pass rating. The oversight found that the team captains and Report Acceptance Bodies (RABs) did not appropriately consider the recall of the peer review report in the replacement review. After AICPA Staff issued additional guidance on the consideration of a

recalled prior peer review report, a limited number of replacement reviews received a pass rating.

### **Oversight by the Administering Entities' Peer Review Committees**

The AEs' peer review committees are responsible for monitoring and evaluating peer reviews of those firms whose main offices are located in its licensing jurisdiction(s). Committees may designate a task force to be responsible for the administration and monitoring of its oversight program.

AEs are required to submit their oversight policies and procedures to the PRB on an annual basis. In conjunction with the AE personnel, the peer review committee establishes oversight policies and procedures that meet the minimum requirements (discussed on pages 20–22, "AE Oversight Procedures") established by the PRB to provide reasonable assurance that

- reviews are administered in compliance with the administrative procedures established by the PRB.
- reviews are conducted and reported upon in accordance with the standards.
- results of reviews are evaluated on a consistent basis.
- information disseminated by the AE is accurate and timely.

### **AE Oversight Procedures**

The following oversight procedures are performed as part of the AE oversight program.

#### ***Administrative Oversight of the AE***

##### **Description**

At a minimum, a committee member or a subcommittee of the AE's peer review committee should perform the administrative oversight in those years when there is no oversight visit by OTF. Procedures to be performed should cover the administrative requirements of administering the AICPA PRP.

##### **Results**

The administrative oversight reports were submitted to the AICPA by the AE as part of the 2015 POA. Comments or suggestions resulting from the administrative oversights are summarized in exhibit 15. In addition, the OTF member reviewed the results of the administrative oversight during his or her oversight visit (described on pages 13–14, "Oversight Visits of the Administering Entities") and compared the results of the administrative oversight to those noted during the OTF oversight visit.

#### ***Oversight of Peer Reviews and Reviewers***

##### **Description**

Throughout the year, the AE selects various peer reviews for oversight. The selections can be on a random or targeted basis. The oversight may consist of doing a full working paper review after the review has been performed, but prior to presenting the peer review documents to the peer review committee. The oversight may also consist of having a peer review committee member or designee actually visit the firm, either while the peer review team is performing the review, or after the review, but prior to final committee acceptance.

As part of its oversight process, the peer review committee oversees firms being reviewed as well as reviewers performing reviews. Minimum oversight selection requirements are also imposed by the PRB.

*Firms* – The selection of firms to be reviewed is based on a number of factors, including but not limited to, the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement review) and whether the firm conducts engagements in high risk industries.

*Reviewers* – All peer reviewers are subject to oversight and they may be selected based on a number of factors, including but not limited to random selection, frequent submission of pass reports, conducting a significant number of reviews for firms with audits in high risk industries, performance of their first peer review or performing high volumes of reviews. Oversight of a reviewer can also occur due to performance deficiencies or a history of performance deficiencies, such as issuance of an inappropriate peer review report, not considering matters that turn out to be significant or failure to select an appropriate number of engagements. When an AE oversees a reviewer from another state, the results are conveyed to the AE of that state.

*Minimum Requirements* – At a minimum, the AE is required to conduct oversight on 2 percent of all reviews performed in a 12-month period of time, and within the 2 percent selected, there must be at least two of each type of peer review evaluated (that is, system and engagement reviews). The oversight involves doing a full working paper review and may be performed on-site in conjunction with the peer review or after the review has been performed. It is recommended the oversight be performed prior to presenting the peer review documents to the peer review committee. This allows the committee to consider all the facts prior to acceptance of the review. At a minimum, two system review oversights are required to be performed on-site. Oversights could be random or could be a combination of a targeted and random selection.

AEs that administer fewer than 100 reviews annually can apply for a waiver from the minimum requirements. The request for a waiver includes the reason(s) for the request and suggested alternatives to the minimum requirements. The waiver is to be submitted and approved by the PRB each year.

Also, at least two engagement oversights must be performed by the AE's peer review committee or by its designee from a national list of qualified reviewers, on an annual basis. An *engagement oversight* (performed either off- or on-site) is the review of all peer reviewer materials and the reviewed firm's financial statements and working papers on the engagement. The two engagement oversights must include audits of employee benefits plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), engagements performed under generally accepted government auditing standards (GAGAS), audits of insured depository institutions subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA), audits of carrying broker-dealers, or examinations of SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements. Also, the two oversights selected should not be of the same types of audits. No waivers of oversight of these types of engagements are permitted.

**Results**

For 2015, the AEs conducted oversight on 307 reviews, representing approximately 3.6 percent of all reviews performed in a twelve-month period of time. There were 170 system and 137 engagement reviews oversighted. Approximately 56 percent of the system oversights were conducted on-site. In addition, 81 ERISA and 79 GAGAS engagements were oversighted. See Exhibit 16 for a summary of oversights by AE.

***Annual Verification of Reviewers' Resumes*****Description**

To qualify as a reviewer, an individual must be an AICPA member and have at least five years of recent experience in the practice of public accounting in accounting or auditing functions. The firm(s) that the member is associated with should have received a pass report on either its system or engagement review. The reviewer should obtain at least 48 hours of continuing professional education in subjects related to accounting and auditing every 3 years, with a minimum of 8 hours in any 1 year.

A reviewer of an engagement in a high-risk industry should possess not only current knowledge of professional standards but also current knowledge of the accounting practices specific to that industry. In addition, the reviewer of an engagement in a high-risk industry should have current practice experience in that industry. If a reviewer does not have such experience, the reviewer may be called upon to justify why he or she should be permitted to review engagements in that industry. The AE has the authority to decide whether a reviewer's or review team's experience is sufficient to perform a particular review.

Ensuring that reviewers' resumes are updated annually and are accurate is a critical element in determining if the reviewer or review team has the appropriate knowledge and experience to perform a specific peer review. The AE must verify information within a sample of reviewers' resumes on an annual basis. All reviewer resumes should be verified over a 3-year period, as long as at a minimum, one third are verified in year 1, a total of two thirds has been verified by year 2 and 100 percent have been verified by year 3. Verification must include the reviewers' qualifications and experience related to engagements performed under GAGAS, audits of employee benefit plans subject to ERISA, audits of insured depository institutions subject to FDICIA, audits of carrying broker-dealers or examinations of SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements. Verification procedures may include requesting copies of their license to practice as a CPA; continuing professional education (CPE) certificate from a qualified reviewer training course; CPE certificates to document the required 48 CPE credits related to accounting and auditing to be obtained every 3 years with at least 8 hours in 1 year; and CPE certificates to document qualifications to perform Yellow Book audits, if applicable. The AE should also verify whether the reviewer is a partner or manager in a firm enrolled in a practice-monitoring program and whether the reviewer's firm received a pass report on its most recently completed peer review.

**Results**

Each AE submitted a copy of its oversight policies and procedures indicating compliance with this oversight requirement, along with a list of reviewers whose resume information was verified during 2015. See Exhibit 17.

<b>Licensing Jurisdiction</b>	<b>Required for State CPA Society Membership</b>	<b>Required for State Board of Accountancy Licensure</b>
Alabama	Yes	Yes
Alaska	No	Yes
Arizona	No	Yes
Arkansas	No	Yes
California	No	Yes
Colorado	Yes	Yes
Connecticut	Yes	Yes
Delaware	Yes	Statutorily passed enrollment by 7/1/17
District of Columbia	No	Yes
Florida	No	Yes
Georgia	Yes	Yes
Guam	Yes	Yes
Hawaii	No	Yes
Idaho	No	Yes
Illinois	No	Yes
Indiana	No	Yes
Iowa	No	Yes
Kansas	No	Yes
Kentucky	No	Yes
Louisiana	Yes	Yes
Maine	Yes	Yes
Maryland	No	Yes
Massachusetts	No	Yes
Michigan	No	Yes
Minnesota	Yes	Yes
Mississippi	Yes	Yes
Missouri	No	Yes
Montana	No	Yes
Nebraska	No	Yes
Nevada	No	Yes
New Hampshire	Yes	Yes
New Jersey	No	Yes
New Mexico	No	Yes
New York	No	Yes
North Carolina	Yes	Yes
North Dakota	No	Yes
Northern Mariana Islands (MP)	N/A	Statutorily passed with no effective date
Ohio	Yes	Yes

<b>Licensing Jurisdiction</b>	<b>Required for State CPA Society Membership</b>	<b>Required for State Board of Accountancy Licensure</b>
Oklahoma	No	Yes
Oregon	No	Yes
Pennsylvania	No	Yes
Puerto Rico	No	No
Rhode Island	No	Yes
South Carolina	Yes	Yes
South Dakota	No	Yes
Tennessee	No	Yes
Texas	Yes	Yes
Utah	No	Yes
Vermont	No	Yes
Virginia	Yes	Yes
Virgin Islands	No	Yes
Washington	No	Yes
West Virginia	No	Yes
Wisconsin	No	Yes
Wyoming	No	Yes

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**Enrolled Firms by Number of Professionals in Practice**


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<b>Licensing Jurisdiction</b>	<b>Sole</b>	<b>2 to 5</b>	<b>6 to 10</b>	<b>11 to 19</b>	<b>20 to 49</b>	<b>50 to 99</b>	<b>100+</b>	<b>Total</b>
AK	20	36	10	8	3	0	0	77
AL	105	219	70	33	17	6	3	453
AR	41	88	46	22	7	0	1	205
AZ	112	155	75	23	10	1	1	377
CA	667	1210	498	227	130	33	18	2783
CO	126	271	102	32	17	4	4	556
CT	128	176	80	37	13	1	1	436
DC	9	14	5	6	1	1	1	37
DE	6	21	15	5	8	0	0	55
FL	230	602	260	111	47	13	4	1267
GA	196	392	157	66	21	10	6	848
GU	4	0	0	0	1	2	0	7
HI	32	69	33	17	5	2	0	158
IA	50	94	54	21	15	1	1	236
ID	25	73	45	10	7	1	0	161
IL	223	382	120	59	43	10	9	846
IN	85	173	85	29	19	3	6	400
KS	38	119	44	32	13	1	3	250
KY	66	154	66	32	14	3	2	337
LA	144	242	89	40	13	6	4	538
MA	223	353	139	47	31	8	2	803
MD	110	200	105	49	44	8	4	520
ME	22	39	20	7	9	1	2	100
MI	160	375	162	82	33	4	5	821
MN	106	165	75	37	25	5	4	417
MO	69	190	97	32	24	3	4	419
MS	59	123	47	22	8	3	2	264
MT	28	45	23	6	7	0	1	110
NC	224	395	146	66	26	4	2	863
ND	19	29	9	3	1	0	1	62
NE	12	55	38	21	11	3	1	141
NH	44	58	23	5	7	2	0	139
NJ	274	507	152	67	32	9	5	1046
NM	60	97	35	16	4	1	1	214
NV	52	82	45	20	7	0	0	206
NY	251	474	290	133	74	29	24	1275
OH	226	380	156	77	36	9	9	893



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**Enrolled Firms by Number of Professionals in Practice**


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<b>Licensing Jurisdiction</b>	<b>Sole</b>	<b>2 to 5</b>	<b>6 to 10</b>	<b>11 to 19</b>	<b>20 to 49</b>	<b>50 to 99</b>	<b>100+</b>	<b>Total</b>
OK	72	143	79	24	8	2	1	329
OR	104	180	65	35	16	3	2	405
PA	229	419	211	86	37	14	5	1001
PR	32	72	21	7	11	1	1	145
RI	36	65	22	8	6	1	0	138
SC	101	175	68	28	15	0	2	389
SD	7	33	9	10	4	0	1	64
TN	146	250	88	46	19	6	5	560
TX	612	971	373	171	78	22	10	2237
UT	43	101	39	23	7	5	0	218
VA	204	266	116	44	23	7	6	666
VI	3	5	0	0	0	0	0	8
VT	15	32	15	9	3	0	0	74
WA	119	206	86	43	19	2	3	478
WI	40	121	71	25	19	6	5	287
WV	29	78	33	10	5	0	2	157
WY	<u>13</u>	<u>32</u>	<u>17</u>	<u>10</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>77</u>
<b>Total</b>	<b><u>6051</u></b>	<b><u>11,206</u></b>	<b><u>4,729</u></b>	<b><u>2,079</u></b>	<b><u>1,056</u></b>	<b><u>257</u></b>	<b><u>175</u></b>	<b><u>25,553</u></b>

**Administering Entity**

Alabama Society of CPAs  
 Arkansas Society of CPAs  
 California Society of CPAs  
 Colorado Society of CPAs  
 Connecticut Society of CPAs  
 Florida Institute of CPAs  
 Georgia Society of CPAs  
 Hawaii Society of CPAs  
 Idaho Society of CPAs  
 Illinois CPA Society  
 Indiana CPA Society  
 Kansas Society of CPAs  
 Kentucky Society of CPAs  
 Society of Louisiana CPAs  
 Maryland Association of CPAs  
 Massachusetts Society of CPAs  
 Michigan Association of CPAs  
 Minnesota Society of CPAs  
 Mississippi Society of CPAs  
 Missouri Society of CPAs  
 Montana Society of CPAs  
 National Peer Review Committee  
 Nevada Society of CPAs<sup>8</sup>  
 New England Peer Review, Inc.  
 New Jersey Society of CPAs  
 New York State Society of CPAs  
 North Carolina Association of CPAs  
 North Dakota Society of CPAs  
 The Ohio Society of CPAs  
 Oklahoma Society of CPAs  
 Oregon Society of CPAs  
 Pennsylvania Institute of CPAs  
 Puerto Rico Society of CPAs  
 Tennessee Society of CPAs  
 Texas Society of CPAs

**Licensing Jurisdiction(s)**

Alabama  
 Arkansas  
 California, Arizona, Alaska  
 Colorado, New Mexico<sup>6</sup>  
 Connecticut  
 Florida  
 Georgia  
 Hawaii  
 Idaho  
 Illinois, Iowa, South Carolina<sup>6</sup>  
 Indiana  
 Kansas  
 Kentucky  
 Louisiana  
 Maryland  
 Massachusetts, New Hampshire<sup>7</sup>  
 Michigan  
 Minnesota  
 Mississippi  
 Missouri  
 Montana  
 N/A  
 Nevada, Wyoming, Nebraska, Utah  
 Maine, Rhode Island, Vermont  
 New Jersey  
 New York  
 North Carolina  
 North Dakota  
 Ohio  
 Oklahoma, South Dakota  
 Oregon, Guam, Northern Mariana Islands  
 Pennsylvania, Delaware, Virgin Islands  
 Puerto Rico  
 Tennessee  
 Texas

<sup>6</sup> Effective August 2016.

<sup>7</sup> Effective May 2016.

<sup>8</sup> Deferred.

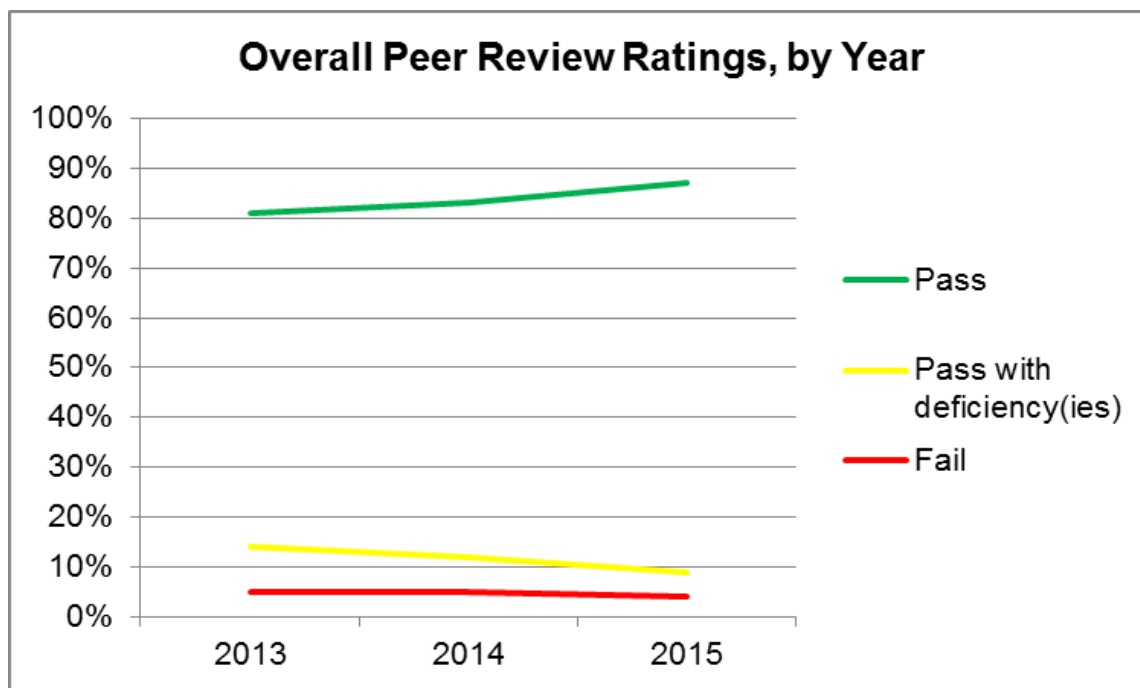
Virginia Society of CPAs  
Washington Society of CPAs  
West Virginia Society of CPAs  
Wisconsin Institute of CPAs

Virginia, District of Columbia  
Washington  
West Virginia  
Wisconsin

The following shows the results of the AICPA PRP from 2013–2015 by type of peer review and report issued.

	2013		2014		2015		Total	
	#	%	#	%	#	%	#	%
<u>System reviews</u>								
Pass	3,002	84	3,278	80	3,316	84	9,596	83
Pass with deficiency(ies)	429	12	557	14	435	11	1,421	12
Fail	130	4	265	6	188	5	583	5
Subtotal	<u>3,561</u>	<u>100</u>	<u>4,100</u>	<u>100</u>	<u>3,939</u>	<u>100</u>	<u>11,600</u>	<u>100</u>

	2013		2014		2015		Total	
	#	%	#	%	#	%	#	%
<u>Engagement reviews</u>								
Pass	3,666	78	3,961	86	4132	89	11,759	84
Pass with deficiency(ies)	761	16	479	10	334	7	1,574	12
Fail	262	6	151	3	166	4	579	4
Subtotal	<u>4,689</u>	<u>100</u>	<u>4,591</u>	<u>99</u>	<u>4632</u>	<u>100</u>	<u>13,912</u>	<u>100</u>



Note: The preceding data reflects peer review results as of July 31, 2016. Approximately 3 percent of 2015 reviews are in process and their results are not included in the preceding totals.

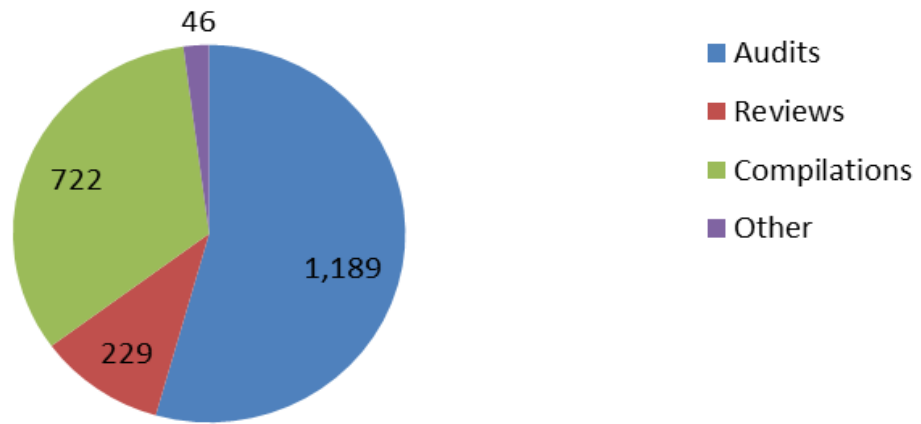
The following lists the reasons for report modifications (that is, pass with deficiency(ies) or fail reports) from system reviews performed in the AICPA PRP from 2013–15 summarized by elements of quality control as defined by QC section 10. A system review includes determining whether the firm’s system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including QC section 10, in all material respects. QC section 10 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm (“the tone at the top”); relevant ethical requirements; acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring. Because pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in exhibit 4, “*Results by Type of Peer Review and Report Issued.*”

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Leadership responsibilities for quality within the firm ("the tone at the top")	52	127	;85
Relevant ethical requirements	10	30	22
Acceptance and continuance of client relationships and specific engagements	51	91	40
Human resources	97	163	122
Engagement performance	483	690	490
Monitoring	<u>232</u>	<u>399</u>	<u>267</u>
<b>Totals</b>	<b><u>925</u></b>	<b><u>1,500</u></b>	<b><u>1,026</u></b>

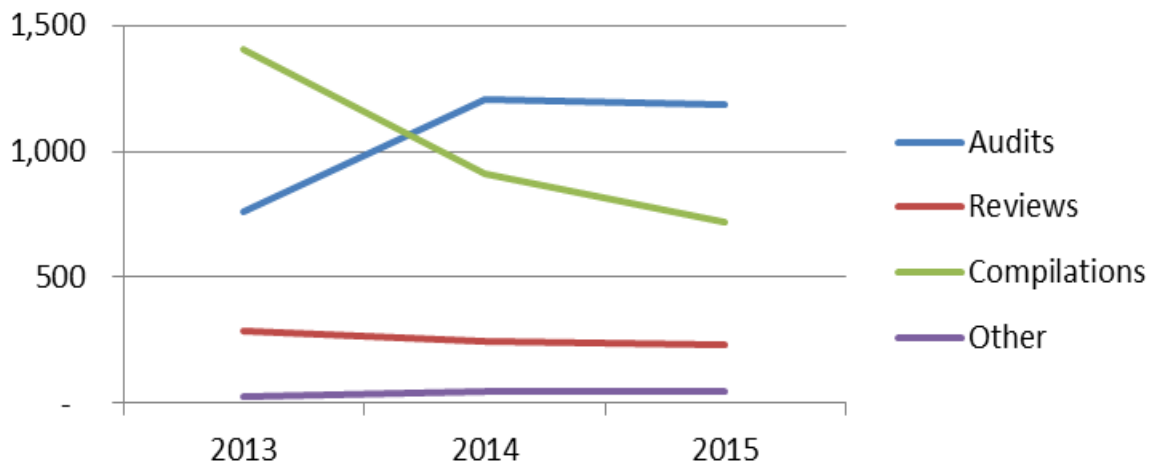
The following shows the total number of engagements reviewed and the number identified as not performed in accordance with professional standards in all material respects from peer reviews performed in the AICPA PRP from 2013–15. The standards state that an engagement is ordinarily considered not performed and/or reported in accordance with applicable professional standards in all material respects when issues, individually or in the aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents the omission of a critical accounting, auditing or attestation procedure required by professional standards.

Engagement Type	2013			2014			2015		
	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%
	Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards	
Audits:									
Single Audit Act (A-133)	1,325	155	12%	1,684	207	12%	1,548	278	18%
Governmental - All Other	1,219	107	9%	1,489	169	11%	1,626	190	12%
ERISA	1,886	171	9%	2,591	464	18%	2,182	353	16%
FDICIA	30	3	10%	19	-	0%	18	2	11%
Carrying Broker-Dealers	8	1	13%	5	2	40%	1	1	100%
Other	3,817	322	8%	4,688	367	8%	5,692	365	8%
Reviews	4,704	286	6%	5,484	245	4%	5,626	229	4%
Compilations:									
With Disclosures	3,105	231	7%	3,543	151	4%	3,804	162	4%
Omit Disclosures	9,497	1,173	12%	10,957	762	7%	12,241	560	5%
Forecasts & Projections	90	6	7%	115	5	4%	107	7	7%
SOC® Reports	56	1	2%	108	11	10%	94	7	7%
Agreed Upon Procedures	887	18	2%	1,316	25	2%	1,296	28	2%
Other SSAEs	139	3	2%	144	3	2%	133	4	3%
<b>Totals</b>	<b>26,763</b>	<b>2,477</b>	<b>9%</b>	<b>32,143</b>	<b>2,411</b>	<b>8%</b>	<b>33,368</b>	<b>2,186</b>	<b>7%</b>

### 2015 Not Performed in Compliance with Professional Standards, by Engagement Type



### Not Performed in Compliance with Professional Standards, by Engagement Type and Year



The AEs' peer review committees are authorized by the standards to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the AE peer review committee evaluates the need for follow-up actions based on the nature, significance, pattern and pervasiveness of engagement deficiencies. The peer review committee also considers the matters noted by the reviewer and the firm's response thereto. Corrective actions are remedial and educational in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple corrective actions. For 2013–15 reviews, committees required 6,041 corrective actions. The following represents the type of corrective actions required.

<b>Type of Corrective Action</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Agree to take/submit proof of certain (CPE)	1,011	1,005	825
Submit to review of correction of engagements that were not performed in accordance with professional standards	394	374	353
Agree to pre-issuance reviews	216	315	251
Submit monitoring report to Team Captain or Peer Review Committee	77	100	87
Submit Inspection Report to Team Captain, Peer Review Committee or outside party	39	49	34
Submit to revisit (Team Captain or Peer Review Committee Member)	90	117	113
Elective to have accelerated review	11	11	5
Submit evidence of proper firm licensure	14	8	11
Firm has represented in writing they no longer perform any auditing engagements	29	75	45
Agree to hire consultant for inspection	8	17	10
Review of formal CPE plan	9	4	5
Team captain to review Quality Control Document	14	25	13
Submit inspection completion letter	2	5	-
Submit proof of purchase of manuals	30	24	22
Submit report of consultant	3	9	7
Oversight of Inspection – Review	12	17	5
Submit quarterly progress reports	1	8	3
Oversight of Inspection – Visitation	8	22	11
Agree to strengthen staff	1	1	3
<b>Total</b>	<b><u>2,059</u></b>	<b><u>2,178</u></b>	<b><u>1,804</u></b>



The following shows whether the respective AE has entered into a peer review oversight relationship with the 52 SBAs that currently have made participation in a type of practice monitoring program mandatory for licensure as indicated in exhibit 1, State CPA Societies and State Boards of Accountancy That Have Made Participation in an Approved Practice Monitoring Program a Condition of Membership or Licensure.

<u>State Board of Accountancy</u>	<u>Administering Entity</u>	<u>Oversight Relationship Between AE and State Board</u>
Alabama	Alabama Society of CPAs	No
Alaska	California Society of CPAs	No
Arizona	California Society of CPAs	Yes
Arkansas	Arkansas Society of CPAs	No
California	California Society of CPAs	Yes
Colorado	Colorado Society of CPAs	Yes
Connecticut	Connecticut Society of CPAs	No
District of Columbia	Virginia Society of CPAs	No
Florida	Florida Institute of CPAs	No
Georgia	Georgia Society of CPAs	No
Guam	Oregon Society of CPAs	No
Hawaii	Hawaii Society of CPAs	Yes
Idaho	Idaho Society of CPAs	Yes
Illinois	Illinois Society of CPAs	No
Indiana	Indiana CPA Society	Yes
Iowa	Illinois Society of CPAs	No
Kansas	Kansas Society of CPAs	Yes
Kentucky	Kentucky Society of CPAs	No
Louisiana	Society of Louisiana CPAs	Yes
Maine	New England Peer Review, Inc.	No
Maryland	Maryland Association of CPAs	Yes
Massachusetts	Massachusetts Society of CPAs	No
Michigan	Michigan Association of CPAs	No
Minnesota	Minnesota Society of CPAs	Yes
Mississippi	Mississippi Society of CPAs	Yes
Missouri	Missouri Society of CPAs	Yes

<u>State Board of Accountancy</u>	<u>Administering Entity</u>	<u>Oversight Relationship Between AE and State Board</u>
Montana	Montana Society of CPAs	Yes
Nebraska	Nevada Society of CPAs	No
Nevada	Nevada Society of CPAs	Yes
New Hampshire	New England Peer Review, Inc.	No
New Jersey	New Jersey Society of CPAs	Yes
New Mexico	New Mexico Society of CPAs	No
New York	New York State Society of CPAs	Yes
North Carolina	North Carolina Association of CPAs	No
North Dakota	North Dakota Society of CPAs	No
Ohio	The Ohio Society of CPAs	Yes
Oklahoma	Oklahoma Society of CPAs	Yes
Oregon	Oregon Society of CPAs	Yes
Pennsylvania	Pennsylvania Institute of CPAs	No
Rhode Island	New England Peer Review, Inc.	No
South Carolina	South Carolina Association of CPAs	Yes
South Dakota	Oklahoma Society of CPAs	No
Tennessee	Tennessee Society of CPAs	Yes
Texas	Texas Society of CPAs	Yes
U.S. Virgin Islands	Pennsylvania Institute of CPAs	No
Utah	Nevada Society of CPAs	No
Vermont	New England Peer Review, Inc.	No
Virginia	Virginia Society of CPAs	Yes
Washington	Washington Society of CPAs	Yes
West Virginia	West Virginia Society of CPAs	No
Wisconsin	Wisconsin Institute of CPAs	No
Wyoming	Nevada Society of CPAs	No

During 2014–2015, a member of the OTF performed an on-site oversight visit to each of the following 40 AEs. As part of the oversight procedures, each AE is visited by a member of the OTF whenever deemed necessary, ordinarily, at least once every other year. The oversight results can be found on the [AICPA's website](#).

2014

Alabama  
 Arkansas  
 California  
 Colorado  
 Florida  
 Kansas  
 Michigan  
 Mississippi  
 Missouri  
 Montana  
 Nevada  
 New England  
 New Jersey  
 New Mexico  
 New York  
 North Dakota  
 Ohio  
 Oregon  
 Pennsylvania  
 Puerto Rico  
 Tennessee  
 West Virginia  
 Wisconsin

2015

Connecticut  
 Georgia  
 Hawaii  
 Idaho  
 Illinois  
 Indiana  
 Kentucky  
 Louisiana  
 Maryland  
 Massachusetts  
 Minnesota  
 New York  
 North Carolina  
 Oklahoma  
 South Carolina  
 Texas  
 Virginia  
 Washington

As discussed in more detail in the *Oversight Visits of the AEs* section, each AE is visited at least every other year by an OTF member who performs various oversight procedures. At the conclusion of the visit, the OTF member issues an AICPA oversight visit report as well as an AICPA Oversight Visit Letter of Procedures and Observations which details the oversight procedures performed, observations noted by the OTF member and includes recommendations that may enhance the entity's administration of the AICPA PRP. The AE is required to respond to the chair of the OTF, in writing, to any findings reported in the Oversight Visit Report and Letter, or at a minimum, when there are no findings reported, an acknowledgement of the visit. The two oversight documents and the AE's response are presented by the AICPA OTF PRB members at the next AICPA PRB meeting for acceptance. A copy of the acceptance letter, the two oversight visit letters and the response are posted to the following AICPA PRP web page: ([www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Oversight/Pages/OversightVisitResults.aspx](http://www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Oversight/Pages/OversightVisitResults.aspx)).

The following represents a summary of common observations made by the OTF resulting from the on-site oversight visits performed during 2014–2015. The following listed observations are not indicative of every AE and may have been a single occurrence that has since been corrected upon notification.

#### Administrative Procedures

- The appropriate letters for overdue information and documents, reviewer performance and other reminders were not generated according to the time requirements in the administrative manual.
- Inadequate monitoring of open reviews, open corrective actions, implementation plans by staff and committee members.
- Annual plan of administration not submitted timely.
- Acceptance letters were not sent timely.
- Documents were not uploaded timely to the Facilitated State Board Access (FSBA) website.
- Formal communications were not sent to reviewed firms and peer reviewers when the RAB has either delayed or deferred acceptance of the review
- Confidentiality letters were not obtained from Technical Reviewers
- All required materials were not provided to the RAB

#### Website and Other Media Information

- The data maintained on the website as it relates to peer review was not current.
- The annual report was not included on the website.

#### Working Paper Retention

- Working papers were not retained and then destroyed 120 days after acceptance by the peer review committee in accordance with the working paper retention policy of the administrative manual.

#### Committee Procedures

- Reviewer feedback was not issued when necessary. Also, the reviewer feedback was not signed by a peer review committee member. Finally, reviewer feedback included a reference to the reviewed firm.

- Technical reviewers did not address all significant issues before reviews are presented to the RAB.
- The status of open reviews and follow-up status was not periodically monitored and discussed by the Committee and related documentation of such presentations and discussions recorded in the Committee minutes.
- RAB composition did not comply with requirements of the RAB Handbook.
- Technical reviewers were not evaluated annually.
- RAB members did not have the required team captain training.
- A quorum was not present for certain meetings which delayed the timeliness of acceptance of reviews.
- Committee meetings were not scheduled to ensure timely acceptance of reviews.
- Internal oversight of the administration of the Program was not performed timely.
- Required oversights not performed timely each year.
- Oversights were not monitored to ensure at least two required onsite oversights are selected and completed before the end of each year

Throughout each year, a sample of RABs are selected for observation. At least one RAB Observation is performed for each AE per year. The documents provided to the RAB are reviewed (by PRP Staff, OTF members, or both) to ensure that the RAB process is operating properly and to ensure the results of reviews are being evaluated on a consistent basis within an AE in all jurisdictions. The following is a summary of recurring comments generated as a result of the RAB Observations performed by the AICPA PRP staff and OTF members from August 1, 2015 – July 31, 2016. The comments are intended to provide the AEs, their committees, RABs, peer reviewers and technical reviewers with information and constructive recommendations that will help ensure consistency and improve the peer review process in the future. The comments vary in degree of significance and are not applicable to all of the respective parties.

- Potential issues regarding auditor compliance with independence requirements of *Government Auditing Standards* (Yellow Book).
- Reviewers' risk assessments were not comprehensive. Items not addressed include firm mergers, firm industry concentrations, staff CPE and unique risks associated with employee benefit plan audits when the firm had multiple types.
- Findings for Further Consideration (FFC) form did not contain all of the required information to be provided in the reviewed firm's response.
- The systemic cause on the FFCs was not clear.
- Peer review reports did not identify all must-select engagements reviewed.
- Firm representation letters not consistent with the illustration in Appendix B of the Standards.
- No corrective actions were originally proposed on reviews that resulted in a *pass with deficiencies* ratings.
- Reviews are not consistently presented to the RAB free from open technical issues. This causes the RAB to spend extra time discussing reviews which ultimately leads to deferred or delayed acceptance.
- Issues noted with the RAB composition; whereby no RAB members in attendance have current experience in must-select engagements and reviews must be deferred.
- Acceptance and deferral letters not sent timely.
- Post-scheduling statistics, including non-conforming engagements not accurately reflected in PRISM.
- PRISM statistics related to the number of FFC forms were incorrect.
- No overdue letters sent when a reviewer is not responding timely to the technical reviewer's questions.

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 a large number of 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 2014 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.

#### *Employee Benefit Plan Engagements*

- No documentation of evaluation of SOC<sup>®</sup> 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<sup>®</sup> report. Missing testing included no specific testing of
  - allocation of contributions.
  - allocation of investment income.
  - investment elections.
- No testing of benefit payments or distributions.
- Lack of testing of eligibility.
- No direct confirmation of existence or valuation of investments in a full scope audit.
- Internal control documentation consisted of generic forms that contained no specific information about the auditee.
- No documentation identifying the parties-in-interest or consideration of any party-in-interest transactions to consider whether any prohibited transactions had occurred during the year under audit.
- No documentation of testing of employer contributions.
- Inadequate testing of investment transactions or earning for a full scope audit.
- No documentation of procedures to test eligibility of actives or comparing participant data used by the actuary to the plan sponsor records for a frozen plan.
- No testing of participant loans.
- No documentation of significant processes or internal control.
- Audit programs missing for significant areas, including preliminary and final analytical review, related parties or parties in interest, allocations to participant accounts, fraud brainstorming, commitments or contingencies, subsequent events and required communications with those charged with governance
- Auditor’s report was not modified based on missing participant data in accordance with DOL field assistance bulletin 2009-02.
- Auditor’s report indicated that the audit was performed and reported on the cash basis of accounting when it was actually performed under the modified cash basis of accounting. The required additional language was not included in the auditor’s report.

- The risk assessment for all audit areas was low except for participant data and employee contributions, which was moderate with extended procedures. Extended procedures and the linkage to tests of controls were not documented in the working papers or the audit program in accordance with AU-C section 230, *Audit Documentation* (AICPA, *Professional Standards*).

#### *Single Audit/A-133 and Government Auditing Standards Engagements*

- Compliance requirements were documented as applicable, but no testing was performed for the compliance requirement
- Lack of testing of internal controls over direct and material compliance requirements
- Lack of documentation of skills, knowledge or experience
- Lack of documentation or incomplete documentation of risk assessment of Type A or Type B programs
- Lack of documentation supporting the assessment that compliance requirements were not applicable
- No documentation of fraud risk regarding noncompliance for major programs
- No documentation of internal control over preparation of SEFA
- Schedule of Findings and Questioned costs did not contain all required elements
- Financial statements presented under GAAP instead of *Government Accounting Standards*
- No materiality calculation on opinion units
- No documentation of risk of management override of controls
- No documentation to support designation as a low risk auditee
- Type A program designated as low risk when it did not meet all of the requirements
- Auditor's report on internal control did not include all required elements
- The report on compliance with requirements applicable to each major program and internal controls over compliance did not contain all required elements
- Data Collection Form did not properly summarize auditor's results
- Calculation of amounts tested as major programs was incorrect; amount of expenditures tested did not reach 50 percent for an entity that did not qualify as a low-risk auditee
- Federal program was part of a cluster and was not included in testing of major programs
- Improper surplus cash calculation performed that led to the improper identification of noncompliance findings for a HUD engagement

#### *SOC 1<sup>®</sup> Engagement*

- The SOC 1<sup>®</sup> report was missing a critical element: it did not include a description of the system of controls provided by the service organization. The requirement for management to include a system description is fundamental to AT section 801, *Reporting on Controls at a Service Organization* (AICPA, *Professional Standards*), as the assertion provided by management of the service organization and the opinion provided by the service auditor are attesting to and opining on the completeness and accuracy thereof; this component of the overall report is created to provide user auditors with an understanding of why the service auditor tested the specific controls that were tested.
- Acknowledgements and assurances that the standard requires the auditor to obtain from the service organization during client acceptance were not obtained or documented. AT section 801.09 requires that the service auditor only accept the engagement when specific



conditions exist, including several acknowledgements to be provided by management of the service organization.

- The extent of testing performed for numerous control activities was insufficient. Numerous instances were identified in which sample testing would appear to have been appropriate, yet the service auditor chose to perform observations, tests of one, or inquiry only. Inquiry only is insufficient to determine the operating effectiveness of controls.

The 2014 enhanced oversight sample was divided into two samples: a random sample and a targeted sample. 90 must-select engagements were selected for oversight (74 random selections and 16 targeted selections). The tables presented 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 90 must-select engagements selected for oversight.

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%
<b>Total</b>	<b>40</b>	<b>90</b>	<b>44%</b>

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%
<b>Total</b>	<b>22</b>	<b>48</b>	<b>46%</b>

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%
<b>Total</b>	<b>17</b>	<b>41</b>	<b>41%</b>

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

Note: 1 SOC® engagement was selected for oversight. The engagement was identified as non-conforming by the SME.

The 2014 enhanced oversight sample was divided into two samples: a random sample and a targeted sample. 90 must-select engagements were selected for oversight (74 random selections and 16 targeted selections). The tables presented 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 the 74 must-select engagements randomly selected for oversight.

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%

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%

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%

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

Note: 1 SOC® engagement was selected for oversight. The engagement was identified as non-conforming by the SME.

The AE's peer review committee is required to establish administrative oversight procedures to provide reasonable assurance that the AICPA PRP is being administered in accordance with guidance as issued by the PRB. An administrative oversight should be performed in those years when there is no AICPA oversight visit. Procedures to be performed should cover the administrative requirements of administering the AICPA PRP. Each AE was requested to submit documentation indicating that an administrative oversight was performed with its POA. Comments or suggestions contained in the reports are summarized in the following list and are not indicative of every AE. They also vary in degree of significance. In addition, the OTF member reviewed the results of the administrative oversight during the oversight visit (described on pages 13–14, "Oversight Visits of the Administering Entities") and compared the results of the administrative oversight with those noted during the OTF oversight visit to evaluate whether any matters still need improvement.

- Delinquent letters on reviews were not being sent in a timely manner.
- Acceptance letters for reviews were not sent in a timely manner.
- Reviewer feedback and performance deficiency letters were not being issued when necessary.
- The committee chair and technical reviewer did not always resolve inconsistencies and disagreements before submitting reviews to the RABs.
- Ensure Plan of Administration is accurate and timely filed.
- Review website for technical material and check for updates.
- Review committee member qualifications to ensure compliance with the RAB Handbook
- Oversight report was not posted to AE website.
- Monitor open reviews
- Develop a written back-up and succession plan for technical reviewers.
- Reviewer resumes were not appropriately verified.
- Reviews accepted by the technical reviewer on behalf of the committee were not accepted in the appropriate timeframe
- Firm representation letters were not maintained in the administrative files for reviews completed more than 120 days prior to the administrative oversight.
- Approval of feedback and deficiency letters should be included in the minutes

AEs are required to conduct oversight on a minimum of 2 percent of all reviews performed in a 12-month period of time. Within the 2 percent selected for oversight, the AE must evaluate at least two of each type of peer review. Also, at least 2 engagement oversights must be performed to include either audits of employee benefit plans subject to ERISA, engagements performed under GAGAS, audits of insured depository institutions subject to FDICIA, or examinations of service organizations (SOC 1 and 2 engagements). The following shows the number of oversights performed for the 2015 oversight year.

Administering Entity	Type of Review/Oversights			Type of Engagement Oversights					Total Oversights Performed at Firm
	System	Engagement	Total	ERISA	GAGAS	FDICIA	SOC®	Total	
Alabama	3	3	6	2	1	-	-	3	3
Arkansas	2	3	5	1	1	-	-	2	2
California	12	15	27	9	6	-	-	15	2
Colorado	2	3	5	1	1	-	-	2	2
Connecticut	3	2	5	1	2	-	-	3	2
Florida	8	5	13	4	2	-	-	6	4
Georgia	3	2	5	1	2	-	-	3	2
Hawaii	2	2	4	1	2	-	-	3	1
Idaho	3	1	4	1	2	-	-	3	1
Illinois	10	7	17	4	2	-	-	6	5
Indiana	3	2	5	1	1	-	-	2	2
Kansas	2	2	4	2	1	-	-	3	2
Kentucky	2	2	4	2	2	-	-	4	2
Louisiana	2	5	7	1	1	-	-	2	2
Maryland	3	3	6	1	1	-	-	2	2
Massachusetts	7	3	10	2	2	-	-	4	2
Michigan	3	3	6	2	2	-	-	4	3
Minnesota	2	4	6	1	1	-	-	2	2
Mississippi	2	2	4	1	1	-	-	2	2
Missouri	2	2	4	1	2	-	-	3	2
Montana	3	1	4	1	1	-	-	2	2
Nevada	2	5	7	1	1	-	-	2	1
New England	4	2	6	1	3	-	-	4	2
New Jersey	8	2	10	4	5	-	-	9	2
New Mexico	3	2	5	1	1	-	-	2	2
New York	11	2	13	6	4	-	-	10	2
North Carolina	7	4	11	1	1	-	-	2	5
North Dakota	1	1	2	1	1	-	-	2	1
Ohio	7	4	11	3	3	-	-	6	7
Oklahoma	2	2	4	1	1	-	-	2	2
Oregon	4	2	6	1	2	-	-	3	2
Pennsylvania	5	4	9	4	2	-	-	6	2
Puerto Rico	5	1	6	1	5	-	-	6	4
South Carolina	2	2	4	2	1	-	-	3	2
Tennessee	2	5	7	1	1	-	-	2	2
Texas	14	13	27	7	5	-	-	12	5
Virginia	2	6	8	1	2	-	-	3	2
Washington	8	4	12	2	2	-	-	4	3
West Virginia	2	2	4	2	2	-	-	4	2
Wisconsin	2	2	4	1	1	-	-	2	2
<b>TOTAL</b>	<b>170</b>	<b>137</b>	<b>307</b>	<b>81</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>97</b>

AEs are required to verify all reviewer resumes over a 3-year period as long as at a minimum, one third are verified in year 1, a total of two thirds has been verified by year 2 and 100 percent have been verified by year 3. The following shows the number of reviewer resumes verified by AEs for the years 2013–2015.

<u>Administering Entity</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Alabama	36	36	16
Arkansas	7	6	7
California	59	74	77
Colorado	10	7	14
Connecticut	17	6	5
Florida	36	25	57
Georgia	49	15	17
Hawaii	5	2	3
Idaho	4	6	5
Illinois	27	41	39
Indiana	17	11	13
Iowa	8	8	n/a
Kansas	2	19	-
Kentucky	10	12	13
Louisiana	48	-	-
Maryland	17	14	12
Massachusetts	6	18	32
Michigan	34	23	30
Minnesota	9	10	28
Mississippi	16	17	20
Missouri	14	20	15
Montana	6	3	7
Nevada	70	44	-
New England	7	10	8
New Jersey	35	37	37
New Mexico	18	16	18
New York	48	39	45
North Carolina	30	32	26
North Dakota	1	1	1
Ohio	26	52	-
Oklahoma	15	9	14
Oregon	1	10	13
Pennsylvania	37	31	34
Puerto Rico	11	11	13
South Carolina	13	7	18
Tennessee	24	25	24
Texas	40	45	56
Virginia	19	8	17
Washington	14	16	17
West Virginia	7	7	6
Wisconsin	16	11	14
<b>Totals</b>	<b><u>869</u></b>	<b><u>784</u></b>	<b><u>771</u></b>

<u>Term</u>	<u>Definition</u>
AICPA Peer Review Board	Functions as the “senior technical committee” governing the AICPA PRP and is responsible for overseeing the entire peer review process.
AICPA Peer Review Program Manual	The publication that includes the revised <i>AICPA Standards for Performing and Reporting on Peer Reviews</i> , Interpretations to the revised <i>AICPA Standards for Performing and Reporting on Peer Reviews</i> and other guidance that is used in administering, performing and reporting on peer reviews.
AICPA Peer Review Program Oversight Handbook	The handbook that includes the objectives and requirements of the AICPA PRB and the AE oversight process for the AICPA PRP.
AICPA Peer Review Program Report Acceptance Body Handbook	The handbook that includes guidelines for the formation, qualifications and responsibilities of AE peer review committees, report acceptance bodies and technical reviewers. The handbook also provides guidance in carrying out those responsibilities.
AICPA PRP Administrative Manual	The publication that includes guidance used by AICPA PRB approved state CPA societies or other entities in the administration of the AICPA PRP.
Administering Entity	A state CPA society, group of state CPA societies or other entity annually approved by the PRB to administer the AICPA PRP in compliance with the standards and related guidance materials issued by the PRB.
Agreed Upon Procedures	Specific procedures agreed to by a CPA, a client and (usually) a specified third party. The report states what was done and what was found. Additionally, the use of the report is restricted to only those parties who agreed to the procedures.
Attest Engagement	An engagement that requires independence as defined in the AICPA professional standards.
Audit	An examination and verification of a company's financial and accounting records and supporting documents by a professional, such as a CPA.
Compilation	Presenting in the form of financial statements information that is the representation of management (owners) without undertaking to express any assurance on the statements performed under SSARS.
Preparation Engagement	An engagement to prepare financial statements

<u>Term</u>	<u>Definition</u>
Employment Retirement Income Security Act of 1974	The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for pension plans in private industry.
FDICIA	Federal law enacted in 1991 to address the thrift industry crisis. The Federal Deposit Insurance Corporation Improvement Act (FDICIA) recapitalized the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), expanded the authority of banking regulators to seize undercapitalized banks and expanded consumer protections available to banking customers.
Engagement Review	A type of peer review for firms that do not perform audits or certain SSAE engagements that focuses on work performed and reports and financial statements issued on particular engagements (reviews or compilations).
Enhancing Audit Quality (EAQ) initiative	The Enhancing Audit Quality (EAQ) initiative is the AICPA's commitment to providing the resources and tools, as well as standards, monitoring and enforcement, necessary to move the profession further on its journey toward greater audit quality.
Financial Statements	A presentation of financial data, including accompanying notes, if any, intended to communicate an entity's economic resources or obligations, or both, at a point in time or the changes therein for a period of time, in accordance with generally accepted accounting principles, a comprehensive basis of accounting other than generally accepted accounting principles, or a special purpose framework.
Finding for Further Consideration (FFC)	A finding is one or more matters that the reviewer concludes does not rise to the level of a deficiency or significant deficiency and is documented on a Finding for Further Consideration Form.
Firm	A form of organization permitted by law or regulation whose characteristics conforms to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.
Hearing	When a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial corrective actions are not adequate, the PRB may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the AICPA PRP should be terminated or whether some other action should be taken.
Implementation Plan	An implementation plan is a course of action that a reviewed firm has agreed to take in response to Findings For Further Consideration. A RAB may require an implementation plan when the responses to a firm's FFC(s) are not comprehensive, genuine and feasible.



<u>Term</u>	<u>Definition</u>
Licensing Jurisdiction	For purposes of this Report, licensing jurisdiction means any state or commonwealth of the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico or the Virgin Islands.
Matter for Further Consideration	A matter is noted as a result of evaluating whether an engagement submitted for review was performed and/or reported on in conformity with applicable professional standards in all material respects. Matters are typically one or more “No” answers to questions in peer review questionnaires(s). A matter is documented on a Matter for Further Consideration Form.
Other Comprehensive Basis of Reporting	Consistent accounting basis other than generally accepted accounting principles (GAAP) used for financial reporting.
Oversight Task Force	Appointed by the PRB to oversee the administration of the AICPA PRP and make recommendations regarding the PRB oversight procedures.
Peer Review Committee	An authoritative body established by an AE to oversee the administration, acceptance and completion of the peer reviews administered and performed in the licensing jurisdiction(s) it has agreed to administer.
Plan of Administration	A document that state CPA societies complete annually to elect the level of involvement they desire in the administration of the AICPA PRP.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
PRISM System	An online system that is accessed to carry out the AICPA PRP administrative functions.
Report Acceptance Body	A committee or committees appointed by an AE for the purpose of considering the results of peer reviews and ensuring that the requirements of the AICPA PRP are being complied with.
Review	Performing inquiry and analytical procedures on financial statements that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements for them to be in conformity with GAAP.
Reviewer Feedback Form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer Resume	A document residing on the AICPA website and required to be updated annually by all active peer reviewers which is used by AEs to determine if individuals meet the qualifications for service as reviewers as set forth in the standards.

<u>Term</u>	<u>Definition</u>
Scheduling Status Report	A report which provides key information on peer reviews such as firm name, due date, review number, type, status and the date background information was received.
Special Purpose Framework	A financial reporting framework, other than generally accepted accounting principles, that is one of the following bases of accounting: cash basis, tax basis, regulatory basis, contractual basis or another basis.
State Board of Accountancy	An independent state governmental agency that licenses and regulates CPAs.
State CPA Society	Professional organization for CPAs providing a wide range of member benefits.
Summary Review Memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in an FFC.
System of Quality Control	A process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm's standards of quality.
System Review	A type of peer review for firms that have an accounting and auditing practice. The peer reviewer's objective is to determine whether the system of quality control for performing and reporting on accounting and auditing engagements is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.
Technical Reviewer	Individual(s) at the AE whose role is to provide technical assistance to the RAB and the Peer Review Committee in carrying out their responsibilities.
Territory	A territory of the United States is a specific area under the jurisdiction of the United States and for purposes of this Report includes Guam, the District of Columbia, the Northern Mariana Islands, Puerto Rico or the Virgin Islands.

**RAB Handbook Revisions – Report Acceptance Process**

**Why is this on the agenda?**

While performing RAB observations, OTF members and staff noted inconsistencies in the way reviews are presented to RABs for acceptance. Some AEs post review documents to a secure website for RAB members to review and vote without benefit of a meeting. This approach inhibits full discussion and evaluation of a review. Other AEs utilize a consent agenda whereby the RAB votes on a group of reviews without discussion during a meeting. Some AEs have formal written policies for this process while others do not.

Below is a summary of six different AEs:

AE	Pass reports only	Does the consent agenda include reviews with –			Presented at RAB meeting
		FFCs	Implementation Plans	Reviewer Feedback	
1	Yes	Yes	No	No	Yes
2	*	*	*	*	Yes
3	Yes	None on must-select engagements	No	No	Yes
4	*	*	*	*	Yes
5	Yes	Did not specify	Did not specify	Did not specify	No **
6	Did not specify	Did not specify	Did not specify	Did not specify	No **
<i>* At the technical reviewers' discretion</i>					
<i>** Reviews are posted to a secure website for RAB members to post questions and vote on acceptance. If there are unresolved questions, the review is presented at a RAB meeting.</i>					

To promote consistency in the report acceptance process, OTF proposes the following revisions to the RAB Handbook, Chapter 3 – The Report Acceptance Process (see [agenda item 1.3A](#)):

- All reviews must be presented at a RAB meeting and the meetings must be conducted in person or via conference call.
- Consent agenda criteria that will allow RAB members to vote on a group of reviews without discussion; however, any RAB member may extract a review from the consent agenda to discuss and vote on separately.
- Consent agenda criteria is segregated for system and engagement reviews. All criteria must be met for a review to be placed on the consent agenda.

Criteria to be met for a review to be placed on consent agenda:

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System reviews:

1. Peer reviews with a report rating of *pass*.
2. Peer reviews with no FFCs.
3. Peer reviews with no MFCs.
4. Peer reviews without reviewer performance feedback.

Engagement reviews (outside the scope of Interpretation 137-1 (included below for reference)):

1. Peer reviews with a report rating of *pass*.
2. Peer reviews with no FFCs.
3. Peer reviews without reviewer performance feedback.

**Interpretation 137-1 Accepting Engagement Reviews by the Technical Reviewer**

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

*Interpretation*—The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when the technical reviewer determines that any MFC forms prepared only relate to compilations under SSARs, that no MFC forms should have been prepared except as related to compilations under SSARs, and there are no other issues associated with the peer review warranting committee consideration or action that could potentially affect the results of the peer review. The technical reviewer may identify reviewer performance feedback that should be considered and approved by the peer review committee prior to issuance. The technical reviewer should still be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when such feedback may be provided to the review captain unless the circumstances leading up to the feedback may have affected the results of the review. Accordingly, if the feedback being provided to the review captain involves issues which could potentially affect the results of the peer review, the technical reviewer should not accept the Engagement Review but present it to the committee for consideration

- AEs may, but are not required to use a consent agenda for RAB meetings when reviews meet this criteria. If an AE chooses not to use a consent agenda, each review must be presented and voted on separately.

OTF also proposes revisions to the recommendation section of the Technical Reviewer's checklists to indicate when a review meets all of the criteria to be placed on a consent agenda. Revisions to RAB Handbook Exhibits 2-2 and 2-3 are reflected in [agenda item 1.3B](#). Even though a review meets all of the criteria to be placed on a consent agenda, it should not if the technical reviewer has concerns about the review or reviewer the RAB needs to discuss.

**Feedback Received**

All feedback received from the Technical Reviewer's Advisory Task Force, Administrators Advisory Task Force and AICPA staff was taken into consideration by OTF in developing this proposed guidance.

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**PRISM Impact**

None

**AE Impact**

AEs would be required to follow the new RAB meeting criteria. Additionally, AEs may, but are not required to use a consent agenda for RAB meetings when reviews meet specific criteria. Technical reviewers will utilize the revised Technical Reviewer's checklists.

**Communications Plan**

Upon approval by the Board:

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)**

December PRPM update (effective January 1, 2017 as noted below)

**Effective Date**

Technical reviews commencing on or after January 1, 2017.

**Board Consideration**

1. Approve RAB Handbook revisions regarding RAB meeting requirements and consent agenda criteria.
2. Approve revisions to the Technical Reviewer's checklists.

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## PRP Section 3300

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### *AICPA Peer Review Program Report Acceptance Body Handbook*

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#### Chapter 3

#### The Report Acceptance Process

##### I. Introduction

This chapter outlines the procedures that a committee or report acceptance body (RAB) would follow in the evaluation and acceptance of all reviews. Specific considerations concerning objectives of System and Engagement Reviews are covered in [chapter 4](#) and [chapter 5](#), respectively.

For purposes of this chapter, it is assumed that the committee has decided to delegate the report acceptance function to a RAB. If that is not the case, the references to RAB should be replaced with peer review committee. The process described, however, is unaffected.

##### II. Preparation for a RAB Meeting

- A. Ordinarily, a majority of meeting materials should be provided in advance to the date of the meeting, in order to allow every RAB member adequate time to read the documents and be prepared to discuss the reviews being considered for acceptance. **All reviews must be presented at a meeting.** The meetings ~~can~~ **must** be conducted in person or via conference call. The following documents should be included in the package:
1. Peer review report
  2. Letter of response, if applicable
  3. Prior review report; letter of response and Finding for Further Consideration (FFCs) forms, if applicable; and prior review's required corrective action(s) or implementation plans, if applicable
  4. Technical reviewer's checklist
  5. Summary Review Memorandum—System Reviews
  6. Disposition of Matter for Further Consideration (DMFC) form, as applicable
  7. For reviews that include single audit engagement(s), the engagement profile and [Section 22100—Part A](#), *Supplemental Checklist for Review of Single Audit Act/A-133 Engagements*, or [Section 22100—Part A—UG](#),

*Supplemental Checklist for Review of Single Audit Engagements (Uniform Guidance).*\* (See the following note.)

8. Review Captain Summary—Engagement Reviews
9. Matter for Further Consideration (MFC) forms, as applicable
10. Findings for Further Consideration (FFC) forms, as applicable
11. Firm’s representation letter

*\*Note:* The report acceptance body may delegate the completion of attachment 2 of the Technical Reviewer’s Checklist ([exhibit 2-2](#)) for a single audit engagement(s) to a technical reviewer(s) if the technical reviewer has completed eight hours of continuing professional education (CPE) related to single audits in the last two years.

- B. There may be circumstances in which a RAB member needs to contact the technical reviewer before the meeting to clarify an issue. Such discussions between the RAB member and technical reviewer should be disclosed during the meeting. When possible, the RAB member’s question and the technical reviewer’s response should be communicated or summarized by electronic mail; and the communication should be copied to all RAB members assigned to the review. It is important to remember to
1. discuss or review the questions during the meeting because acceptance is a RAB decision, not the technical reviewer’s decision and,
  2. discuss other questions among the other RAB members to help to bring out points that may otherwise be overlooked.
- C. A minimum of three members should evaluate every peer review, its initial corrective action (if applicable), and implementation plan (if applicable) for acceptance. If a member or members of the RAB are excused from the discussions because of a lack of independence or conflicts of interest (see chapter 1, [section VI](#)), other committee members should be appointed to the RAB. As a result, the committee ordinarily should include a minimum of six members.
- D. An appropriate rotation policy should be established for the RABs. This provides the opportunity to ensure consistency in review consideration but still allows for diversity of review.
- E. A consent agenda may, but is not required to be used for the meeting when reviews meet specific criteria. All criteria listed below must be met for a review to be placed on the consent agenda:

System reviews:

1. Peer reviews with a report rating of *pass*.

- 
2. Peer reviews with no FFCs.
  3. Peer reviews with no MFCs.
  4. Peer reviews without reviewer performance feedback.

Engagement reviews (outside the scope of Interpretation 137-1):

1. Peer reviews with a report rating of *pass*.
2. Peer reviews with no FFCs.
3. Peer reviews without reviewer performance feedback.

When a review meets the criteria above, technical reviewers should still apply professional skepticism during the technical review. Reasons a review may not be placed on a consent agenda include, but are not limited to, the prior review resulted in a *pass with deficiency(ies)* or *fail* rating, firm performs multiple must-select engagements, reviewer has a pattern of poor performance, etc.

All RAB members are expected to read the documents for reviews on the consent agenda being considered for acceptance. A consent agenda allows RAB members to vote on a group of reviews without discussion; however, any RAB member may extract a review from the consent agenda to discuss and vote on separately.



**Exhibit 2-2 — AICPA PEER REVIEW PROGRAM SYSTEM REVIEW TECHNICAL REVIEWER’S CHECKLIST**

**RECOMMENDATIONS:**

Consider the results of your review of the report, the LOR (if applicable), FFCs (if applicable), and other review documents.

- 1. Do you recommend that the report, LOR (if applicable), and FFCs (if applicable) be accepted as submitted?       Yes  No

If no, please briefly describe the reasons why you believe the documents should not be accepted, including any changes that are needed.

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- 2. Do you recommend that the reviewed firm be asked to agree to certain corrective actions so that the committee can monitor the firm’s progress in correcting the deficiencies or significant deficiencies noted in the report?    Yes  No  N/A

If yes, please briefly describe the actions you suggest the RAB consider.

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

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

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

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

If yes, please describe.

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6. Does the review meet all of the criteria to be included on the consent agenda?  Yes  No  
Should the review be included on the consent agenda?  Yes  No

If no, please briefly describe the reasons why you believe the review should not be included on the consent agenda. For example, the prior review resulted in a *pass with deficiency(ies)* or *fail* rating, firm performs several must-select engagements, reviewer has a pattern of poor performance, etc.

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7. Is the review being included on the consent agenda?  Yes  No

**Exhibit 2-3 — AICPA PEER REVIEW PROGRAM ENGAGEMENT REVIEW  
TECHNICAL REVIEWER’S CHECKLIST**

**RECOMMENDATION:**

Consider the results of your review of the report, the LOR (if applicable), FFCs (if applicable), and other review documents.

1. Do you recommend that the report, LOR (if applicable), and FFCs (if applicable) be accepted as submitted?       Yes  No

If no, please briefly describe the reasons why you believe the documents should not be accepted, including any changes that are needed.

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2. Do you recommend that the reviewed firm be asked to agree to certain corrective actions so that the committee can monitor the firm’s progress in correcting the deficiencies or significant deficiencies noted in the report?    Yes  No  N/A

If yes, please briefly describe the actions you suggest the RAB consider.

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

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

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

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

If yes, please describe.

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6. Does the review meet all of the criteria to be included on the consent agenda?  Yes  No  
Should the review be included on the consent agenda?  Yes  No

If no, please briefly describe the reasons why you believe the review should not be included on the consent agenda. For example, the prior review resulted in a *pass with deficiency(ies)* or *fail* rating, firm performs several must-select engagements, reviewer has a pattern of poor performance, etc.

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7. Is the review being included on the consent agenda?  Yes  No

## Conforming Guidance Changes for Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program

### Why is this on the Agenda?

The [Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Exposure Draft](#) was issued on May 24, 2016. In order to widen the effect and increase the consistency of the Program, the exposure draft proposes changes to:

- Allow firms with no AICPA members to enroll in the Program;
- Expand the availability of administration by the National Peer Review Committee to firms with no AICPA members; and
- Make other minor changes.

This exposure draft underlies important EAQ initiatives, including Evolution.

Final changes to the Standards and Interpretations are included as Agenda Item 1.4A. Conforming changes to the RAB Handbook are in Agenda Item 1.4B and other related Peer Review Program Manual sections are included in Agenda Item 1.4C. Agenda Item 1.4D summarizes the comments on the exposure draft and the responses received are included at <http://www.aicpa.org/Research/ExposureDrafts/PeerReview/DownloadableDocuments/Enroll-in-Program-PR-CmtLtrs.pdf>.

Overall comments were supportive; there were a handful of respondents that disagreed as they thought that adding firms with no AICPA members would dilute the quality of the AICPA Peer Review Program and that firms with no AICPA members should not receive benefits from the AICPA. The STF recommends going forward with the changes as this will increase the audit quality of the accounting profession.

There was also a question on when “firm” is used in the Board resolution if “and/or individual” is implied (for firms with a majority ownership of non-CPAs where individuals that perform compilations are enrolled in the AICPA PRP) so some clarifications have been made in the AICPA PRP. Other comments received included clarifications on Interpretation 13-1 to add “or should have enrolled” and to Interpretation 132-1 to replace “reviewer” with “report acceptance body member” in the section on report acceptance body members.

The Standards and Interpretations included in Agenda Item 1.4A have also been updated to reflect changes related to the Improving Transparency and Effectiveness of Peer Review Exposure Draft, where applicable, as these changes were approved at the same Peer Review Board meeting the Exposure Draft was issued in May 2016. These changes are not shown in track changes as they have already been approved and are unrelated. There were several changes in the original Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program ED that were approved as a result of other exposure drafts and thus do not need to be approved as part of this exposure draft so they are also not shown in track changes.

Included in Agenda Item 1.4B for the RAB Handbook, is a change to Chapter 3, Section VII, which relates to recalls of peer reviews. The change to the Overview section is to allow recalls for firms that enroll in the AICPA Peer Review Program that were previously administered under a different peer review program, for example, a state program, for their previous peer to be recalled if a recall is determined to be needed.

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Other changes related to the exposure draft include development of fair procedures related to firms with no AICPA members, updates to the enrollment form, changes to letters as needed updates to the Administrative and Oversight Manuals, modifications to the Peer Review Board Procedures, and changes to the National PRC Manual.

**Feedback Received**

Staff discussed the proposed guidance changes with the AATF and the TRATF, who both thought the changes were appropriate and reasonable.

**PRISM Impact**

N/A, will be effective upon implementation of PRIMA, the PRISM replacement system. It is not feasible to make the changes in PRISM and it would require additional programming to set PRIMA up to administer reviews according to current guidance and guidance after the Exposure Draft so the changes to guidance would need to be effective upon implementation of PRIMA.

**AE Impact**

AEs will receive questions from firms and will receive enrollment forms from firms with no AICPA members if they choose to enroll in the AICPA PRP.

**Communications Plan**

A Reviewer Alert will be drafted upon approval by the Peer Review Board of the Exposure Draft and related changes.

**Manual Production Cycle (estimated)**

Effective after phase I implementation of PRIMA.

**Effective Date**

See above.

**PRB Consideration**

1. Approve the proposed changes to the Standards and Interpretations, the RAB Handbook, and related Peer Review Materials in Agenda Items 1.4A, 1.4B, and 1.4C, respectively.

## Final Proposed Standards and Interpretations

To aid understanding, *Standards* are presented in this section if they contain a proposed revision or if a related Interpretation contains a proposed revision.

### Peer Review Standards

#### Notice to Readers

In order to be admitted to or retain their membership in the AICPA, members of the AICPA who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as partners or employees of firms enrolled in an approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program:

- -if the services performed by such a firm or individual are within the scope of the AICPA's practice-monitoring standards and
- -the firm or individual issues reports purporting to be in accordance with AICPA professional standards.

Firms have peer reviews because of the public interest in the quality of the accounting, auditing, and attestation services provided by public accounting firms. In addition, firms indicate that peer review contributes to the quality and effectiveness of their practices. Furthermore, most state boards of accountancy require its licensees to undergo peer review, which they may also call compliance assurance, to practice in their state. Other regulators require peer review in order to perform engagements and to issue reports under their standards. Therefore, due to this public interest, we allow firms without AICPA members to enroll in the AICPA Peer Review Program.

A firm (or individual) enrolled in the AICPA Peer Review Program is deemed to be enrolled in an approved practice-monitoring program. See BL sections 230, 2.3 Requirements for Retention of Membership, 220, 2.2 Requirements for Admission to Membership, and 760, 7.6 Publication of Disciplinary Action (AICPA, Professional Standards); "[Form of Organization and Name Rule](#)" and its interpretations (AICPA, *Professional Standards*, ET sec. 1.800.001); and the implementing council resolutions under those sections.

These standards are applicable to firms (and individuals) enrolled in the [AICPA Peer Review Program](#) and to individuals and firms who perform and report on such peer reviews, to entities approved to administer the peer reviews, and to associations of CPA firms authorized by the AICPA Peer Review Board (board) to assist its members in forming review teams. A firm or organization without CPA majority ownership (a non-CPA owned entity) would not be eligible to enroll in the program. If an individual CPA at such a firm performs compilation and/or preparation engagements, the individual may enroll in the AICPA Peer Review Program. The use of firm in these materials should apply to such enrolled individuals. The AICPA Peer Review Program may not be administered by any entity -without written permission from the AICPA Peer Review Board.

These standards are not intended for peer reviews of organizations that are not public accounting firms.

Users of these standards should be knowledgeable about the standards and their interpretations and effective dates, as well as guidance issued by the board that might affect the application of these standards. Those subject to the standards should be prepared to justify departures from these standards, and it is expected that departures will be rare.

These standards are effective for peer reviews commencing on or after January 1, 2009. ~~Early implementation of these standards is not permitted.~~

## Overview

- .01 The purpose of this document is to provide standards for administering, planning, performing, reporting on and the acceptance of peer reviews of CPA firms (and individuals) enrolled in the AICPA Peer Review Program (program) (see interpretations). Those processes collectively are also called practice monitoring because it is the monitoring of a CPA firm's accounting and auditing practice.
- .02 The goal of practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the CPA firms (and individuals) subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership.
- .03 Firms (and individuals) (see interpretations) enrolled in the program are required to have a peer review, once every three years, of their accounting and auditing practice not subject to Public Company Accounting Oversight Board (PCAOB) permanent inspection (see interpretations) related to non-Securities and Exchange Commission (SEC) issuers covering a one-year period. The peer review is conducted by an independent evaluator known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.

## Introduction and Scope

- .05 Firms (and individuals) (see interpretations) enrolled in the program have the responsibility to:
  - a. Design and comply with a system of quality control for its accounting and auditing practice that provides the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Statement on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control (Redrafted) (AICPA, Professional Standards, QC sec. 10), requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice.



- b. Perform accounting and auditing engagements in accordance with applicable professional standards using competent personnel<sup>1</sup> (partners<sup>2</sup> and staff<sup>3</sup>).
  - c. Have independent peer reviews of their accounting and auditing practices (see interpretations). All enrolled firms ~~that an AICPA member is associated with~~ should undergo a peer review if the services performed and reports issued by the firm require a peer review.
  - d. Engage a peer reviewer to perform the peer review in accordance with these standards, in a timely manner.
  - e. Take such measures, if any, as may be necessary to satisfy its obligations concerning client confidentiality any time state statutes or ethics rules promulgated by state boards of accountancy do not clearly provide an exemption from confidentiality requirements when peer reviews are undertaken.
  - f. Provide written representations to describe matters significant to the peer review (see appendix B “Considerations and Illustrations of Firm Representations”).
  - g. Understand the AICPA Peer Review Board’s (board) guidance on resignations from the program (see interpretations).
  - h. Cooperate with the peer reviewer, administering entity, and the ~~AICPA Peer Review Board~~ (board) in all matters related to the peer review, that could impact the firm’s enrollment in the program, including paying administrative fees, arranging, scheduling, and completing the review and taking remedial, corrective actions and implementing other plans as needed (see interpretations).
- .06** An accounting and auditing practice for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS)<sup>4</sup>; Statements on Standards for Attestation Engagements (SSAEs); Government Auditing Standards (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under ~~Public Company Accounting Oversight Board~~ (PCAOB) standards (see interpretations). Engagements covered in the scope of the program are those included in the firm’s accounting and auditing practice that are not subject to PCAOB permanent inspection (see interpretations).
- .07** The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. Firms that perform engagements under the SASs or *Government Auditing Standards*, examinations under the SSAEs, or engagements under PCAOB standards, as their highest level of service have peer reviews called *System Reviews*. A System Review includes

<sup>1</sup> Personnel are defined per Statement on Quality Control Standards (SQCS) as partners and staff.

<sup>2</sup> Partners are defined per SQCS as any individual with authority to bind the firm with respect to the performance of a professional services engagement.

<sup>3</sup> Staff are defined per SQCS as professionals, other than partners, including any specialists that the firm employs.

<sup>4</sup> Statements on Standards for Accounting and Review Services that provide an exemption from those standards in certain situations are likewise excluded from this definition of an accounting and auditing practice for peer review purposes (see interpretations).

determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including [SQCS No. 8](#), in all material respects. Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews are eligible to have peer reviews called *Engagement Reviews*, however firms that only perform preparation engagements (with or without disclaimer reports) under SSARS are not required to enroll in the program (see interpretations). These standards are not intended for and exclude the review of the firm's accounting and auditing practice applicable to engagements subject to PCAOB permanent inspection (see interpretations). Firms that do not provide any of the services listed in [paragraph .06](#) are not peer reviewed (see interpretations).

.09 The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. On System Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. On Engagement Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified in engagements. On both System and Engagement Reviews, the firm is also expected to follow professional standards in response to engagements identified as not performed or reported in conformity with applicable professional standards in all material respects ("nonconforming"). These actions will be positive and remedial. Disciplinary actions (including those that can result in the termination of a firm's enrollment in the program and the subsequent loss of membership, [if applicable](#), in the AICPA and some state CPA societies by its partners<sup>5</sup> and employees) will be taken only for a failure to cooperate, failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

## General Considerations

### Administrative Requirements

.11 All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the ~~AICPA Peer Review Board's~~ [board's committees including but not limited to the](#) National Peer Review Committee (National PRC) (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews.

### Timing of Peer Reviews

.13 A firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in

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<sup>5</sup> A *partner* is a proprietor, shareholder, equity or non-equity partner, or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as *shareholder*, *member*, or *proprietor*.

the program or should have enrolled, whichever date is earlier (see interpretations).

## Peer Review Documentation and Retention Policy

.25 Peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion (see interpretations).

## Organizing the System or Engagement Review Team

.26 A System Review team comprises one or more individuals, depending upon the size and nature of the reviewed firm's practice and other factors. An Engagement Review team ordinarily comprises one individual. A review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team) (see interpretations). For Engagement Reviews, review teams may also be formed by the administering entity if it chooses to appoint such teams (hereinafter, a committee-appointed review team, also known as a CART review).

## Qualifying for Service as a Peer Reviewer

### System and Engagement Reviewers

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

- a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.
- b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see interpretations), as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. <sup>6</sup> To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of a firm's accounting or auditing engagements or carrying out a quality control function on a firm's accounting or auditing engagements (see interpretations). CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise (see interpretations).
- c. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of pass for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see interpretations).

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<sup>6</sup> A manager or person with equivalent supervisory responsibilities is a professional employee of the firm who has either a continuing responsibility for the overall planning and supervision of engagements for specified clients or authority to determine that an engagement is complete subject to final partner approval if required.

- d. Possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards. This includes recent experience in and knowledge about current rules and regulations appropriate to the level of service applicable to the industries of the engagements that the individual will be reviewing (see interpretations).<sup>7</sup>
- e. Have spent the last five years in the practice of public accounting in the accounting or auditing function.
- f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see interpretations).
- g. If the reviewer will review engagements that must be selected in a System Review under paragraph .63, possess specific additional qualifications (see interpretations).
- h. If the reviewer is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of quality control materials and is required to have a QCM review under these standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of pass for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.

#### ***Other Peer Reviewer or Reviewing Firm Qualification Considerations***

**.34** Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm's accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm's ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the administering entity of such communications or notifications (see interpretations).

## **Planning and Performing Compliance Tests**

### ***Selection of Engagements***

**.59** Engagements selected for review should provide a reasonable cross section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Examples of the factors to consider when assessing peer review risk at the engagement level include size; industry area; level of service; personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements); communications from regulatory, monitoring, or enforcement bodies; extent of non-audit services to audit clients; significant clients' fees to practice office(s) and partner(s); and initial engagements (see interpretations).

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<sup>7</sup> A reviewer should be cautious of those high-risk engagements or industries in which new standards or regulations have been issued. For example, in those cases in which new industry standards or practices have occurred in the most recent year, it may be necessary to have current practice experience in that industry.

## Administering Peer Reviews

- .128 All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the ~~AICPA Peer Review Board's~~ committees including but not limited to the National PRC (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews. This imposes an obligation on reviewed firms to facilitate completion of their peer reviews in compliance with the procedures established by the board, and to cooperate with the peer reviewer, administering entity, and the board in all matters related to the review, that could impact the firm's enrollment in the program.
- .129 Entities requesting to administer the program are required to complete and sign a Plan of Administration (plan) annually whereby the entity agrees to administer the program in compliance with these standards, interpretations, and other guidance established by the board. Upon receipt of the plans by the AICPA, including jurisdictions ~~not~~ requesting another entity to administer the program for firms in its ~~their~~ state, the board annually approves the administering entities for all of the jurisdictions covered by the program.
- .130 This imposes an obligation on the administering entities to ensure that their staff, technical reviewers, committee members, and all others involved in the administration of the program and performance of peer reviews comply with these standards, interpretations, and other guidance established by the board. Administering entities shall also cooperate with the board in all matters related to the administration of the program. Failure to comply with these standards, interpretations, and other guidance may result in the revocation of the administering entity's plan by the board. If an administering entity refuses to cooperate or is found to be deficient in administering the program in compliance with these standards or with other guidance, the board may decide pursuant to fair procedures whether the administering entity's plan should be revoked or whether some other action should be taken.
- .131 Due to the volume of peer reviews, firms, reviewers, and other contributing factors, the board recognizes that administering entities, and in some situations firms and peer reviewers, may need the flexibility, in specific circumstances, to implement alternate methods of complying with the standards, interpretations, or guidance issued by the board. The board or its staff will consider reasonable requests from administering entities' peer review committees on such matters. The comprehensiveness of the administering entity's oversight policies and procedures will be considered as well as such factors as whether the objectives of the standards, interpretations, or guidance would still be met. Requests for consideration of alternative methods Administering entities must submit a request must be approved by in writing to the board for approval prior to implementing alternative methods of complying with the standards, interpretations, or other guidance. Ordinarily, such This requests should ordinarily be submitted in conjunction with an entity's plan of administration the submission of its plan.

## Fulfilling Peer Review Committee and Report Acceptance Body Responsibilities

.132 An administering entity appoints a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs), whose members may be, but are not required to be, members of the committee as well. Members of a committee or a RAB must meet minimum qualification requirements (see interpretations). It is ultimately the committee's responsibility to ensure that it (or a RAB on its behalf) considers the results of peer reviews it administers that are undertaken to meet the requirements of the program. The activities of the committee should be carried out in accordance with administrative procedures and guidance issued by the board. Committee members may not participate in any discussion or have any vote with respect to a reviewed firm if the member lacks independence or has a conflict of interest with the reviewing firm, the reviewer, or the reviewed firm.

## Cooperating in a Peer Review

.145 If a decision is made by the hearing panel to terminate a firm's enrollment in the program, ~~the firms- with AICPA members~~ will have the right to appeal to the AICPA Joint Trial Board for a review of the termination decision. As to AICPA members, the fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe. Firms without AICPA members will have the right to appeal in accordance with fair procedures developed by the board, for a review of the termination decision. ~~hearing panel's findings The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.~~

## Effective Date

.206 The effective date for these standards is for peer reviews commencing on or after January 1, 2009 and QCM reviews commencing on or after January 1, 2011. ~~Early implementation is permitted for QCM reviews, but not for peer reviews.~~

## Appendix A Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)

(Effective for Peer Reviews Commencing on or After January 1, 2009)

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1. Firms (and individuals) enrolled in the AICPA Peer Review Program are required to have a peer review, once every three years, of their accounting and auditing practice. An accounting and auditing practice for the purposes of these standards is defined as all

engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards. Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection. A firm is not required to enroll in the AICPA Peer Review Program if its only level of service is performing preparation engagements under SSARS, however, if it elects to enroll due to licensing or other requirements, it is required to have a peer review under these Standards. The peer review is conducted by an independent evaluator, known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.

2. The peer review helps to monitor a CPA firm's accounting and auditing practice (*practice monitoring*). The goal of the practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the ~~AICPA members and their~~ CPA firms subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership and accounting and audit quality.

3. There are two types of peer reviews: System Reviews and Engagement Reviews. System Reviews focus on a firm's system of quality control and Engagement Reviews focus on work performed on particular selected engagements. Quality Control Materials (QCM) Reviews focus on the system of quality control of a provider of QCM to CPA firms. A further description of System, Engagement and QCM Reviews, as well as a summary of the nature, objectives, scope, limitations of, and procedures performed on them, is provided in the following sections.

## Peer Review Interpretations

### Notice to Readers

Interpretations of the AICPA Standards for Performing and Reporting on Peer Reviews (sec. 1000) are developed in open meetings by the AICPA Peer Review Board for peer reviews of firms (and individuals) enrolled in the AICPA Peer Review Program. Interpretations need not be exposed for comment and are not the subject of public hearings. These interpretations are applicable to firms (and individuals) enrolled in the program; individuals and firms who perform and report on peer reviews; entities approved to administer the peer reviews; associations of CPA firms, ~~whose members are also AICPA members~~, authorized by the board to assist its members in forming review teams; and AICPA program staff. Interpretations are effective upon issuance unless otherwise indicated.

The prefix of each interpretation refers first to the paragraph number in the standards and second to the number of the interpretation relating to that paragraph. For example, Interpretation No. 5-3 would be the third interpretation of paragraph .05 of the standards. Not every paragraph of the standards has an interpretation, and thus there could be gaps in the numbering sequence of the interpretations. If more than one paragraph of the standards refers to a particular interpretation, then the interpretation's prefix will refer to the first instance in the standards, and the interpretation would note what other paragraphs refer to the interpretation. Interpretations have been grouped by topic for reference purposes. For example, there are paragraph Interpretation Nos. 3-1 and 3-2 under the interpretation related to "Individual Enrollment in the Program."

To the extent that new interpretations are added before the next version of the standards is issued, an interpretation may not be referred to in the standards with the phrase (see interpretations).

## Use of Standards

**1-1** *Question*—Paragraph .01 of the standards discusses that the standards are provided for CPA firms (and individuals) those enrolled in the program. Who determines program enrollment eligibility and who may administer the program? Who else may use these standards and who determines who enrolls in the program?

*Interpretation*—The AICPA Peer Review Board ("board") determines program enrollment eligibility and who may administer the program. CPA firms ((and individuals) may enroll in the program, regardless of AICPA membership) with AICPA members as well as without AICPA members may enroll in the program. Although the standards are currently intended for AICPA members and their firms, state CPA societies, or other organizations that are approved by the AICPA Peer Review Board (board) to administer the program, AICPA members may also use these standards, as applicable,<sup>fn 1</sup> in administering peer reviews of non AICPA firms (and individuals)

There are professional organizations with peer review programs to assist government audit organizations in meeting their *Government Auditing Standards* peer review requirements. For example, the President's Council on Integrity and Efficiency peer review program arranges reviews for the Federal Inspector General; the National Association of State Auditors, Comptrollers and Treasurers (NASACT) program arranges reviews for state auditors; and the Association of Local Government Auditors (ALGA) program arranges reviews for local government auditors. Each of these programs have established their own set of standards for conducting peer reviews and should be contacted for additional information when a peer reviewer is considering performing a peer review for one of their members because these standards are not intended for those purposes. Other professional accounting organizations interested in conducting a peer review program for firms to meet their



~~state board licensing requirements would need to develop their own peer review standards and process.~~

1-2 *Question*—Who is currently eligible to enroll in the program, which is administered by committees of the board including but not limited to the National Peer Review Committee (National PRC), state CPA societies, or other organizations approved by the board?

*Interpretation*—CPA firms ~~in which at least one partner is a member of the AICPA~~ and, in certain circumstances, individual AICPA members and CPAs who are not members of the AICPA may enroll.

1-4 *Question*—Can state CPA societies or other organizations that are approved by the board to administer the program use the standards, as applicable, to administer peer reviews of ~~non-AICPA~~ firms without AICPA members?

*Interpretation*—Yes, except for firms required to be registered with and subject to permanent inspection by the PCAOB or firms that perform engagements under PCAOB standards. Those firms are required to be administered by the National PRC. ~~This would also require that at least one owner of the firm be a member of the AICPA.~~

## Individual Enrollment in the Program

3-1 *Question*—AICPA bylaws require individual CPAs (not the firm) to enroll in the program if they perform compilation services in firms or organizations not eligible to enroll in such a program. To reflect this requirement, paragraphs .03 and .05 of the standards refer to “firms and individuals in the program.” What is meant by “firms or organizations not eligible to enroll,” and can any AICPA member enroll in the program as an individual?

*Interpretation*— Under the "Council Resolution Concerning the Form of Organization and Name Rule" (AICPA, *Professional Standards*, ET appendix B), when the majority of the ownership of a firm, in terms of financial interests and voting rights, belongs to CPAs, it must enroll in the program. A firm or organization without CPA majority ownership (a non-CPA owned entity) would not be eligible to enroll in the program. The characteristics of such a firm are discussed in ET appendix B. Where the firm or organization is not eligible to enroll, such as due to a lack of majority ownership by CPAs, and where the individual AICPA member performs compilation services in the firm or organization, the AICPA member is required to enroll individually in the program. Only AICPA members meeting these criteria are able to enroll individually. Individual AICPA members who are only practicing with a firm that is eligible to enroll in the program may not enroll in the program individually. In addition, CPAs who are not members of the AICPA that perform services that fall within the scope of the program in a firm that is not eligible to enroll may enroll in the program.

**3-5** *Question*—As discussed in paragraph .144 of the standards, can a hearing panel decide to terminate an individual’s enrollment in the program?

*Interpretation*—Yes. The fair procedures related to hearings and appeals established by the board~~to the AICPA Joint Trial Board~~ for individuals enrolled in the program would parallel the process for enrolled firms, including publication of termination in such form and manner as the AICPA Council may prescribe. If a hearing panel decides to terminate an individual’s enrollment in the program, that individual can appeal pursuant to fair procedures established by the board~~to the AICPA Joint Trial Board~~. When the fact that an individual AICPA member’s enrollment has been terminated is published, the name of the firm or organization that was not eligible to enroll in the program with which the individual was practicing is not published.

## Resignations From and Reenrollment in the Program

### 5g-1

*Question*—[Paragraph .05\(g\)](#) of the standards discusses an enrolled firm’s responsibility to understand the board’s guidance on resignations from the program. Under what conditions may a firm resign from the program?

*Interpretation*—A firm whose peer review has not commenced may resign from the program by submitting a letter of resignation to the board. However, once a peer review commences, and until its completion (see [Interpretation No. 25-2](#)), a firm will not be able to resign from the program except as stated in the following paragraph. A peer review commences when the review team begins field work, ordinarily at the reviewed firm’s office in a System Review, or begins the review of engagements in an Engagement Review. The submission by the firm of a request to resign from the program once its peer review has commenced but has not been completed is considered a failure to cooperate with the administering entity and may lead to the termination of the firm’s enrollment in the program by a hearing panel of the board.

A firm will be permitted to resign once its peer review has commenced but has not been completed when the firm submits a letter pleading guilty, acknowledging its noncooperation with the program, waiving its right to a hearing, and for firms with AICPA members, agreeing to allow the AICPA to publish, in such form and manner as the AICPA Council may prescribe, the fact that the firm has resigned from the program before completion of its peer review, evidencing noncooperation with the program. In addition, if (a) the firm has been notified of the reviewer’s or administering entity’s intent to issue or require a report with a peer review rating of *pass with deficiencies* or *fail* or (b) the reviewer or administering entity has knowledge of the discovery of an engagement that was not conducted in accordance with professional standards on which the firm must take, or would likely be required to take, action in accordance with professional standards, then the fact that the situation in items (a) or (b) of the preceding existed would also be published for firms with AICPA members.

If the firm does not sign the letter pleading guilty and waiving its right to a hearing, the firm will be referred to a Peer Review Board hearing panel. The panel will consider terminating the firm's enrollment due to noncooperation.

A firm that has been terminated from the program may reenroll in the program once it completes the delinquent action that caused the firm to be terminated. Similarly, a firm that has resigned by pleading guilty, or after the completion of its peer review but before the completion of its implementation plan, may reenroll in the program once it completes the delinquent action. The administering entity and the board make the determination of whether the action is satisfactorily completed. If the firm is past its next peer review due date, the firm will be required to complete its subsequent peer review within 90 days of reenrolling.

## 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 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 board has issued a resolution regarding dropping a firm's enrollment from the program that is as follows:

### **AICPA Peer Review Board Resolution**

**(Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, January 30, 2014, ~~and~~ September 30, 2014, and September 27, 2016)**

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;

NOW, THEREFORE, BE IT RESOLVED: A firm's enrollment in the AICPA Peer Review Program will be dropped by the AICPA Peer Review Board, without a hearing, thirty days after the AICPA Peer Review Program notifies the firm by certified mail, or other delivery method providing proof of receipt that the firm has failed to:

- (1) Timely file requested information with the entity administering the firm's peer review concerning the arrangement or scheduling of that peer review, prior to the commencement of the peer review,
- (2) Timely submit requested information to the reviewer necessary to plan or perform the firm's peer review, prior to the commencement of the peer review,
- (3) Have a peer review by the required date,
- (4) Accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, after notifying its administering entity that it does not perform engagements that require the firm to have a peer review,
- (5) Timely pay in full the fees and expenses of the review team formed by an administering entity, or
- (6) Timely pay all fees related to the administration of the program that have been authorized by the governing body of an administering entity and the AICPA.

The AICPA Peer Review Board may at its discretion decide to hold a hearing. Whether a hearing is held or not, ~~a-firms-with AICPA members~~ enrolled in the AICPA Peer Review Program has the right to appeal to the AICPA Joint Trial Board and firms- without AICPA members- have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of being notified that the firm's enrollment has been dropped.

If a firm's enrollment is dropped for not accurately representing its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, or subsequent failure to submit a peer review by a required due date, the matter may result in an investigation of a possible violation by an appropriate regulatory, monitoring or enforcement body. If a firm's enrollment is dropped for such an omission or misrepresentation, re-enrollment will be subject to approval by a hearing panel.

*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, and September 27, 2016)**

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;

NOW, THEREFORE, BE IT RESOLVED: A firm is deemed as failing to cooperate by actions including but not limited to:

- Not responding to inquiries once the review has commenced,
- Withholding information significant to the peer review, for instance but not limited to:
  1. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies;
  2. omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, 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 [Service Organizations Control (SOC) 1 and 2 engagements],
- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas,
- Not responding to MFCs or FFCs timely,
- Limiting access to offices, personnel or other once the review has commenced,
- Not facilitating the arrangement for the exit conference on a timely basis,
- Failing to timely file the report and the response thereto related to its peer review, if applicable,
- Failing to cooperate during oversight, or

- Failing to timely acknowledge and complete required corrective actions or implementation plans.

The firm will be advised by certified mail, or other delivery method providing proof of receipt, that the AICPA Peer Review Board will appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated. A firm enrolled in the AICPA Peer Review Program that has been notified that it is the subject of such a hearing may not resign until the matter causing the hearing has been resolved. After a hearing is held, a firm with AICPA members whose enrollment in the AICPA Peer Review Program has been terminated has the right to appeal the panel's decision to the AICPA Joint Trial Board within 30 calendar days of the hearing. Firms without AICPA members whose enrollment in the AICPA Peer Review Program has been terminated have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of the hearing; and

If a firm omits or misrepresents information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews* that results in a material departure<sup>8</sup> in the firm's most recently accepted peer review, acceptance of the peer review documents will be recalled. A hearing panel will determine whether the firm's enrollment in the AICPA Peer Review Program should be terminated. If the hearing panel determines that the firm's enrollment will not be terminated, at a minimum the hearing panel will require that the firm have a replacement review submitted to the administering entity by the due date which will be approximately 60 days after the hearing panel's decision.

Firms that voluntarily notify the administering entity of an omission or misrepresentation resulting in a material departure will not be subject to a hearing panel. This notification from the firm must be prior to the AICPA or administering entity being otherwise notified of or discovering the omission or misrepresentation and prior to the firm receiving notification from another regulatory or monitoring agency. Acceptance of the peer review documents will be recalled and the firm will be required to submit a 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.

If a firm's enrollment is terminated for omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews* or subsequent failure to submit a replacement review by the due date established by a hearing panel, the matter may result in an investigation of a possible violation by an appropriate regulatory, monitoring or enforcement body. If a firm's enrollment is terminated for such an omission or misrepresentation, re-enrollment will be subject to approval by a hearing panel.

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<sup>8</sup> Material departure is defined in the Report Acceptance Body Handbook, Chapter 3, Section VII, Recall of Peer Review Documents.

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.

BE IT FURTHER RESOLVED: The administering entity has the authority to determine if a firm's response is substantive. If the administering entity determines that a response is not substantive, and the firm does not revise its response or submits additional responses that are not substantive as determined by the administering entity, this would also be deemed as a firm's failure to cooperate.

BE IT FURTHER RESOLVED: The administering entity has the authority to determine if erroneously provided or omitted information by a firm that results in a significant change in the planning, performance, evaluation of results, or peer review report is a matter of noncooperation. The firm's failure to provide substantive responses during the process of resolving such a matter may also be deemed as a firm's failure to cooperate.

BE IT FURTHER RESOLVED: That a firm's failure to cooperate with the administering entity would also include failing to timely notify the administering entity that it is performing a type of engagement(s) or engagement(s) in an industry in which the firm had previously represented by written communication to the administering entity that it was no longer performing and had no plans to perform, in response to a related corrective action or implementation plan wherein the corrective action or implementation plan was eliminated by the administering entity based on the representation.

BE IT FURTHER RESOLVED: A firm's enrollment in the AICPA Peer Review Program will be terminated for failure to cooperate in any of the preceding situations, without a hearing, upon receipt of a plea of guilty from the firm; and

BE IT FURTHER RESOLVED: That pursuant to the AICPA *Standards for Performing and Reporting on Peer Reviews*, [as to AICPA members](#), the fact that a firm's enrollment in the AICPA Peer Review Program has been terminated, whether with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe.

## 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 board committee or 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.
- b. The firm performs engagements under PCAOB standards.
- 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.~~



## Timing of Peer Reviews

13-1

*Question*—Paragraph .13 of the standards notes that a firm’s due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier. What is meant by “should have enrolled?” In addition, what is the due date for a firm that was previously enrolled in another peer review program~~CPCAF PRP~~?

*Interpretation*—When an individual becomes an AICPA member, and the services provided by his or her firm (or individual) fall within the scope of the AICPA’s practice-monitoring standards, and the firm (or individual) issues reports purporting to be in accordance with AICPA *Professional Standards*, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of the initial engagement. If the firm (or individual) does not initially provide services falling within the scope of the standards, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of their initial engagement. The administering entity will consider the firm’s (or individual’s) practice, the year-ends of their engagements, the report dates of their engagements, and the number and type of engagements to be encompassed in the review, in determining an appropriate due date. A firm’s subsequent peer review ordinarily will be due three years and six months from this peer review year-end.

If a firm’s most recent peer review was under the auspices of a peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review Program, conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews~~of the CPCAF PRP~~, its subsequent peer review ordinarily will be due three years and six months from the year-end of that peer review.

If a firm’s most recent peer review was under the auspices of another peer review program by an administering entity not approved by the board, even if conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews, its subsequent peer review ordinarily will be considered an initial peer review, due 18 months from the date it enrolled or should have enrolled in the Program administered by an administering entity approved by the board.

## Independence, Integrity, and Objectivity

21-20

*Question*—Firm A and Firm B have shared office facilities for the last several years. Due to the growth of both firms, Firm B moved into new offices on January 1, 2014~~07~~.

In March 2016~~09~~, Firm A engaged Firm B to perform the peer review of Firm A. Firm A's peer review year-end is December 31, 2015~~08~~. Can Firm A perform the peer review of Firm B?

*Interpretation*—Yes, because the firms did not share office facilities within the current peer review year and any subsequent periods thereafter.

## Peer Review Documentation and Retention Policy

25-1

*Question*—Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion. What period of time should peer review documentation be retained and what documentation should be maintained until the subsequent peer review's acceptance and completion?

*Interpretation*—Peer review documentation prepared during system and engagement reviews, with the exception of those documents described in the following paragraphs, should be retained by the reviewing firm, the administering entity, and the association in an association formed review team (if applicable) until 120 days after the peer review is completed (see Interpretation No. 25-2) or 42 months if firm is unenrolled or does not perform engagements requiring a peer review.

If the administering entity refers the firm to a hearing of the board due to non-cooperation, peer review documentation prepared during system and engagement reviews should be retained by the administering entity until the appeals period has ended. The appeals period ends 30 days from the date that the hearings process is completed (that is, the date of the decision notice letter, upon receipt of a plea of guilty by the firm, or the date of the administering entity's request to stop the hearings process). Peer review documentation should be retained by the administering entity for an additional 120 days after the end of the appeals period. If the reason the firm is referred for non-cooperation is due to failing to submit documentation or requested revisions to the review team or the administering entity, the reviewing firm and the association in an association formed review team (if applicable) should also adhere to these retention guidelines.

If the firm appeals the hearings decision, the administering entity, reviewing firm (if applicable), and the association in an association formed review team (if applicable) should retain peer review documentation until 120 days after the appeals panel~~Joint Trial Board~~ decision or, for firms without AICPA members, pursuant to fair procedures established by the board.

The reviewing firm and administering entities should retain the following documents until the firm's subsequent peer review has been completed:

- a. Peer review report and the firm's response, if applicable
- b. Letter notifying the firm that its peer review has been accepted
- c. Letter indicating that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions, if applicable. The administering entity should retain the version signed by the firm
- d. Letter notifying the firm that certain required actions have been completed, if applicable
- e. Finding for Further Consideration (FFC) forms, if applicable
- f. Letter requesting the reviewed firm's completion of an implementation plan, if applicable (the administering entity should retain the version signed by the firm)
- g. Letter notifying the firm that the implementation plan has been completed, if applicable
- h. Letter(s) relating to peer review document recall considerations
- i. Written representations from management of the reviewed firm
- j. Scheduling information

If the firm received two consecutive pass with deficiency(ies) or fail peer review reports, the administering entity should retain both the prior and current peer review reports until the subsequent peer review has been completed.

Administering entities may also retain the following administrative materials until the firm's subsequent peer review has been completed:

- a. Engagement letters
- b. Review team appointment acceptance letters
- c. Due date extension and year-end change requests and approvals
- d. Settlement agreements received by the administering entity from the AICPA Professional Ethics Division related to individual members' performance on accounting, auditing, or attestation engagements

The administering entity's peer review committee or the board may indicate that any or all documentation for specific peer reviews should be retained for a longer period of time than specified in the preceding paragraphs because, for example, the review has been selected for oversight. All peer review documentation is subject to oversight or review by the administering entity, the board, or other bodies the board may designate, including their staff. All peer review documentation prepared by the administering entities is subject to oversight.

If a firm has been enrolled in a peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review Program ~~n institute-approved practice-monitoring program~~ but has not undergone a peer review in the last three years and six months since its last peer review because the firm has not performed engagements and issued reports requiring it to have a peer review, the documents previously noted should still be retained for 42 months after completion of the previous peer review. The administering entity may also choose to retain the administrative documents noted, as applicable.

If a firm's most recent peer review was under the auspices of another peer review program administered by an entity not approved by the board, even if conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews, ~~tThe documents for a firm that has not been enrolled in an Institute-approved practice-monitoring program for the last consecutive three years and six months are~~ not required to be retained for purposes of the program.

## Associations of CPA Firms and Association Formed Review Teams

26-1

*Question*—Paragraph .26 of the standards states that a review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team). What criteria have been established by the board for association formed review teams?

*Interpretation*—Associations of CPA firms include any group, affiliations, or alliances of accounting firms. The term also applies to two or more firms or a group of firms (whether a formal or informal group) that jointly market or sell services. Firms and other entities in the association cooperate with one another to enhance their capabilities to provide professional services.

A member firm of an association may conduct a peer review of another association-member firm enrolled in the program, provided that the association is not a network as defined by [Interpretation No. 26-2](#) and the association receives annual approval from the board. The National PRC administers this process on behalf of the board. The association must submit an AIF to the National PRC that must be approved by the board prior to any aspect of the review being planned, scheduled, or performed.

The AIF contains questions regarding general information about the association, independence matters, and whether the association requests to be approved to assist its members in the formation of review teams, provide technical assistance to such review teams, or do both. All review teams must still be approved by the administering entity. The AIF is subject to oversight by the board.

The approval of the AIF specifically relates to AICPA members of an association having the ability to perform peer reviews of other firms/AICPA members in the same association enrolled in the program. Furthermore,

- a. Annual approval of the AIF does allow, where the association is not a network and has answered the specific questions making such a request, the association the ability to assist its members in the formation of review teams (association formed review teams) or to provide technical assistance to such review teams.
- b. The reviewed firm and administering entity, not the association, is ultimately responsible for ensuring that its peer review is scheduled, performed, and completed in a timely manner.
- c. Annual approval of the AIF does not grant the association the authority to administer the program; therefore, the association is not deemed an approved administering entity.
- d. Approval of the AIF is not an endorsement of, approval of, or has any applicability to a separate peer review program that an association may conduct or administer for firms not enrolled in the program~~non-AICPA members~~.
- e. If the association makes any representations (in brochures, directories, pamphlets, websites, or any marketing or selling materials regarding its member firms in obtaining engagements), in order for the AIF to be approved such representations must be objective and quantifiable. The purpose of this requirement is to mitigate the appearance of a lack of independence. The board does not prohibit an association from making representations that are not objective or quantifiable; however, associations that make the decision to do so should understand that its member firms will then be unable to peer review other association members.

For a member firm of an association to conduct peer reviews of another association-member firm enrolled in the program, in addition to the independence requirements related to network firms appearing in [Interpretation No. 26-2](#) and other peer review independence requirements, the association and its member firms must meet the following independence criteria:

- a. The association, as distinct from its member firms, does not perform any professional services other than those it provides to its member firms or affiliates. For purposes of this requirement, *professional services* include accounting, tax, personal financial planning, litigation support, and professional services for which standards are promulgated by bodies designated by AICPA Council.
- b. The association does not make representations regarding the quality of professional services performed by its member firms to assist member firms in obtaining engagements unless the representations are

objective or quantifiable. However, member firms may independently publicize their membership in the association. In addition, an association may respond to inquiries and prepare promotional materials that firms may use to obtain professional engagements on their own behalf.

- c. Referral or participating work among member firms is arranged directly by the firms involved.

An association may voluntarily elect to have an independent QCM review of its system of quality control to develop and maintain QCM used by its member firms (see paragraphs .154–.205 of the standards). An association may wish to have such a review to enable its member firms that use the materials it develops to have more efficient peer reviews. Associations that elect to have this type of review should consult with AICPA program staff.

An association formed review team,

- a. requires that a majority of the review team members, including the team captain in a System Review, and all members in an Engagement Review, be from association member firms.
- b. performs peer reviews in accordance with these standards, interpretations, and other guidance and the peer review report is issued on the letterhead of the team captain or review captain's firm and signed in the name of the team captain or review captain's firm (not the association).

Peer reviews performed by association-formed review teams are subject to oversight by the board and the administering entities and other bodies agreed upon by the board and the administering entity.

## Qualifying for Service as a Peer Reviewer

### 31b-1

*Question*—Paragraphs .31(b) and (c) of the standards state that an individual serving as a peer reviewer should be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program and the firm (or all firms if associated with more than one firm) that the member is associated with should have received a report with a peer review rating of pass for its most recent System Review or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months. Does this apply to all firms the individual is associated with? Is the individual still qualified to serve as a reviewer if the individual starts, or becomes associated with, a newly formed firm (or a firm that has not had a peer review)?

*Interpretation*—If the individual is associated as a partner with more than one firm, then each of the firms the individual is associated with should have received a report

with a peer review rating of pass for its most recent System Review or Engagement Review that was accepted timely, ordinarily within the last three years and six months.

An individual who was previously a System Review team captain, a reviewer in a System Review or a review captain in an Engagement Review that starts or becomes associated with a newly formed firm (or a firm that has not had a peer review) may continue to serve in such capacity during a transition period. The transition period begins with the earlier of the dates of disassociation from the previous firm or when the individual starts or becomes associated with a new firm. The transition period ends with the earlier of 18 months from the beginning date or the peer review due date of the new firm. In no circumstances will the transition period exceed 18 months. The previous firm should have received a report with a peer review rating of pass on its most recently accepted peer review, and the individual should meet all of the other qualifications for service as a team captain or reviewer in a System Review or review captain in an Engagement Review. An individual who was previously a team captain or reviewer in a System Review qualified to perform peer reviews administered by the National PRC ~~or CPCA-PRP~~ that starts or becomes associated with a newly formed firm (or a firm that has not had a peer review), or a firm enrolled in the program that has undergone a peer review administered by another administering entity, may serve as a team captain or a reviewer on a review administered by the National PRC under the same conditions and requirements mentioned previously.

31b-4

*Question*—What further qualifications are necessary to perform a peer review of a firm whose review is required to be administered by the National PRC?

*Interpretation*—In order to be qualified to perform a peer review of a firm required to be administered by the National PRC, ordinarily a peer reviewer must currently be with a firm whose most recent review was administered by the National PRC ~~or the CPCA-PRP~~. This is not a requirement for a peer reviewer on a review of a firm that elects (but is not required) to have their peer review administered by the National PRC.

34-2

*Question*—What if a reviewer or reviewing firm fails to notify the relevant administering entity or AICPA technical staff, as applicable, of any such allegations or investigations, limitations or restrictions, or both, relating to the conduct of his, her or its performance of accounting, audit, or attestation engagements within the specified time requirements?

*Interpretation*—If a reviewer or reviewing firm fails to notify the relevant administering entity or AICPA technical staff, as applicable, of such allegations or investigations, limitations or restrictions, or both, within the specified time requirements of “prior to being engaged to perform a peer review, or immediately, (if after engaged)” the reviewer or reviewing firm is not cooperating with the program. The board will consider and investigate, as deemed necessary, what actions should be taken in the specific circumstances. These actions may include, but are not limited to, on-site oversight at the reviewer’s expense, permanent removal from the list of qualified peer reviewers and referral of any AICPA members to the AICPA’s Professional Ethics Division for violating the AICPA Code of Professional Conduct, if applicable.

## Office and Engagement Selection in System Reviews

**59-3** *Question*—What factors should be considered if a firm has an office in a foreign country or other territory?

*Interpretation*—The standards are intended for firms enrolled in the Program of AICPA members who are engaged in the practice of public accounting in the United States or its territories, as well as other firms enrolled in the program. Some firms also have offices in foreign countries or their territories (“foreign jurisdictions”), including the Cayman Islands and Bermuda. One important factor to consider in determining whether reports issued for clients in those foreign jurisdictions are to be included in the scope of the peer review is the letterhead of the report issued. For instance, ordinarily if a U.S. firm issues a report on letterhead from its office in that foreign jurisdiction, the engagement would not be included in the scope of the peer review. Another factor is whether the reports issued for clients in the foreign jurisdictions are addressed by guidance from the state board of accountancy(s) that issues the firm’s license(s). Team or review captains should consult with AICPA technical staff if there is any question of whether an engagement is subject to peer review under these circumstances. In addition, reviewed firms need to consider whether there are peer review or practice monitoring requirements issued by the licensing authority of the foreign jurisdiction which are applicable to the reviewed firm.

## Qualifying for Service as a Peer Review Committee Member, Report Acceptance Body Member, or Technical Reviewer

**132-1** *Question*—Paragraphs .132 and .136 of the standards note that minimum requirements must be met to be a peer review committee member, a report acceptance body member, or a technical reviewer. What are those requirements?

*Interpretation*—

### *Peer Review Committee Member*

A majority of the peer review committee members and the chairperson charged with the overall responsibility for administering the program at the administering entity should possess the qualifications required of a team captain in a System Review. All committee members must be AICPA members in good standing, whether conducting committee member duties for firms with or without AICPA members. A committee member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed.



Reinstatement as a committee member would be at the discretion of the administering entity or committee.

#### *Report Acceptance Body Member*

Each member of an administering entity's report acceptance body charged with the responsibility for acceptance of peer reviews ~~must~~should

- a. be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a report acceptance body member~~reviewer~~ should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements.
- b. be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months (see [Interpretation No. 31b-1](#)).
- c. demonstrate proficiency in the standards, interpretations, and guidance of the program (see [Interpretation No. 33-1](#)).
- d. be an AICPA member in good standing, whether conducting report acceptance body member duties for firms with or without AICPA members.

A majority of the report acceptance body members and the chairperson charged with the responsibility for acceptance of System Reviews should possess the qualifications required of a System Review team captain.

A national list of consultants will be maintained by the AICPA, so that the administering entity has an available pool of consultants with GAS, ERISA, FDICIA, carrying broker-dealer, and service organization experience to call upon in the instance when it does not have an experienced RAB member to consider the review of a firm when circumstances warrant. The national RAB consultant would not necessarily have to participate physically in the RAB meeting (teleconference option). The national RAB consultant will not be eligible to vote on the acceptance of a review. Determination that a review requires a national RAB consultant should be made prior to assigning the review to a RAB. The national RAB consultant would have to meet the following qualifications for RAB participation:

- a. Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent

supervisory responsibilities. To be considered currently active, a consultant should be presently involved in the supervision of one or more of his or her firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements. To be considered a consultant on GAS, ERISA, FDICIA, carrying broker-dealer or service organization engagements, the current activity must include the respective industry asked to consult upon.

- b. Associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System Review that was accepted timely, ordinarily within the last three years and six months.
- c. Not associated with an engagement that was deemed not performed in accordance with professional standards on the consultant's firm's most recently accepted System Review.
- d. be an AICPA member in good standing whether conducting consultant duties for firms with or without AICPA members.

A report acceptance body member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a report acceptance body member would be at the discretion of the administering entity or committee.

#### *Technical Reviewers*

Each technical reviewer charged with the responsibility for performing technical reviews should

- a. demonstrate proficiency in the standards, interpretations, and guidance of the program applicable to the type of peer reviews being evaluated and that meet the requirements of the team captain or review captain training requirements established by the board (see [Interpretation No. 33-1](#)).
- b. participate in at least one peer review each year, which may include participation in an on-site oversight of a System Review.
- c. be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members.
- d. have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. Such knowledge may be obtained from on-the-job training, training courses, or a combination of both. Technical reviewers are to obtain a minimum amount of CPE to maintain the appropriate level of accounting and auditing knowledge.

If a technical reviewer does not have such knowledge and experience, the technical reviewer may be called upon to justify why he or she

should be permitted to perform technical reviews or oversights. The administering entity has the authority to decide whether a technical reviewer's knowledge and experience is sufficient and whether he or she has the capability to perform a particular technical review or oversight whether there are high-risk engagements involved or other factors.

The fundamental purpose of CPE is to maintain or increase, or both, professional competence. AICPA members are required to participate in 120 hours of CPE every 3 years. In order to maintain current knowledge of accounting, auditing, and quality control standards, technical reviewers should obtain at least 40 percent of the AICPA-required CPE in subjects relating to accounting, auditing, and quality control. Technical reviewers should obtain at least 8 hours in any 1 year and 48 hours every 3 years in subjects relating to accounting, auditing, and quality control. The terms *accounting*, *auditing*, and *quality control* should be interpreted as CPE that would maintain current knowledge of accounting, auditing, and quality control standards for engagements that fall within the scope of peer review as described in paragraphs .06–.07 of the standards.

Technical reviewers have the responsibility of documenting their compliance with the CPE requirement. They should maintain detailed records of CPE completed in the event they are requested to verify their compliance. The reporting period will be the same as that maintained for the AICPA.

A technical reviewer who is also a peer reviewer and is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a technical reviewer would be at the discretion of the administering entity or committee.

## Publicizing Peer Review Information

### 146-2

*Question*—[Paragraph .146](#) of the standards discusses that neither the administering entity nor the AICPA shall make the results of the review available to the public except as authorized or permitted by the firm, which is addressed in [Interpretation No. 146-1](#) When a firm [with AICPA members](#) is enrolled in the program, what information, in addition to results, may be provided to the AICPA Professional Ethics Division with the firm's explicit permission?

*Interpretation*—When there is evidence of an open ethics investigation and the respondent makes a knowingly, intelligent, voluntary waiver of the right to confidentiality in writing, in those circumstances, AICPA Peer Review may provide

information to the AICPA Professional Ethics Division. Information available for disclosure about the firm includes, but is not limited to, the following:

- Fieldwork commencement date
- Exit conference date
- Review acceptance date(s)
- Industries included on the firm’s background form for prior or current peer reviews
- Level of service and industry of engagements included in prior or current peer reviews and those determined not to be in conformity with professional standards in all material respects
- Signed confirmations by a firm representative that the enrolled firm did not perform any services or issue reports which would require the firm to undergo a peer review
- Other similar information related to a prior or current peer review

## Definition of Commencement

### 206-1

*Question*—There are a number of instances in which the standards and interpretations refer to the “commencement” date of a review to determine whether a situation applies. Some examples are cooperating in a peer review ([Interpretation No. 5h-1](#)), approval of the review team by the administering entity ([Interpretation No. 30-1](#)), provision of the surprise engagement to the firm ([Interpretation No. 61-1](#)) and when the standards are effective for a firm’s peer review ([paragraph .206](#) of the standards). What is meant by “commencement”?

*Interpretation*—[Interpretation No. 5g-1](#) notes that “A peer review commences when the review team begins field work, ordinarily at the reviewed firm’s office in a System Review, or begins the review of engagements in an Engagement Review.” The easiest measure is “when fieldwork begins.” However, there are times when this may not apply. Therefore, [Interpretation No. 32-1](#) further notes that “team members may review their engagements prior to the team captain or review captain beginning their field work. In these situations, a review is considered to have commenced when the team member begins the review of engagements (if this is prior to the team captain or review captain beginning their fieldwork).” In certain circumstances, fieldwork may commence before the review of engagements, such as during planning.

The significance of this enhanced definition of “commencement” is emphasized by how it affects a firm’s ability to resign from the program once a review commences. Once a

team captain, review captain or team member learns information that affects the results of the review, the review is deemed to have commenced. Some examples are if the team captain identifies a design deficiency, or learns about the firm's noncompliance with state board of accountancy licensing requirements, during planning. Another example is the identification of a finding during a team member's review of a specialized industry at a location other than the reviewed firm's offices, prior to the team captain beginning fieldwork at the reviewed firm's offices.

As indicated in [Interpretation No. 5g-1](#), a firm whose peer review has commenced may not resign from the program unless certain steps are followed which include the firm evidencing their noncooperation with the program and [for firms with AICPA members](#), the AICPA [may](#) publishing notice of the action so that the public interest is served.

DRAFT

## RAB Handbook Changes for Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program

### Section 3300, Chapter 1

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

##### II. Qualifications of Committee or RAB Members

Members of a committee or a RAB must meet minimum qualification requirements as prescribed in the standards and interpretations.

###### A. Committee Members

A majority of the peer review committee members and the chairperson charged with the overall responsibility for administering the program at the administering entity should possess the qualifications required of a team captain in a System Review. (See B.4 in the following text.) (Interpretation No. 132-1 of [par. .132](#) in PRP sec. 1000, *Standards for Performing and Reporting on Peer Reviews* [PRP sec. 2000]).

All committee members must be AICPA members in good standing, whether conducting committee member duties for firms with or without AICPA members.

A ~~committee~~RAB member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a ~~committee~~RAB member would be at the discretion of the administering entity (AE) or committee

###### B. RAB Members

1. Each member of an administering entity's report acceptance body charged with the responsibility for acceptance of peer reviews ~~must~~should ([Interpretation No. 132-1](#))
  - a. be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a report acceptance body member~~reviewer~~ should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality

control function on the firm's accounting or auditing engagements ([Interpretation No. 132-1a](#)).

- b. be associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last three years and six months ([Interpretation No. 132-1b](#)).

If a committee member's firm's most recent review was a report review, then the member is not eligible to be charged with the responsibility for acceptance of a peer review (sec. 1000 par. .31c, [footnote 7](#)).

- c. if the member is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of QCM and is required to have a QCM review under the standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of *pass* for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.
- d. demonstrate proficiency in the standards, interpretations, and guidance of the program by completing training that meets the team captain training requirements established by the board within 12 months prior to serving on the committee or during the first year of service on the committee.<sup>fn 1</sup> The peer review training and the criteria for demonstrating proficiency in the standards, interpretations, and guidance of the program is established from time to time by the board. Those criteria are located on the Peer Review page of the AICPA website. ([Interpretation No. 132-1c](#)).
- e. be an AICPA member in good standing, whether conducting report acceptance body member duties for firms with or without AICPA members. ([Interpretation No. 132-1d](#)).
- fe. at least one member of the RAB considering a peer review that includes (1) engagements performed under *Government Auditing Standards* (GAS, also known as the Yellow Book) including engagements performed subject to the Single Audit Act (also known as Single Audits), (2) audits of employee benefit plans conducted pursuant to the Employee Retirement Income Security

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<sup>fn 1</sup> See [Interpretation No. 33-1](#).

Act of 1974 (ERISA), (3) audits of a federally insured depository institution (FDICIA) having total assets of \$500 million or greater at the beginning of its fiscal year, (4) audits of carrying broker-dealers or (5) examinations of service organizations (SOC 1 and SOC 2 engagements) must have **current** experience in such engagements or a national RAB consultant with the applicable experience may be utilized.

### C. National RAB List

A national list of consultants will be maintained by the AICPA, so that the administering entity has an available pool of consultants with GAS, ERISA, FDICIA, carrying broker-dealer, and SOC 1 and SOC 2 engagements experience to call upon in the instance when it does not have an experienced RAB member to consider the review of a firm when circumstances warrant (see the preceding (B)(2)) The national RAB consultant would not necessarily have to physically participate in the RAB meeting (teleconference option). The national RAB consultant will not be eligible to vote on the acceptance of a review. Determination that a review requires a national RAB consultant should be made prior to assigning the review to a RAB. The national RAB consultant would have to meet the following qualifications for RAB participation:

1. Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active, a consultant should be presently involved in the supervision of one or more of his or her firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements. To be considered a consultant on GAS, ERISA, FDICIA, carrying broker-dealer, or SOC 1 or SOC 2 engagements, the current activity must include the respective industry asked to consult upon.
  2. Associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System Review that was accepted timely, ordinarily within the last three years and six months.
  3. Not associated with an engagement that was deemed not performed in accordance with professional standards on the consultant's firm's most recently accepted System Review.
  4. Be an AICPA member in good standing whether conducting consultant duties for firms with or without AICPA members.
54. To be considered a consultant on SOC 1 or SOC 2 engagements:



- a. Possess current knowledge of professional standards applicable to SOC 1 or SOC 2 examinations, including Type 1 and Type 2 reports, qualified and unqualified reports, carve in or carve out engagements, and engagements with and without relevant user entity controls.
- b. Have at least five years of recent experience in the practice of public accounting with a minimum of 500 hours of SAS 70/SOC 1 or SysTrust/SOC 2 examinations.
- c. Have provided the administering entity with information that accurately reflects the qualifications of the specialist, which is updated on a timely basis.

## V. Independence and Confidentiality

Independence, in fact and in appearance, should be maintained with respect to the reviewed firm by a reviewing firm, by review team members, and by any other individuals who participate in or are associated with the review (sec. 1000 [par. .21](#)). Committee or RAB members may not participate in any discussion or have any vote with respect to a reviewed firm if the member lacks independence or has a conflict of interest with the reviewing firm, the reviewer, or the reviewed firm (sec. 1000 [par. .132](#)).

Each member appointed to serve on a committee or RAB is obligated to adhere to the AICPA Peer Review Program's confidentiality requirements set forth in the "[Confidential Client Information Rule](#)" (AICPA, *Professional Standards*, ET sec. 1.700.001).

### B. Publicizing Peer Review Information

Neither the administering entity nor the AICPA shall make the results of the review, or information related to the acceptance or completion of the review, available to the public, except as authorized or permitted by the firm under certain circumstances. The administering entity and the AICPA may disclose the following information (sec. 1000 [par. .146](#)):

1. The firm's name and address (sec. 1000 [par. .146a](#))
2. The firm's enrollment in the program (sec. 1000 [par. .146b](#))
3. The date of acceptance and the period covered by the firm's most recently accepted peer review (sec. 1000 [par. .146c](#))
4. If applicable, whether the firm's enrollment in the program has been dropped or terminated (sec. 1000 [par. .146d](#))

## Exhibit 1-1 — Committee or RAB Appointment & Confidentiality Confirmation

[Date]

[Name and Address of Committee Member]

Dear [Mr. or Ms.] [Last Name of Committee or RAB Member]:

It is my pleasure to formally notify you that you have been appointed to serve on the [Administering Entity Peer Review Committee] for the [period] committee year.

Committee membership in a professional association such as the [Administering Entity] provides you with an opportunity to serve the accounting profession in various interesting and worthwhile assignments. If you accept membership on the committee, you have a responsibility to exert your efforts towards achieving the committee's objectives through preparation for and attendance at its meetings and participation in its deliberations.

In particular, you also have an obligation to adhere to the confidentiality requirements described in the AICPA's *Standards for Performing and Reporting on Peer Reviews* (standards). Thus, you agree to keep information concerning each reviewed firm or any of its clients or personnel, including the findings of the review and the reviewed team that is obtained as a consequence of the review, **confidential**. You agree not to disclose such information to anyone not involved in carrying out the review or administering the AICPA Peer Review Program (program) or use it in any way not related to meeting the objectives of the Program.

Please confirm your acceptance of this appointment and the responsibilities and obligations it entails by signing a copy of this letter in the space provided and returning it to me. If you have any questions, please feel free to call me.

Sincerely,

[Name]

[Title]

I understand that each Committee or RAB member charged with the responsibility for accepting reviews should be

- currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements ([Interpretation No. 132-1a](#)).

- associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months. If a committee member's firm's most recent review was a Report Review, then the member is not eligible to be charged with the responsibility for acceptance of any peer reviews ([Interpretation No. 132-1b](#)).
- trained in the standards, interpretations, and guidance of the program by completing training that meets the team captain training requirements established by the board within 3 years prior to serving on the committee or during the first year of service on the committee ([Interpretation No. 132-1c](#)).
- be an AICPA member in good standing, whether conducting report acceptance body duties for firms with or without AICPA members ([Interpretation No. 132-1d](#)).

I accept this appointment and the responsibilities and obligations it entails.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

## Chapter 2

### Technical Reviewer Qualifications and Responsibilities

#### I. Technical Reviewer Qualifications

- A. Technical reviewers must meet minimum qualification requirements (sec. 1000 [par. .136](#)).

3. Be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members ([Interpretation No. 132-1d](#)).

#### Exhibit 2-1 — Evaluation of Technical Reviewer

Purpose: This evaluation may be used by peer review committees to evaluate the qualifications and competencies of technical reviewers on an annual basis. This form is designed to give technical reviewers positive and constructive feedback.

Technical Reviewer: \_\_\_\_\_

#### Part II: To Be Completed by the Committee Chair

**Qualifications:**

	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Comments</i>
1. Did the technical reviewer meet the minimum requirements as specified in <a href="#">Interpretation No. 132-1</a> of the standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• (A) Be trained in the standards, interpretations, and guidance of the program by completing within the 12 month period preceding the commencement of the technical review one or more training courses that are applicable to the type of peer review being evaluated, and (B) meet the team captain or review captain training requirements established by the board.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Participate in at least one peer review each year, which may include participation in an oversight of a System Review. (See minimum participation requirements described in RAB handbook at chapter 2, <a href="#">section I.A.2.</a>)</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• <u>Be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members. (See minimum participation requirements described in RAB handbook at chapter 2, section I.A.3.)</u></li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

- Have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. Such knowledge may be obtained from on-the-job training, training courses, or a combination of both. Technical reviewers are to obtain a minimum amount of CPE in order to maintain the appropriate level of accounting and auditing knowledge.

<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

## Chapter 3

### The Report Acceptance Process

#### VII. Considerations for the Recall of Peer Review Documents

##### Overview

Peer reviewers or reviewing firms (reviewer) and reviewed firms (firm) are responsible for complying with the standards and guidance issued by the AICPA Peer Review Board (board) throughout the entire peer review process. This includes when a firm’s most recent peer review was accepted under the auspices of a peer review program that was administered by an entity approved by the board and fully involved in the administration of the program.

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

##### Potential Reasons for Recall of Peer Review Documents

The preceding examples are not intended to be all-inclusive or indicate when peer review documents should be recalled. The reviewer needs to be aware that reviewer noncompliance could affect his or her ability to perform future reviews, and the firm needs to be aware that firm noncompliance could affect its ability to meet AICPA membership requirements, if applicable, as well as licensing and other regulatory requirements.

### Material Departures

The board considers errors or omissions that result in a change in the peer review report for the type of peer review, period covered, or must-select categories to be material departures from the AICPA *Standards for Performing and Reporting on Peer Reviews*. Such a departure results in a peer review that is not properly performed or reported on in conformity with the standards in all material respects. Generally, the reviewer should recall the peer review report if the previously accepted peer review report was not properly performed or reported on in all material respects. If such a report was accepted more than three years and six months prior to discovery of the information or a more recent peer review has been accepted, then recall considerations are ordinarily not necessary. When the peer review was not performed or reported on in conformity with the standards in all material respects, there is no need for deliberation by the committee about the recall of the acceptance letter, and the guidance in section A should be followed.

### Other Departures

For instances covered in section B, if a reviewer decides not to recall a peer review report, the committee should independently consider whether or not to recall acceptance of the peer review report. The committee's reconsideration of peer review acceptance should take into account the reviewer's considerations, but is not fully dependent on the reviewer's recall of the peer review report. The committee's decision to recall an acceptance letter invalidates the related peer review report and letter of response, if applicable, because it creates a situation in which the firm's peer review documents are no longer accepted by the administering entity.

## **A. Considerations Related to Material Departures Directly Affecting the Peer Review Report**

### *7. Firm Responsibilities*

The firm has the responsibility to notify all parties that might be relying on the peer review documents to discontinue reliance when it is determined that those documents do not comply with standards in all material respects and the peer review documents are recalled. This includes, but is not limited to notification to the state board(s) of accountancy (regardless of agreeing to the waiver), current or potential clients, regulators, enforcement agencies, insurance carriers, or government agencies, if applicable. The firm is also responsible for the removal of the documents from publicly available sources, such as the firm's website. The firm

needs to be aware that firm noncompliance with peer review requirements could affect its ability to meet AICPA membership requirements, if applicable, as well as licensing and other regulatory requirements.

It is ultimately the firm's responsibility to have the peer review submitted by the firm's due date. Therefore, the firm is responsible for hiring a reviewer who understands the importance of the issue and timing for the replacement review.

#### 9. Additional Considerations by AICPA Staff

In instances where there has been noncompliance with standards or noncooperation on the part of the firm, additional actions that may be considered by the staff include referral to a hearing panel of the board for termination from the AICPA Peer Review Program. As to AICPA members, the fact that a firm's enrollment in the AICPA Peer Review Program has been terminated, with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe. A firm's termination from the program could result in the termination of AICPA membership for all individuals within the firm, if applicable. For recalled reviews that commenced on or after April 1, 2014 for which the firm's enrollment is terminated due to the firm omitting or misrepresenting information related to the firm's accounting and auditing practice, the matter will result in referral to the AICPA Professional Ethics Division for firms with AICPA members for investigation of a possible violation of the *AICPA Code of Professional Conduct*.

### **B. Considerations Related to Other Departures That May Change the Peer Review Report**

#### 8. *Firm Responsibilities*

The firm has the responsibility to notify all parties that might be relying on the peer review documents to discontinue reliance when it is determined that the peer review report or acceptance letter is recalled. This includes, but is not limited to notification to the state board(s) of accountancy, current or potential clients, regulators, enforcement agencies, insurance companies, or government agencies. The firm is also responsible for the removal of the documents from publicly available sources. The firm needs to be aware that firm noncompliance with peer review requirements could affect its ability to meet AICPA membership requirements, if applicable, as well as licensing and other regulatory requirements.

It is ultimately the firm's responsibility to have the peer review submitted by the firm's due date. Therefore, the firm is responsible for hiring a reviewer who understands the importance of the issue and timing for the replacement review.

#### 10. *Additional Considerations by Peer Review Committee or AICPA Staff*

In instances in which the committee believes that there has been noncompliance with standards or noncooperation on the part of the firm, additional actions that may be considered by the committee or staff include referral to a hearing panel of the board for termination from the program. As to AICPA members, ~~t~~The fact that a firm's enrollment in the program has been terminated, with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe. A firm's termination from the program could result in the termination of AICPA membership for all individuals within the firm, if applicable. Depending on the circumstances, if the firm's enrollment is terminated through such procedures, staff may make a referral to the AICPA's Professional Ethics Division for firms with AICPA members for investigation of a possible violation of the AICPA ~~who may have violated the~~ *Code of Professional Conduct*, if applicable.

## **Chapter 4**

### **Objectives, Overview of System Review Process, and Evaluation and Acceptance of System Reviews**

#### **V. Guidance for Determining When and What Type of Corrective Action(s) or Implementation Plans to Require on System Reviews**

##### **Exhibit 4-2 — Suggested Actions and Allowable Plans**

###### **System Review Peer Review Rating—*Pass With Deficiencies or Fail***



Deficiency or Significant Deficiency	Suggested action(s) to be performed as soon as reasonably possible
Deficiency or significant deficiency related to engagement performance	<ul style="list-style-type: none"> <li>• Require the firm to hire an outside party acceptable to the RAB to perform a team captain revisit <a href="#">fn 6</a></li> <li>• Require members of the firm to take specified types of and amounts of CPE</li> <li>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report quarterly to the RAB on the firm's progress</li> <li>• Require post-issuance review of a subsequent engagement by an outside party <a href="#">fn 7</a></li> <li>• <u>Require the firm to hire an outside party acceptable to the RAB to review the firm's remediation of an engagement not performed or reported on in conformity with professional standards in all material respects <del>fn 8</del></u></li> <li>• Require the firm to hire an outside party acceptable to the RAB to review the firm's completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions</li> <li>• Require the firm to join an AICPA audit quality center applicable to the type of engagement(s) not performed or reported on in accordance with professional standards in all material respects <a href="#">fn 8</a></li> </ul>

<sup>fn 6</sup> RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

<sup>fn 7</sup> See [footnote 6](#).

<sup>fn 8</sup> This option is only allowable for firms who have governmental and employee benefit plan engagements that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects. In addition the firm must be eligible to enroll in the respective audit quality center. This action may not be in lieu of any other corrective action deemed appropriate by the committee and must be used in conjunction with other corrective actions

<p>Deficiency or significant deficiency related to design or noncompliance of another element of the quality control system</p>	<p>Tailor corrective action accordingly, such as the following:</p> <ul style="list-style-type: none"> <li>• Require submission of monitoring or inspection report</li> <li>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm’s progress</li> </ul>
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## Chapter 6

### Monitoring Corrective Actions and Implementation Plans

#### Corrective Actions

#### 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
- 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

In addition, AICPA Board Resolution states:

A firm is deemed as failing to cooperate once the review has commenced by:

- not responding to inquiries.
- withholding information significant to the peer review, for instance but not limited to:
  - i. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies.
  - ii. omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, 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 (Service Organizations Control [SOC] 1 and 2 engagements).
- not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas.
- not responding to MFCs or FFCs timely.
- limiting access to offices, personnel or other.
- not facilitating the arrangement for the exit conference on a timely basis.
- failing to timely file the report, and the response thereto related to its peer review, if applicable.
- failing to cooperate during oversight.

- failing to timely acknowledge and complete required corrective actions or implementation plans.

If a firm is deemed not to be cooperating, the RAB or the technical reviewer should advise the administering entity's peer review committee concerning this fact. In such circumstances, the administering entity's peer review committee should consider whether additional requirements for remedial or corrective actions are adequate responses to the situation. If, after the firm received notification through fair procedures, the committee deems that the firm is still not cooperating, it should refer the matter to the AICPA Peer Review Board with a recommendation that the AICPA Peer Review Board appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken. Such a referral should be supported by a two-thirds vote of the administering entity's full peer review committee.

Submission of a firm for termination must include supporting documentation such as, but not limited to, warning letters issued to the firm, information of other correspondence whether verbal or written, notes from committee meetings, and a timeline outlining the various communications. AICPA staff will submit a "Notice of Hearing" to the firm via certified mail. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, ~~the firms with AICPA members-~~ will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. As to AICPA members, the fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145). ~~Firms without AICPA members will have the right to appeal pursuant to fair procedures established by the board~~ for a review of the hearing panel's findings. ~~The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145).~~

#### Failing to Improve on Consecutive Peer Reviews

Reviewed firms failing to improve on consecutive peer reviews as a result of not correcting deficiencies or significant deficiencies, would be deemed as non-cooperating if the following criteria are met:

Failing to receive a pass report after receiving a peer review report 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. (Interpretation No. 5h-1—Excerpt from 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 14, 2014**).

## Determining When to Refer a Firm to the Board for Noncooperation

If the firm fails to receive a pass report rating on its next peer review, the RAB, and ultimately the administering entity's peer review committee, must assess whether this should be deemed as noncooperation by the firm. This needs to be considered on a case-by-case basis. For instance:

First Report Was	Second Report Was	Recommended Action
Pass with Deficiencies	Pass	None
Pass with Deficiencies	Pass with Deficiencies	Committee assessment
Pass with Deficiencies	Fail	Committee assessment (presumption of referral)
Fail	Pass	None
Fail	Pass with Deficiencies	Committee assessment
Fail	Fail	Committee assessment (presumption of referral)
Three consecutive non-pass reports		Referral

The decision to assess the firm's attempted improvement to determine if the firm should be referred to the Board should include reviewing the previous peer review documents including the report(s), LOR(s) and related follow up actions.

Committee considerations should include, but not be limited to:

- Has the firm improved at all? Does the firm appear to be attempting to improve? Examples may include evidence of actions outside of those in the firm's Letter of Response or corrective actions to resolve deficiencies or significant deficiencies.
- Did the firm implement corrective actions?
- Are the deficiencies the same as before?
- Did the firm have numerous deficiencies in the previous peer review that were just replaced with different ones?
- Although the deficiencies met the criteria to include in the peer review report(s), what specifically is the nature of deficiencies as compared to previous reviews?
- Did an accelerated review cover a period that provided the firm sufficient time to correct deficiencies?

After a RAB's careful review of the preceding considerations, the firm should be referred to the Board if it is evident the firm did not implement the corrective actions it stated it would, deficiencies in previous peer reviews are included in the current peer review, or the firm has not made attempts to appropriately design or comply with its system of quality control.

An example when a firm should not be referred to the Board for noncooperation might be when the firm has demonstrated improvement from the last peer review but other deficiencies were noted causing a consecutive *pass with deficiencies* or *fail* report. In this case, it would appear that the firm had taken actions that corrected the prior reported deficiency. However, in doing so, it may have created new deficiencies. In this case, the firm is deemed to be cooperating because it took remedial actions to correct the original deficiencies. Instead of referring the firm to the Board, the firm should be given corrective actions that will allow the firm to rectify the deficiency.

If a firm's previous system peer review resulted in a report with a peer review rating of *pass with deficiencies* or *fail* due to significant audit deficiencies and the firm subsequently gave up its audit practice and notified the administering entity in writing or in the letter of response, the committee may decide that the firm should not be referred to the Board for noncooperation.

If a firm receives a report with a peer review rating of fail after having received either a peer review rating of *pass with deficiencies* or *fail* in its prior peer review, there is a presumption that the assessment of the full committee of the administering entity would result in a referral of the matter to the Board for it to consider whether a hearing should be held for the firm's failure to cooperate with the administering entity. This presumption may be overcome by circumstances evaluated during the assessment, such as evidence of aggressive actions by the firm to correct the deficiencies or significant deficiencies.

If the peer review committee refers the firm to the Board for noncooperation, it should remit its documented evaluation of the committee's considerations with other supporting documentation to the Board. The Board will review this information when considering whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken.

If a firm receives three consecutive reports with a peer review rating of *pass with deficiencies* or *fail*, the full committee of the administering entity shall refer the matter to the Board for it to consider whether a hearing should be held for the firm's failure to cooperate with the administering entity.

If a decision is made by the hearing panel to terminate a firm's enrollment in the program, ~~the firms with AICPA members~~ will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. As to AICPA members, the fact that a firm's enrollment in the program has been

~~terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145). Firms without AICPA members will have the right to appeal pursuant to fair procedures established by the board for a review of the hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145).~~

## **Implementation Plans**

### **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 following implementation plans as needed.

When a firm has an implementation plan imposed by the committee and fails to acknowledge its agreement to complete the implementation plan or fails to provide evidence documenting completion of the implementation plan, the firm could be deemed as not cooperating. Although agreeing to and completing such a plan is not tied to the acceptance of the peer review, if the firm fails to cooperate, the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated.

In addition, AICPA Board Resolution states;

A firm is deemed as failing to cooperate once the review has commenced by:

- not responding to inquiries.
- withholding information significant to the peer review, for instance but not limited to failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing or attestation engagements from regulatory, monitoring or enforcement bodies.
- not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas.
- not responding to MFCs or FFCs timely.
- limiting access to offices, personnel or other.
- not facilitating the arrangement for the exit conference on a timely basis.
- failing to timely file the report, and the response thereto related to its peer review, if applicable.

- failing to cooperate during oversight.
- failing to timely acknowledge and complete required corrective actions or implementation plans.

If a firm is deemed not to be cooperating, the RAB or the technical reviewer should advise the administering entity's peer review committee concerning this fact. In such circumstances, the administering entity's peer review committee should consider whether additional requirements for remedial or corrective actions are adequate responses to the situation. If, after the firm received notification through fair procedures, the committee deems that the firm is still not cooperating, it should refer the matter to the AICPA Peer Review Board with a recommendation that the AICPA Peer Review Board appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken. Such a referral should be supported by a two-thirds vote of the administering entity's full peer review committee.

If the peer review committee refers the firm to the board for noncooperation, it should remit its documented evaluation of the committee's considerations with other supporting documentation to the board. The board will review this information when considering whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken.

Submission of a firm for termination must include supporting documentation such as, but not limited to, warning letters issued to the firm, information of other correspondence whether verbal or written, notes from committee meetings, and a timeline outlining the various communications. AICPA staff will submit a "Notice of Hearing" to the firm via certified mail. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, ~~the firms with AICPA members-~~ will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. As to AICPA members, the fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145). Firms without AICPA members will have the right to appeal pursuant to fair procedures established by the board for a review of the hearing panel's findings. ~~The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145).~~

~~If the peer review committee refers the firm to the board for noncooperation, it should remit its documented evaluation of the committee's considerations with other supporting documentation to the board. The board will review this information when considering whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken.~~



~~If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. .145).~~

## Chapter 7

### Consultations and Disagreements

#### IV. Appeal to an Ad Hoc Committee of the Board

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

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

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

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

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

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

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

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

[Date]

Common Carrier—Proof of Delivery

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

[Firm Name]

[Firm Address]

[Name of Reviewed Firm's Managing Partner]/[Enrolled Individual], CPA

[Firm Name]

[Firm Address]

[Administering Entity] Peer Review Program

[Administering Entity]

[Administering Entity Address]

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

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

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

*(If further review is denied and the decision is not favorable to firm)* The ad hoc committee's decision is final. If a reviewed firm [individual] does not cooperate, the board may decide to terminate the firm's [individual's] enrollment in the program without further hearing. If a decision is made by the board to terminate a firm's [individual's] enrollment in the program, the firm [individual] will have the right to appeal to the AICPA Joint Trial Board *(if the firm has AICPA members or the individual enrolled is an AICPA member) [or appropriate regulatory, monitoring or enforcement body for a firm with no AICPA members or an individual that is not an AICPA member]* for a review of the board's decision. *(If the firm has AICPA members or the individual enrolled is an AICPA member):* The fact that a firm's [individual's] enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

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

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

Sincerely,

*[Name]*

AICPA Peer Review Board

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

## **Other Peer Review Program Material Changes for Allowing Firms with No AICPA Members to Enroll PRP Section 3100**

### ***Supplemental Guidance***

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#### **Peer Reviewers or Firms That Consider Withdrawing From a Peer Review After the Commencement of Fieldwork**

The responsibilities of peer reviewers are detailed in the AICPA Standards for Performing and Reporting on Peer Reviews (Standards) and Interpretations, as are those of the reviewed firm, including when a firm may resign from the AICPA PRP. However, very rarely do circumstances develop whereby a reviewer determines that he or she must withdraw from the peer review. Although rare, the reasons may vary and may include poor health, not receiving the required documents from the reviewed firm within a reasonable time frame (or other lack of cooperation matters), personality conflicts with the reviewed firm that cannot be overcome, not meeting the requirements to be a peer reviewer after the fieldwork on a peer review has commenced, and other reasons.

The preceding list is not intended to be all-inclusive nor indicate when it is appropriate for a peer reviewer to withdraw from a peer review. However, such matters should be discussed with the entity administering the peer review. Some ramifications of withdrawing lead to matters that will need to be resolved solely between the peer reviewer and the firm, whereas other matters (also based on the validity and types of reasons) might also result in firm noncooperation or reviewer performance issues that will need to be addressed simultaneously by the administering entity as well. The peer reviewer needs to be aware that this could affect his or her ability to perform future reviews, and the firm needs to be aware that this could affect its ability to meet licensing and other regulatory requirements, as well as AICPA membership requirements, if applicable.

Also, there are very rare circumstances when a reviewed firm considers withdrawing from its peer review after fieldwork has begun. The reasons vary here as well and may include poor health, not receiving timely correspondences from the peer reviewer, and personality conflicts with the reviewer that cannot be overcome and other reasons. This list is not intended to be all-inclusive or indicate when it is appropriate for a reviewed firm to withdraw from a peer review. However, such matters should be discussed with the entity administering the peer review. Some ramifications of withdrawing lead to matters that will need to be resolved solely between the peer reviewer and the firm, whereas other matters (also based on the validity and types of reasons) might also relate to firm noncooperation or reviewer performance that will need to be addressed simultaneously by the administering entity as well. The firm should be made aware of the difference

between resigning from the AICPA PRP, which is specifically addressed in the Standards and Interpretations, versus possibly withdrawing from an existing review and immediately hiring a new reviewer to perform another peer review by its due date. The firm also needs to be aware that this could affect its ability to meet licensing and other regulatory requirements, as well as AICPA membership requirements, if applicable.

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## PRP Section 4100

### *Instructions to Firms Having a System Review*

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#### **Prior to the Review**

**.1109** A partner or manager of the firm should be designated as liaison to provide assistance to the review team and should be available throughout the review. The designated liaison should be someone who is knowledgeable about the nature of the firm's practice and is accountable for providing complete and accurate information to the administering entity and the peer review team. The information provided should include a complete listing of engagements within the peer review scope. Each firm should be aware that failure to represent its accounting and auditing practice accurately, as defined by the AICPA *Standards for Performing and Reporting on Peer Review*, will be deemed a matter of noncooperation with the program. As a result, the firm will be subject to a hearing before the Peer Review Board to determine if the firm's enrollment in the program should be terminated. If the firm's enrollment is terminated for omission or misrepresentation of information relating to its accounting and auditing practice, the matter will be referred to the AICPA Professional Ethics Division [for firms with AICPA members](#) for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

#### **Completion of the Review and Firm Responses**

**.25** The firm should respond to all matters communicated on an MFC form, findings communicated on an FFC form and deficiencies, or significant deficiencies communicated in the peer review report. The firm's response to deficiencies or significant deficiencies should be communicated in a letter of response addressed to the administering entity's peer review committee. The firm's draft responses should be provided to the team captain as soon as practicable to allow the team captain sufficient time to assess the firm's response prior to the exit conference. Delays in responses by the firm may result in a delay to the exit conference and a delay in submission of the review workpapers to the administering entity, resulting in the firm's becoming past due. Past due reviews [may](#) have AICPA membership implications, state board licensing implications, and impacts qualifications of being a peer reviewer, among others consequences.

**.3134** The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. The reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. As part of the acceptance process, the firm may be requested to perform remedial, corrective actions related to the deficiencies or significant deficiencies noted in

the peer review report or comply with implementation plans related to findings, in addition to those remedial actions described by the reviewed firm. If a firm does not perform the required actions, this may delay completion of the firm's peer review and could jeopardize the firm's enrollment in the program. Disciplinary actions (including those that can result in the termination of a firm's enrollment in the program and the subsequent loss of membership in the AICPA, if applicable, and some state CPA societies by its partners and employees) will be taken only for a failure to cooperate, failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

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## PRP Section 6100

### *Instructions to Firms Having an Engagement Review*

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- .06** Prior to the review, the assigned reviewer or the administering entity will ask the reviewed firm to provide summarized information showing the number of the firm’s compilation, review and preparation engagements performed under SSARS and engagements performed under the SSAEs,<sup>fn 1</sup> classified into industry categories. That information should be provided for each partner, or individual of the firm, if not a partner, who is responsible for the issuance of reports on such engagements (hereinafter “responsible party”). The person providing this information should be someone that is knowledgeable about the nature of the firm’s practice and is accountable for providing complete and accurate information to the administering entity and the peer review team. Firms should be aware that failure to accurately represent its accounting and auditing practice, as defined by the AICPA *Standards for Performing and Reporting on Peer Review*, will be deemed a matter of noncooperation with the program for which the firm will be subject to a hearing by the Peer Review Board to determine if the firm’s enrollment from the program should be terminated. If the firm’s enrollment is terminated for omission or misrepresentation of information relating to its accounting and auditing practice, the matter will result in referral to the AICPA Professional Ethics Division for firms with AICPA members for investigation of a possible violation of the AICPA *Code of Professional Conduct*. The *Engagement Summary Form* that will be used for this purpose is located in appendix A of these instructions (paragraph .34). In addition, the reviewer will need a copy of the background or scheduling form that the reviewed firm submits to the administering entity to schedule the review. The firm is responsible for ensuring that the review captain is qualified to perform the review.
- .17** A peer review commences when the review team begins the review of engagements. A firm whose peer review has not commenced may resign from the program by submitting a letter of resignation to the board. However, once a peer review commences, a firm will not be able to resign from the program except as stated in the following circumstance. A firm will be permitted to resign once its peer review has commenced when the firm submits a letter pleading guilty, acknowledging its noncooperation with the program, waiving its right to a hearing, and for firms with AICPA members, agreeing to allow the AICPA to publish, in such form and manner as the AICPA Council may prescribe, the

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<sup>fn 1</sup> See paragraph .06 of the standards (sec. 1000 par. .06) for a description of the types of attestation engagements included within the definition of an accounting and auditing practice for peer review purposes. For financial forecasts or projections and agreed upon procedures, report dates during the year under review would be subject to selection.



fact that the firm has resigned from the program before completion of its peer review, evidencing noncooperation with the program.

**.32** A firm whose peer review has not commenced may resign from the program by submitting a letter of resignation to the board. However, once a peer review commences, a firm will not be able to resign from the program except as stated in the following paragraph. A peer review commences when the review team begins the review of engagements in an Engagement Review. A firm will be permitted to resign once its peer review has commenced when the firm submits a letter pleading guilty, acknowledging its noncooperation with the program, waiving its right to a hearing, and for firms with AICPA members, agreeing to allow the AICPA to publish, in such form and manner as the AICPA Council may prescribe, the fact that the firm has resigned from the program before completion of its peer review, evidencing noncooperation with the program.

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## PRP Section 6200

### *Instructions to Reviewers Performing Engagement Reviews*

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#### **Engagement Selection**

.20 A firm whose peer review has not commenced may resign from the program by submitting a letter of resignation to the board. However, once a peer review commences, a firm will not be able to resign from the program except as stated in this paragraph. A peer review commences when the review team begins the review of engagements in an Engagement Review. A firm will be permitted to resign once its peer review has commenced when the firm submits a letter pleading guilty, acknowledging its noncooperation with the program, waiving its right to a hearing, and for firms with AICPA members, agreeing to allow the AICPA to publish, in such form and manner as the AICPA Council may prescribe, the fact that the firm has resigned from the program before completion of its peer review, evidencing noncooperation with the program.

**Summary of Comments Received**

Comments received were discussed at the STF meeting on September 13, 2016 and the results of those discussions are italics. The comments are included at <http://www.aicpa.org/Research/ExposureDrafts/PeerReview/DownloadableDocuments/Enroll-in-Program-PR-CmtLtrs.pdf>

<b>Respondent</b>	<b>Comments</b>
Kearns Lowman, CPA, CMGA  Burgess, Lowman & Lay, PA	<ul style="list-style-type: none"> <li>• Disagrees with the changes as non-AICPA members should not receive services from the AICPA, such as administration of their peer review program</li> <li>• Believes that peer review committee members, RAB members, national RAB consultants, and technical reviewers should be Peer Reviewers (which are required to be AICPA members in good standing)</li> <li>• <i>Peer Reviewers are required to have spent the last five years in public accounting in the accounting or auditing function and we believe that should not be a requirement of national RAB consultants or technical reviewers. A majority of peer review committee members are already required to be team captain qualified so we do not believe a change is necessary for peer review committee members. A majority of RAB members and the chairperson charged with responsibility for acceptance of System Reviews are already required to be a System Review team captain so we do not believe a change is necessary for RAB members.</i></li> </ul>
Rose Lay, CPA, CMGA  Burgess, Lowman & Lay, PA	<ul style="list-style-type: none"> <li>• Disagrees with the changes as non-AICPA members should not receive services from the AICPA, such as administration of their peer review program</li> <li>• Believes that peer review committee members, RAB members, national RAB consultants, and technical reviewers should be Active Peer Reviewers (which are required to be AICPA members in good standing)</li> <li>• <i>Peer Reviewers are required to have spent the last five years in public accounting in the accounting or auditing function and we believe that should not be a requirement of national RAB consultants or technical reviewers. A majority of peer review committee members are already required to be team captain qualified so we do not believe a change is necessary for peer review committee members. A majority of RAB members and the chairperson charged with responsibility for acceptance of System Reviews are already required to be a System Review team captain so we do not believe a change is necessary for RAB members.</i></li> </ul>

Respondent	Comments
Illinois CPA Society	<ul style="list-style-type: none"> <li>• Agree with allowing firms with no AICPA members to enroll in the AICPA peer review program and to choose if they want their peer reviews administered by the National Peer Review Committee</li> <li>• Disagrees that all peer review committee members, RAB members, national RAB consultants, and technical reviewers should be AICPA members in good standing. Recommends that all peer review committee members and RAB members be Peer Reviewers</li> <li>• Other minor updates to Standards and Interpretations</li> <li>• <i>Proposed change to Interpretation 13-1 to add “or should have enrolled” and proposed change to Interpretation 132-1 to replace “reviewer” with “report acceptance body member” in the discussion on qualifications for report acceptance body members.</i></li> </ul>
Indiana CPA Society	<ul style="list-style-type: none"> <li>• Agrees with the changes as proposed; believes it will add consistency, efficiency, and effectiveness to peer reviews</li> </ul>
James P. Richardson, CPA James P. Richardson, CPA Inc. An Accty Corp.	<ul style="list-style-type: none"> <li>• Disagrees with the changes as membership in the AICPA should be a requirement to participate in the AICPA’s Peer Review Program as firms with no AICPA members will dilute the quality and integrity of the Program</li> </ul>
National Association of State Boards of Accountancy	<ul style="list-style-type: none"> <li>• Agrees with the changes as proposed</li> </ul>
New York State Board for Public Accountancy and Quality Review Oversight Committee	<ul style="list-style-type: none"> <li>• Agrees with the changes as proposed</li> </ul>
North Carolina Association of CPAs Peer Review Committee	<ul style="list-style-type: none"> <li>• Identified no items requiring specific comment</li> </ul>
North Carolina State Board of CPA Examiners	<ul style="list-style-type: none"> <li>• Agrees with the changes as proposed</li> <li>• Would like the PRB to consider changing documentation requirements from 120 days to a minimum of 5 years after the date of issuance of the work product unless the CPA is required by law to retain such records for a longer period</li> <li>• Would like the PRB to consider amending the Resolution on noncooperation to address situations where the reviewed firm fails to comply with the terms of the peer review contract with the reviewer firm, including failure to pay fees</li> </ul>

Respondent	Comments
<p>Allison Henry Technical Reviewer Pennsylvania Institute of CPAs</p>	<ul style="list-style-type: none"> <li>• Should the board resolutions for cooperation refer to the individuals enrolled in the program in addition to firms enrolled in the program? If you look at paragraph .05(h) and interpretation 5h-1, they both refer to firms (and individuals) enrolled in the program...etc. There are several other locations as well that refer to CPA firms (and individuals). But the resolutions only reference “a firm enrolled”. Is “individual” to be just inferred? We understand as to why individuals is referenced and why they have been allowed to enroll individually (if their firm structure does not allow them to enroll as a firm – not owned by a majority of CPAs).</li> <li>• <i>Proposed changes to Interpretation 5h-1 to remove “individual” everywhere within it. It is inferred as part of Interpretation 3-2 which discusses that the term firm applies to enrolled individuals.</i></li> </ul>
<p>Texas Society of Certified Public Accountants</p>	<ul style="list-style-type: none"> <li>• Disagree with allowing firms with no AICPA members to enroll in the AICPA Peer Review Program as those firms are currently enrolled in state society programs which are very similar to the AICAP Peer Review Program</li> <li>• Believe firms with no AICPA members do not want to enroll in the AICPA Peer Review Program</li> <li>• Recommend not expend AICPA resources in developing a separate process to administer peer reviews for non-AICPA member firms</li> </ul>

## Enhancing Audit Quality Initiative Conforming Guidance

### Why is this on the Agenda?

In support of the Institute's Enhancing Audit Quality Initiative, PRIMA (which will replace PRISM) has been identified as a top priority. Developing a comprehensive online peer review process would increase the efficiency, consistency, and effectiveness of the program. As we map out the online process, we have identified the need for enhanced guidance in certain areas.

- 1) Paragraph .14 of the *Standards for Performing and Reporting on Peer Reviews* may be unclear that it is intended to address an enrolled firm's initial peer review due date when the firm is transitioning from having no engagements within the scope of peer review (No A&A) to performing A&A. The STF is proposing Interpretation 14-3 and 14-4 in Agenda Item 1.5A, to clarify.
- 2) Additionally, clarification is needed so users are aware that peer review documentation must be submitted electronically, authorized by the reviewed firm representative, and that such submissions must exclude specific firm and/or client information. The addition of Interpretation 24-2 is intended to clarify that reviewed firm representatives are responsible for submitting, in electronic format, complete and accurate documentation to administering entities (see Agenda Item 1.5B).
- 3) Finally, the STF would like to propose the terminology "Reviewed Firm Representative" to convey the appropriate person(s) within the firm to sign the MFC, FFC, and the Firm Representation letter. The current forms/letter do not use consistent terminology for the signature which should be obtained by the firm. The MFC form states "Reviewed Firm Representative" while the FFC form states "Authorized individual charged with governance responsibility of the firm as a whole." STF would like to conform PRPM Section 4960 (*the System Review FFC form*), 6600 (*the Engagement Review FFC form*), and the Firm Representation letter illustration to the terminology utilized by the MFC form. Agenda Item 1.5C provides the current nomenclature with the suggested edits in track changes.

### Feedback Received

Agenda Item 1A: The AATF and STF were in favor of the proposed Interpretation.

Agenda Item 1B & 1C: The STF was in favor of the proposed Interpretations.

### PRISM Impact

Agenda Item 1A & 1C: None

Agenda Item 1B: The proposed interpretation will impact PRIMA, as all documents are required to be submitted electronically and authorized by a partner in the firm.

### AE Impact

Agenda Item 1A: In practice, AEs have usually followed this guidance.

Agenda Item 1B: All peer review documents will be provided electronically to administering entities when using PRIMA.

Agenda Item 1C: N/A

### Communications Plan

A Reviewer Alert will be drafted upon approval by the Peer Review Board.

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**Manual Production Cycle (estimated)**

Agenda Item 1.5A: December 2016. Although this is current practice, we are proposing to implement during the December production cycle to ease the administrative burden due to the numerous manual updates being processed through the year end.

Agenda Item 1.5B&C: Effective with reviews commencing after phase I implementation of PRIMA, estimated production cycle to be January 1, 2017.

**Effective Date**

Agenda Item 1.5A: Effective for reviews commencing on or after January 1, 2017.

Agenda Item 1.5B&C: See above

**Board Consideration**

1. Review and approve proposed guidance changes illustrated in Agenda Items 1.5A-C.

The following excerpts are taken from PRPM Section 1000 (the Standards) and Section 2000 (the Interpretations)

**Timing of Peer Reviews**

.13 A firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier (see interpretations).

**13-1**

*Question*—[Paragraph .13](#) of the standards notes that a firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier. What is meant by "should have enrolled?"

*Interpretation*—When an individual becomes an AICPA member, and the services provided by his or her firm (or individual) fall within the scope of the AICPA's practice-monitoring standards, and the firm (or individual) issues reports purporting to be in accordance with [AICPA Professional Standards](#), the firm (or individual) should enroll in the program and submit an enrollment form by the report date of the initial engagement. If the firm (or individual) does not initially provide services falling within the scope of the standards, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of their initial engagement. The administering entity will consider the firm's (or individual's) practice, the year-ends of their engagements, the report dates of their engagements, and the number and type of engagements to be encompassed in the review, in determining an appropriate due date. A firm's subsequent peer review ordinarily will be due three years and six months from this peer review year-end. [The peer review year-end should be determined pursuant to Paragraph .17 of the standards.](#)

.17 Peer reviews must cover a current period of one year to be mutually agreed upon by the reviewed firm and the reviewing firm. Ordinarily, the peer review should be conducted within three to five months following the end of the year to be reviewed (see interpretations).

.14 A firm does not undergo a peer review if it does not perform engagements requiring it to undergo a peer review (see paragraph 7). However, when a firm performs its first engagement requiring a peer review or its first engagement requiring it to have a System Review, the firm's next due date ordinarily will be 18 months from the year-end of that engagement (18 months from the report date if it is a financial forecast, projection or agreed-upon procedures engagement) (see interpretations).

**14-1**

*Question*—Paragraph .14 of the standards states that when a firm performs its first engagement requiring it to have a System Review, the firm's next due date will be 18 months from the year-end of the engagement. What does this mean?



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Interpretation—When a firm, subsequent to the year-end of its Engagement Review, performs an engagement under the SASs, Government Auditing Standards, examinations under the SSAEs, or an engagement performed under PCAOB standards that would have required the firm to have a System Review, the firm should (a) immediately notify the administering entity and (b) undergo a System Review. The System Review ordinarily will be due 18 months from the year-end of the engagement (for financial forecasts, projections and agreed upon procedures: 18 months from the date of report) requiring a System Review or by the firm’s next scheduled due date, whichever is earlier. However, the administering entity will consider the firm’s practice, the year-ends of engagements and when the procedures were performed, and the number of engagements to be encompassed in the review, as well as use its judgment, to determine the appropriate year-end and due date. Firms that fail to immediately inform the administering entity of the performance of an engagement previously described will be required to participate in a System Review with a peer review year-end that covers the engagement. A firm’s subsequent peer review ordinarily will be due 3 years and 6 months from this peer review year-end.

### **14-3**

Question—What is the peer review year end and the due date for a firm (or individual) that is currently enrolled in the program, but later begins issuing reports purporting to be in accordance with AICPA Professional Standards?

Interpretation— The peer review due date of an enrolled firm that begins to perform, or reestablishes the performance of, engagements requiring it to undergo a peer review (see paragraph 7) is ordinarily 18 months from the fiscal year-end of the initial engagement performed by the firm (or individual). The administering entity will consider the firm’s (or individual’s) practice, the year-ends of their engagements, the report dates of their engagements, and the number and type of engagements to be encompassed in the review, in determining an appropriate due date. A firm’s subsequent peer review ordinarily will be due three years and six months from this peer review year-end. The peer review year- end should be determined pursuant to Paragraph .17 of the standards.

### **14-4**

Question—The due date in paragraph .14 is different than the due date in paragraph .13. When would paragraph .14 be applicable?

Interpretation—Paragraph .14 speaks to firms currently enrolled in the program that were not required to undergo a peer review (see paragraph .7) or the enrolled firm previously had an engagement review and is now required to have a system review. While paragraph .13 applies to firms that have not previously enrolled in the program and are required to enroll and undergo a peer review.

## Peer Review Documentation and Retention Policy

### 24-1

*Question*—[Paragraph .24](#) of the standards notes peer review documentation should be prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached. How should the peer review be documented to comply with this requirement?

*Interpretation*—Among other things, peer review documentation includes records of the planning and performance of the work, the procedures performed, and conclusions reached by the peer reviewer. This includes documenting the risk assessment, the understanding of the firm’s system of quality control, and tests of compliance (including checklists for the review of engagements and staff interviews when there are professional staff). The board has authorized the issuance of materials and checklists, including checklists for the review of engagements, to guide team captains, review captains, and other members of the review team in carrying out their responsibilities under these standards.

Ordinarily, materials and checklists developed and issued by the board are to be used by reviewers in carrying out their responsibilities under these standards. Based on its understanding of the reviewed firm’s system of quality control and its assessment of peer review risk, the review team should determine if materials and checklists issued by the board are not sufficiently comprehensive to use on the review. In this event, other materials and checklists may be used; however, they must include the same elements as, and must be more comprehensive than those versions issued by the board. Reviews conducted utilizing alternate materials and checklists will require advance notice to the administering entity and the review must be subject to on-site oversight. The electronic Matter for Further Consideration (MFC), [Finding for Further Consideration \(FFC\)](#) and Disposition of Matter for Further Consideration forms provided by the board must be used for all peer reviews and alternative forms will not be accepted. It is the responsibility of the team captain or review captain to ensure that the materials and checklists used meet these standards. Failure to complete all relevant materials and checklists may create the presumption that the review has not been performed in conformity with these standards, and thus the administering entity should be consulted in advance of use of any equivalents to assist in reaching these conclusions.

## Completion of Peer Reviews Online

### 24-2

[Question](#)—[Paragraph .24](#) of the standards notes peer review documentation should be prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached. [What means are available for firms and reviewers to provide documentation to the administering entity, and who is authorized to submit such documentation?](#)

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Interpretation— Firms and reviewers should provide all peer review documentation to the administering entity in electronic format.

Firms are required to submit certain peer review information to the administering entity. Reviewed firm representatives that submit peer review documentation to the administering entity on behalf of the firm are required to be a partner in the firm (or an individual with equivalent supervisory responsibilities), and have the appropriate qualifications and understanding to assume responsibility for the completeness and accuracy of such documentation.

Per Interpretation 24-1, reviewers are expected to use the materials and checklists developed by the board when performing a review, this includes electronic submission of those materials. Reviewers should also follow Interpretation 25-3 to ensure that certain documentation will exclude firm identifying information (for example, firm name, location, and employer identification number) that could link the data back to a firm, firm's client, review or reviewer.

### **25-3**

*Question—* Interpretation No. 25-1 and Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion. May the AICPA retain any peer review documentation (or data derived from that documentation) beyond the relevant documentation retention requirements outlined in (retention requirements)? If so, for what purpose?

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

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

**PRP Section 4960 and 6600 Instructions for Use of Findings for Further Consideration (FFC) Forms for System Reviews and Engagement Reviews, respectively**

.01 *h* and *i*. is signed by an individual charged with governance responsibility of the firm as a whole.

~~Authorized individual charged with governance responsibility~~

~~of the firm as a whole~~ Reviewed Firm Representative

Date:

## Appendix B

### Considerations and Illustrations of Firm Representations

.208

5. The written representations should be signed by individual members of management whom the team captain, review captain or the administering entity believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner in charge of the firm's system of quality control (this should not be a firm signature).

Sincerely,

[Reviewed Firm Representative Signature(s)<sup>5</sup>]

<sup>5</sup> Members of management as noted in section 5 of [appendix B](#), "Considerations and Illustrations of Firm Representations."

**SSARS Omnibus — 2016**

**Why is this on the Agenda?**

On December 8, 2015, the Accounting and Review Services Committee (ARSC) issued an exposure draft that contains three proposed standards on preparation and compilation of prospective financial information and compilation of pro forma financial information. The proposals were as follows:

- Proposed SSARS, Compilation of Prospective Financial Information, would move (and change some of) the requirements and guidance for compilations of prospective financial information from the Statements on Standards for Attestation Engagements to the SSARSs literature.
- Proposed SSARS\*, Compilation of Pro Forma Financial Information, would clarify and supersede AR Section 120 of the same title.
- Proposed SSARS, Omnibus Statement on Standards for Accounting and Review Services—2016, would amend various existing SSARSs literature to incorporate the concepts and provisions of the first two proposals. This proposal also would require that the accountant follow AR-C Section 70, Preparation of Financial Statements, when engaged to prepare prospective financial information but not engaged to perform a compilation, examination, or agreed-upon procedures engagement with respect to that prospective financial information.

After deliberation of comments received, the ARSC directed that the draft standards be revised so that the requirements and guidance for compilations of prospective financial information hangs off of AR-C section 80. At the ARSC's August 2016 meeting, the redrafted standards, *SSARS Omnibus—2016* (now encompasses the first and third bullets above), were presented and approved, effective for reports dated on or after May 1, 2017 with early implementation permitted. The updated SSARS are expected to be issued in late September.

Essentially, the new SSARS incorporates Compilation of Prospective Financial Information guidance into AR-C section 80, previously AT section 301, and conforms language in reference to Preparation of Prospective Financial Information throughout AR-C section 70. Therefore, the STF has proposed the removal of "historical" preceding financial statements throughout the manual, Agenda Item 2A. To maintain consistency throughout the manual, STF suggests to remove the "historical" reference to review engagements as well, although only reviews of historical financial statements are covered under SSARS (AR-C Section 90). STF agrees these changes would be considered a conforming change, therefore would not require an exposure draft.

\*This SSARS, AR-C section 120, was issued in August, but is simply a clarified redraft of AR section 120 that would not require changes to the peer review standards.

**Feedback Received**

Initial discussion during January 2016 STF meeting indicated little interest in adding selection requirements to paragraph .104. The STF considers these changes conforming in line with the recently issued SSARS.

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**PRISM Impact**

Currently none, background forms do not precede financial statements with the term “historical”. Although the Compilation of Prospective Financial Statements under the SSAE heading of the background form will need to be removed in the future when these engagements will no longer be part of ongoing peer reviews.

**AE Impact**

None

**Communications Plan**

A Reviewer Alert will be sent upon PRB approval

**Manual Production Cycle (estimated)**

December 2016

**Effective Date**

Effective January 1, 2017

**Board Consideration**

1. Consider for approval the changes outlined in Agenda Item 1.6A, which include conforming changes to paragraph .104 and PRP conforming changes that remove “historical” in describing financial statements.
2. Consider for approval the addition of Interpretation 104-5 as outlined in Agenda Item 1.6B. This paragraph is similar to what the ARSC has included as application guidance at AR-C section 60 paragraph .A1;

*.A1 If the accountant is engaged to perform an engagement in accordance with SSARs on financial information other than historical financial statements (for example, the preparation or compilation of prospective financial information or the compilation of pro forma financial information), references in this section to financial statements are to be taken as a reference to such other financial information.*

**.104** The criteria for selecting the peer review year-end and the period to be covered by an Engagement Review are the same as those for a System Review (see [paragraphs .13–.19](#)). Engagements subject to review ordinarily should be those with periods ending during the year under review, except for financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection. The reviewed firm should provide summarized information showing the number of its compilation, review and preparation engagements performed under SSARS and engagements performed under the SSAEs, classified into industry categories. That information should be provided for each partner, or individual if not a partner, of the firm who is responsible for the issuance of reports on such engagements or the issuance of prepared financial statements with or without disclaimer reports. On the basis of that information, the review captain or the administering entity ordinarily should select the types of engagements to be submitted for review, in accordance with the following guidelines (see interpretations):

- a. One engagement should be selected from each of the following areas of service performed by the firm:
  1. Review of ~~historical~~ financial statements (performed under SSARS)
  2. Compilation of ~~historical~~ financial statements, with disclosures (performed under SSARS)
  3. Compilation of ~~historical~~ financial statements that omits substantially all disclosures (performed under SSARS)
  4. Engagements performed under the SSAEs other than examinations
- b. One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports listed in item *a*.
- c. Selection of preparation engagements should only be made in the following instances:
  1. One preparation engagement with disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included in item *a* or when the firm's only engagements with disclosures are preparation engagements.
  2. One preparation engagement that omits substantially all disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included in item *a* or when the firm's only omit disclosure engagements are preparation engagements.

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3. One preparation engagement should be selected if needed to meet the requirement in item *d*.

*d*. Ordinarily, at least two engagements should be selected for review.



**Selecting Types of Engagements**

**104-5**

*Question*—What if the accountant is engaged to perform an engagement in accordance with SSARSs on financial information other than historical financial statements (for example, the preparation or compilation of prospective financial information or the compilation of pro forma financial information)?

*Interpretation*—References to financial statements for engagements performed in accordance with SSARS are to be taken as a reference to such other financial information. In accordance with SSARS, Reviews of subject matter other than historical financial information are to be performed in accordance with Statements on Standards for Attestation Engagements.

## Technical Reviewer Acceptance of Reviews with Preparation Engagements

### Why is this on the Agenda?

The RAB Handbook allows technical reviewers to accept Engagement Reviews on behalf of the RAB if the following criteria are met:

- Pass report
- No FFCs
- No MFCs or they only apply to compilations
- No issues warranting committee consideration or action that could potentially affect the results of the review.

The STF is proposing that technical reviewers also be allowed to accept engagement reviews on the committee's behalf when the MFCs noted only relate to preparation engagements performed in accordance with SSARS No. 21.

### Feedback Received

Staff discussed this proposal with the AATF and the TRATF, who were both in support of it and identified no changes.

### PRISM Impact

The proposed interpretation changes and RAB Handbook changes will impact the PRISM replacement system (PRIMA) as the system will be configured so that technical reviewers will/won't be able to accept engagement reviews on the committee's behalf with these criteria.

### AE Impact

The proposed interpretation changes and RAB Handbook changes will provide consistency over what technical reviewers can and cannot accept on the committee's behalf.

### Communications Plan

A Reviewer Alert will be drafted upon approval by the Peer Review Board.

### Manual Production Cycle (estimated)

Effective immediately upon approval.

### Effective Date

See above.

### PRB Consideration

1. Review and approve proposed guidance changes illustrated in Agenda Item 1.7A.

## Interpretations

### Accepting Engagement Reviews by the Technical Reviewer

#### 137-1

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

**I**nterpretation—The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews on the committee’s behalf when the technical reviewer determines that any MFC forms prepared only relate to compilations or preparations under SSARs, that no MFC forms should have been prepared except as related to compilations or preparations under SSARs, and there are no other issues associated with the peer review warranting committee consideration or action that could potentially affect the results of the peer review. The technical reviewer may identify reviewer performance feedback that should be considered and approved by the peer review committee prior to issuance. The technical reviewer should still be delegated the authority from the committee to accept Engagement Reviews on the committee’s behalf when such feedback may be provided to the review captain unless the circumstances leading up to the feedback may have affected the results of the review. Accordingly, if the feedback being provided to the review captain involves issues which could potentially affect the results of the peer review, the technical reviewer should not accept the Engagement Review but present it to the committee for consideration.

## RAB Handbook Chapter 2

### Technical Reviewer Qualifications and Responsibilities

#### V. Technical Review of Engagement Reviews

A. For Engagement Reviews, the technical reviewer will ordinarily review the following documents:

1. Peer review report
2. Letter of response, if applicable
3. Prior review report; letter of response and FFCs, if applicable; and committee decision letters
4. Review captain summary
5. DMFC form, as applicable
6. MFC and FFC forms, as applicable
7. Engagement Summary Form

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

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

1. The technical reviewer should be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when the technical reviewer determines both of the following (Interpretation No. 137-1):

- Any matters documented (or which should have been documented) on MFC forms only relate to compilations or preparations performed under Statements on Standards for Accounting and Review Services (SSARS) and do not rise to the level of a finding, deficiency, or significant deficiency.
- There are no other issues associated with the peer review warranting committee consideration or action that could potentially affect the results of the peer review.

2. The technical reviewer may identify reviewer performance feedback that should be considered and approved by the peer review committee prior to issuance. The technical reviewer should still be delegated the authority from the committee to accept Engagement Reviews on the committee's behalf when such feedback may be provided to the review captain unless the circumstances leading up to the feedback may have affected the results of the review. Accordingly, if the feedback being provided to the review captain involves issues which could potentially affect the results of the peer review, the technical reviewer should not accept the Engagement Review but present it to the committee for consideration (Interpretation No. 137-1).

3. Engagement Reviews that do not require committee or RAB consideration are required to be accepted within 60 days of receipt of the working papers and report from the review captain.

4. The technical reviewer's report acceptance procedures should include completion of the technical reviewer's checklist and in addition the technical reviewer should

- a. consider whether the review has been performed in accordance with the standards, interpretations, and related guidance materials.
- b. consider whether the report is in accordance with the standards, interpretations, and related guidance materials.
- c. provide reviewer performance feedback recommendations to the committee or RAB on performance issues, if necessary.
- d. consider whether the Engagement Review should be presented to the committee or RAB for its consideration.

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

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

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

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

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

## 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.

### Oversight Task Force

#### Accomplished since last PRB meeting:

- Accepted RAB Observation reports
- Reviewed responses from AEs to RAB Observation reports
- Reviewed schedule of AE oversight visits
- Monitor the Enhanced Oversight results
- Discussed type of feedback issued by AEs as a result of the Enhanced Oversight
- Approved Annual Report on Oversight
- Approved RAB Handbook revisions related to the Report Acceptance Process

#### Upcoming tasks:

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

### Standards Task Force

#### Accomplished since last PRB meeting:

- Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Exposure Draft Conforming Changes
  - Consideration of comment letters received.
- Enhancing Audit Quality Initiative Conforming Guidance Changes
  - Clarifying guidance for the peer review due date when an enrolled firm begins performing engagements subject to peer review.
  - Clarifying guidance for the submission of peer review documentation electronically.
  - Conforming the nomenclature used regarding the firm signature on the MFC, FFC and Management Representation Letter as the “Reviewed Firm Representative”.
- Guidance changes in response to the recently issued SSARS Omnibus – 2016 which among other items, incorporated guidance related to performing Compilations of Prospective Financial Statements within AR-C section 80.
- Guidance changes to allow technical reviewers to accept engagement reviews where issues (that don’t rise to an FFC or above) exist only on preparation engagements (similar to the guidance that exists for compilation engagements).

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**Upcoming tasks:**

- Changes to the Firm Representation Letter Exposure Draft;
  - Consideration of comment letters received
  - Presentation of final proposed guidance
- Conforming changes from the Transparency ED for Alternative Practice Structure QC P&P checklists;
  - Replacing PRP Sections 5100, 5200 and 5300 with a singular form that would be completed in addition to the previously approved QC P&P checklist.
- Issuers of Municipal Securities, Regulation Crowdfunding and the small business capital-raising rules (Regulation A+) have been identified as an EAQ – Emerging Industries & Risk Areas Peer Review Area of Focus. In response, the STF is considering enhanced guidance and materials to highlight risks surrounding audit and review reports issued that may be filed with the SEC for use in risk assessment process.
- Consideration of changes to Interpretations to incorporate engagements subject to SEC Independence requirements as “must-cover” engagements.
- Due to the feedback received from the Enhanced Oversight project, issues surrounding nonconforming engagements are a top priority. The STF is considering a variety of approaches to assist reviewers and firms;
  - Working on creating an enhanced definition of “non-conforming” or not performed or reported in conformity with applicable professional standards in all material respects
- Guidance needed in response to the implementation of PRIMA;
  - Reinstatement after hearing
  - Risk Assessment Toolkit in narrative form

**Education and Communication Task Force****Accomplished since last PRB meeting:**

- Conference
  - Assessed feedback received from the 2016 AICPA Peer Review Program conference
- Training Materials and Programs
  - Approved instructors for the live seminar peer review training courses for 2017.
  - Continued development of the on-demand update courses for Team/Review captains and reviewers of EBP and Governmental engagements.
  - Initial planning in the development of the training courses available to RAB members and technical reviewers.
- Communications
  - Continued efforts to communicate to reviewers and other peer review stakeholders recently approved or soon to be effective guidance changes and other important matters
  - Issued two Reviewer Alert articles that focused on:
    - What's New in the Peer Review Program Manual (PRPM)
    - Additional SSARS 21 Considerations - Reporting and Engagement Letters
    - Examples of Matters in Peer Review
    - Frequent Violations in Ethics Investigations
    - Peer Review Conference Evaluation and CPE Transcript

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- Quality Resources for Firms
  - Free AICPA Resources on Quality: Revised Quality Control Practice Aid and 7 Key Facts on the FASB's Revenue Recognition Standard

**Upcoming tasks:**

- Conference
  - Planning efforts continue for the 2017 conference, to be held in Nashville, TN, August 14<sup>th</sup> through the 16<sup>th</sup>. This includes the review of materials (for example draft agendas, Conference Cases and Exchange of Ideas topics) that will be produced for the 2017 Conference.
- Training Materials and Programs
  - Determine what type of additional training materials and learning opportunities to develop or require for administrators, technical reviewers and committee members.
  - Determine what type of additional training materials and learning opportunities to develop for reviewers based what is already planned or in development.
- Communications
  - Review and approve any required additional communications to administrators, technical reviewers, committee members, and reviewers.
  - Communicate changes to pertinent groups regarding changes adopted by the Peer Review Board or other task forces.
  - Continue to assess what communication/training efforts related to the upcoming peer review guidance changes (primarily related to the guidance changes outlined in the Transparency Exposure Draft) are necessary.



**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation  
between July 29, 2016 and September 16, 2016**

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>	<b>Admin By</b>
10072450	Turner, Cleary & Robinson, Inc.	CA	CA
621790	Michael V. Nelson, Ltd.	MN	MN
129746	Carrales & Co., LLP	TX	TX
10106033	Wolowicki and Associates LLC	IL	IL
10108856	Burdette & Associates, LLC	MN	MN
10110546	Pete A. Accurso	TX	TX
10122428	Sieh & Company PC	IL	IL
10124529	Molony & Associates	SC	SC
10134399	Jeremy J. Oliver, CPA	PA	PA
10143295	Ken Huff PC	TX	TX
10154714	Kyle L. Tingle CPA, LLC	NV	NPRC
81520104	Donna L Witmer	TX	TX
4163915	Guerrino Tax and Accounting, PA	MN	MN
6131850	The Pun Group, LLP	CA	CA
6645394	Vinas & Associates	CA	CA

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## **Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program Since Reporting at August 2016 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 firm did not complete corrective actions designed to remediate deficiencies identified in the firm's most recent peer review.

Ivan W. Harper – Brooklyn, NY  
Cozza & Steuer – Cleveland, OH  
Wolfgang Ritter, CPA, S.C. – South Milwaukee, WI

### Failing to submit signed acknowledgement letter

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not timely submit evidence of agreement to perform remedial actions as required as a condition of completion of its peer review.

Kayla Paul-Lindsey CPA Firm, P.C. – Jackson, MS

Firm terminations are also published on our website at:

<http://www.aicpa.org/ForThePublic/PRFirmTerm/Pages/2016PeerReviewFirmTerminations.aspx>



## Peer Review Program