

## 2022 AICPA Peer Review Conference Additional Questions and Answers

Attendees at this year's peer review conference submitted many relevant thought-provoking questions during the three days in St. Louis. Unfortunately, due to time constraints, many questions were unanswered. Additionally, for those questions that were answered, peer reviewers who couldn't attend may have similar questions.

Therefore, what follows is a listing of select questions submitted during the Conference and the related answers. Some questions were edited for readability/clarity.

### Session 201 Employee Benefits Plans Must-Select Update

- 1) Would selecting only prior year EBP engagements be considered a scope limitation for the peer review for a failure to test any EBP engagements subject to the new standards?**

A: Because EBP engagements are generally issued several months after the period end of the engagement, this does not result in a scope limitation. However, based on the reviewer's assessment of peer review risk, it may be appropriate to consider consultation with the AE to determine whether an extension may be granted to allow time for engagements to be issued and subject to selection.

- 2) Can you clarify the difference between multiemployer and multiple employer plans?**

A: ERISA defines the term multiemployer plan as a collectively bargained plan maintained by more than one employer, usually within the same or related industries, and a labor union. Multiple employer plans are generally not collectively bargained and are intended to allow participating employers to pool their assets for investment purposes and to reduce the costs of plan administration.

- 3) Is the client's plan document required to be in the firm's working papers?**

A: The plan document is not required in the working papers and maintaining the plan document is the responsibility of the plan sponsor. The auditor is required to obtain an understanding of the entity, for which AU-C 703 requires the auditor to obtain and read the plan document. In order to comply with AU-C 210 and the documentation requirements of AU-C 230, the auditor may wish to include a copy of the plan document and its related amendments to reference abstracts or summarization of key terms in these documents for purposes of planning and assessing risk of material misstatement.

- 4) When performing an audit of an EBP on the liquidation basis for a six-month June 30, 2022 engagement, what happens if a SOC 1 report is not available for that period? Is a bridge letter acceptable in place of the SOC one report? What additional audit procedures would be required, if any?**

A: In this situation, a bridge letter alone may not be sufficient given that a SOC report is not available. If no SOC report is available, the auditor would not be able to rely on controls at the third-party service provider and an associated increase in substantive testing may result. However, consideration should be given to the timing of the audit. Given the length of time between the termination date and the date the financial statements are due to be filed with the DOL, it is very likely that the SOC 1 report for 2022 would be available by that time, especially if the service organization uses a 9/30 or 10/31 year-end date on its report. If the 2022 SOC 1 report is available before the audit is complete, then the auditor can rely on that report.

**5) Given that several third-party administrators are now including their SOC 2 Type 2 reports in the audit packages, what is management's (and the auditor's) responsibility, if any, in relation to obtaining and reviewing SOC 2 reports as it relates to the data security at the TPA?**

A: There is no requirement for an auditor to review a SOC 2 report if provided by a third-party administrator in the audit package, as these reports are generally restricted in use. The discussion surrounding SOC 2 reports was intended to call attention to recent DOL communications about responsibilities of sponsors and TPAs regarding cybersecurity. More information can be found in the following link:  
[dol.gov/newsroom/releases/ebsa/ebsa20210414](https://www.dol.gov/newsroom/releases/ebsa/ebsa20210414)

**6) Can auditors make this determination instead of inquiring of management about how it determined that the entity preparing and certifying the investment information is a qualified institution?**

A: An auditor making the determination for management would not be appropriate as paragraph .16 of AU-C section 703 specifically requires the auditor to inquire of management about how management determined that the entity preparing and certifying the investment information is a qualified institution, and paragraph .29 requires the auditor to evaluate management's assessment of whether the entity issuing the certification is a qualified institution according to DOL rules and regulations. Additionally, paragraph .36 requires management to provide representations regarding its responsibilities to determine whether the investment information is prepared and certified by a qualified institution as described in 29 CFR 2520.103-8.

**7) Would AU-C 250 apply to hardship loans for which plan sponsor and TPA did not request supporting documents?**

A: If hardship withdrawals require additional approval or other documentation, the auditor should review the plan document to determine whether required approvals were obtained, and if not, the auditor would consider the internal control implications that need to be reported to those charged with governance.

**1) What exactly is required related to the Yellow Book CPE requirements, for example, would ERISA CPE quality for the 56-hour requirement under Yellow Book?**

A: Please refer to Chapter 4 of the [2018 revision of Government Auditing Standards](#), also referred to as GAGAS or the 2018 Yellow Book, for a complete understanding of the continuing professional education (CPE) requirements, including application guidance on CPE subject matter. The following provides a high-level summary of the requirements.

Each auditor who plans, directs, performs procedures for, or reports on engagements conducted in accordance with the 2018 Yellow Book should complete at least 80 hours of CPE in every 2-year period as follows: (GAS paragraph 4.16)

- 24 CPE hours should be in a subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates (refer to GAS paragraph 4.23 for subject matter that qualifies to meet the 24-hour requirement).
- 56 CPE hours should be in a subject matter that directly enhances the auditors' professional expertise to conduct audits (refer to GAS paragraph 4.24 for subject matter that qualifies to meet the 56-hour requirement).

Certain training topics may not qualify as CPE for purposes of satisfying 2018 Yellow Book requirements (refer to GAS paragraphs 4.35-.36 for subject matter that may not qualify for CPE hours under the 2018 Yellow Book).

Within the subject matter categories outlined in the 2018 Yellow Book's application guidance, determining what subjects are appropriate for individual auditors is a matter of professional judgement. The audit organization is ultimately responsible for determining whether a subject or topic qualifies as acceptable CPE for its auditors (GAS paragraph 4.21).

**2) Can you provide insight on CPE for outsourced staff performing Yellow Book audits (e.g., teams in India, etc.)?**

A: Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS are required to comply with GAGAS CPE requirements regardless of where they are located. Also, the 2018 Yellow Book states that the auditor must assign auditors with the competence needed to conduct the engagement in accordance with GAGAS. Competence is the knowledge, skills, and abilities obtained from education and experience, necessary to conduct the GAGAS engagement. A sampling of the competence and CPE requirements for a Yellow Book practice reviewers should keep in mind include:

- *Paragraph 4.02:* Auditors must assign auditors to conduct the engagement *who before beginning work on the engagement* collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.
- *Paragraph 4.03:* Auditors must assign auditors who possess the competence needed for their assigned roles *before beginning work on the engagement*.
  - Indicators of competence include technical knowledge and skills in areas such as GAGAS, standards, regulations, techniques, tools, and guidance; and competence for assigned roles (e.g., supervisory auditor, partner) (GAS paragraphs 4.07- 4.10).

- *Paragraph 4.16:* Auditors who plan, direct, perform engagement procedures for, or report on the engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every two-year period, including at least 24 hours in subject matter directly related to the environment in which the audited entity operates.
  - Determining whether CPE qualifies for the 24-hour requirement is a matter of professional judgement (GAS paragraph 4.21).
  - Auditors hired or assigned to a GAGAS engagement after the beginning of the 2-year CPE period may complete a prorated number of CPE hours (GAS paragraphs 4.42 and 4.43).
- *Paragraph 5.16:* The audit organization should establish policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with GAGAS meet the continuing professional education (CPE) requirements, including maintaining documentation of the CPE completed and any exemptions granted.

There are several exceptions to these requirements. For example, GAS paragraph 4.25 indicates that auditors who charge less than 20% of their time annually to GAGAS engagements and are only involved in performing engagement procedures (i.e., not involved in planning, directing, or reporting) may be exempted from the 56-hour CPE requirement but not the 24-hour requirement. Additionally, GAS paragraph 4.26 provides an exception from the CPE requirements for nonsupervisory auditors who charge less than 40 hours of their time annually to GAGAS engagements.

The application guidance to the 2018 Yellow Book requirements can be useful in assisting reviewers to determine if auditors met the requirements required.

### **3) Does the 2018 Yellow Book provide examples of safeguards?**

A: The 2018 Yellow Book provides examples of safeguards in paragraphs 3.50 and 3.69, such as:

- not including individuals who provided the nonaudit service as engagement team members, and
- having another auditor, not associated with the engagement, review the engagement and nonaudit work as appropriate.

GAS paragraph 3.51 notes that these lists cannot provide safeguards for all circumstances, but that they may provide a starting point for auditors who have identified significant threats to independence and are considering what safeguards could eliminate those threats or reduce them to an acceptable level. Safeguards vary depending on the facts and circumstances of an audit and in some cases, multiple safeguards may be necessary to address a threat. Reviewers are reminded that it is not possible to rely solely on safeguards that the audited entity has implemented to eliminate significant threats or reduce them to an acceptable level (GAS paragraph 3.49).

There are many AICPA resources available for additional information, including the following:

- Chapter 2 of the AICPA Audit Guide [Government Auditing Standards and Single Audits](#)
- AICPA Governmental Audit Quality Center (GAQC) archived member web events

- [Understanding the Changes to Yellow Book Independence](#)
- [Considering and Documenting Nonaudit Services under Government Auditing Standards](#)
- [The 2018 Yellow Book: What You Need to Know](#)
- [Heard in the Hallways: Commonly Asked Yellow Book Questions](#)
- Other relevant [AICPA CPE](#) covering the 2018 Yellow Book

**4) I don't see advocacy on the threat list, where is it considered?**

A: Paragraph .13 of the "[Conceptual Framework for Independence](#)" interpretation (ET sec. 1.210.010) defines advocacy threat as the following: The threat that a member will promote an attest client's interests or position to the point that his or her independence is compromised.

This threat is not directly identified in GAS paragraph 3.30 which provides broad categories of threats to independence auditors should evaluate when applying the GAGAS conceptual framework.

Members are required to comply with the more restrictive rule, so if they are an AICPA member, they will need to consider the advocacy threat when applying the conceptual framework.

**5) What are some best practices to address familiarity threat? Does that get documented in the Quality Control Document?**

A: Safeguards a firm may implement when the familiarity threat exists include, but are not limited to:

- rotate the senior personnel of the engagement team for an appropriate period based on the significance of the threats,
- perform an independent internal or external quality review of the engagement, and
- encourage new personnel assigned to the engagement to bring a fresh perspective.

The relevant ethical requirements element of a system of quality control provides a firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities. Establishing procedures to identify and evaluate possible familiarity threats and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards may assist a firm in obtaining this assurance.

Please see the following resources for additional information:

- *Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*
  - [Sole practitioners](#)
  - [Small- and medium-sized firms](#)
- [Frequently Asked Questions: General ethics](#)

**6) If you find a material error and have a material weakness, how does that impact SKE analysis?**

A: Please refer to Question 10, "How should the peer reviewer evaluate other evidence in the working papers that may contradict conclusions that the firm has reached regarding independence evaluations" in the Peer Review resource, [Evaluation of a](#)

[Firm's Compliance with 2018 Yellow Book Independence Requirements Related to Nonaudit Services](#). This resource provides clarification on how noncompliance with 2018 Yellow Book independence requirements related to nonaudit services should be assessed from a peer review perspective.

**7) What if a firm had its review accepted and then accepted a single audit falling in its peer review year, though it had none previously?**

A: After the date of acceptance, neither the administering entity (AE) nor the reviewer have any obligation or expectation to perform any other peer review procedures with respect to the peer review report, acceptance letter, or letter of response, if applicable. However, if information comes to the attention of the AE or reviewer that the firm *performed* a single audit during the period covered by the peer review prior to its acceptance, and the reviewer did not consider or select a single audit, the committee should investigate whether the recall of peer review documents is appropriate. See PR-C section 400, Appendix C, "Considerations for the Recall of Peer Review Documents," for additional information on the recall of peer review documents.

As a reminder, if a firm, after the year-end of its engagement review, performs any engagement that would have required the firm to have a system review (such as a single audit engagement), the firm should 1) immediately notify the administering entity and 2) undergo a system review. The system review will ordinarily be due 18 months from the year-end of the engagement requiring a system review or by the firm's next due date, whichever is earlier (see paragraph .31 of PR-C section 100).

For additional questions contact the technical hotline at 919.402.4502, option 3, or [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org).

**8) Would an engagement quality control review (EQCR) reduce the familiarity threat to an acceptable level?**

A: It is possible that an EQCR could reduce familiarity threats to an acceptable level but it depends on the facts and circumstances of the engagement. Threats are at an acceptable level when a reasonable and informed third party would likely conclude that the firm could perform the audit without compromising integrity, objectivity, or professional skepticism (GAS paragraph 3.46). Auditors should apply professional judgment when evaluating threats, including consideration of both qualitative and quantitative factors.

## Session 01 AICPA Update

**1) Why are the bold, ambitious Accounting+ initiatives coming from the CAQ, not the AICPA?**

A: The pipeline challenge requires all hands-on deck. The pandemic has impacted the workplace and college enrollment. We welcome the CAQ's initiatives to help address these pressing issues. The CAQ is an affiliate of the AICPA, and its governing board consists of the CEOs of the eight largest firms that audit public companies, as well as Barry Melancon; together, these CEOs with their firms' support, have agreed to combine resources to fund the Accounting+ initiative for at least the next two years. Accounting+ is an image campaign using social media and influencers to attract high school students

to the profession. The initiative focuses on black and Latino students but will benefit all students.

**2) How does the AICPA see its role in reporting on controls over voting processes to boost confidence in free elections?**

A: As a profession, we have a role in providing assurance and reporting on controls over many processes. Trust and integrity are fundamental to the value CPAs bring to the market, and the profession has a history of stepping up when the market demands assurance over emerging areas. Voting is no different should we be called on to assist.

**3) How will the transformative programs using data analytics referred to in the presentation be woven into the standards?**

A: SAS No. 142 addresses technological tools and techniques. No specific program will ever be named in a standard; the goal is to make the principles-based standards encouraging of the use of these transformative programs.

## Session 02 Peer Review Update

**1) How can I get on a peer review team?**

A: Among other items, we recommend you regularly update your peer reviewer resume, allow your resume to be identified through the peer reviewer search available in the [public file](#) and contact your [administering entity](#) about ways you can be involved in peer review.

**2) We continue to hear complaints from firms that struggle to identify available qualified peer reviewers. What would you recommend to these firms?**

A: We first recommend that these firms use the [reviewer search](#) functionality in the public file available on the [peer review web page](#) or contact the relevant [administering entity](#) to see if it has recommendations. Next, we recommend that these firms be proactive and engage with a peer reviewer early in the process and not wait until the review's due date is on the horizon.

**3) Are there any plans within PRIMA to automate some more of the administrative process?**

A: Ultimately yes, that is the peer review team's goal. But when that will occur is to be determined.

**4) Is thought given to make significant changes in the PR process, like the new clarified standards, effective date after the annual conference? This would seem to be the optimal time for peer reviewers for new or revised standards to take effect.**

A: We consider a number of factors in determining the effective date of new or revised standards. In the example of clarified standards, the Peer Review Board certainly debated waiting until after the conference (and other trainings) occurred in the summer.

However, given the limited number of substantive changes and the amount of similar training over the past year and a half (including a session during the 2021 Conference), the PRB decided setting the effective date prior to the start of the 2022 peer review season would be most appropriate.

**5) Can you look at a more recent engagement in an engagement review?**

A: Ordinarily, no. The representation letter and peer review report indicate that the firm submitted, and the reviewer evaluated engagements with periods ending during the peer review year, respectively. However, see the [February 2022 Peer Reviewer Alert](#) for more information on considerations on selecting an engagement outside the peer review year in an engagement review.

### Sessions 03 & 04 Conference Cases

See the [Peer Review Training webpage](#) for a copy of the 2022 conference cases (including solutions) for both system reviews and engagement reviews.

### Session 05 Quality Management Standards

**1) With the implementation of the quality management standards, does it mean that firms no longer need a quality control document and a memo would be sufficient?**

A: A memo is likely sufficient now and it could continue to be sufficient. Practitioners just need to comply with the documentation requirements outlined in either standard.

**2) Is the evaluation requirement only a one-time requirement by December 15, 2026 or an annual requirement going forward?**

A: The evaluation would be required annually beginning by December 15, 2026.

**3) If a firm's internal monitoring does not identify any issues with the firm's system and engagements are clean, but the firm's peer review results in a 'fail' grade, is there an issue with the firm's internal monitoring?**

A: Yes, it would appear as though the firm is not properly performing (or has properly designed) its monitoring and that may impact the firm's peer review results. We will provide further guidance on how noncompliance with the quality management standards should be reflected in the peer review in the near term.

**4) When do you know when you have identified enough risks as part of the risk assessment process required in the quality management standards?**

A: Ultimately, that's a matter of professional judgment. However, if your firm has current policies and procedures (responses) and hasn't identified risks associated with them, that might be a sign that your firm doesn't have enough identified risks. If your firm has multiple risks that are covered by the same policies and procedures (responses), that could be a sign that the identified risks are too granular.

**5) How will the quality management standards affect firms that have an engagement review?**

A: At the current time (September 2022), the quality management standards do not impact the nature, timing or extent of an engagement review. However, the PRB's Standards Task Force will consider this and other potential impacts of the quality management standards on peer review standards and related guidance.

**6) Our firm doesn't necessarily have a consistent "managing partner." Can you explain how assignment of ultimate responsibility could be addressed by our firm?**

A: Paragraph .21(a) requires that the firm assign ultimate responsibility and accountability for the system of quality management to the firm's CEO or the firm's managing partner (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent). Each firm would need to determine what the appropriate assignment would be, based on the facts and circumstances of the firm.

**7) Can you clarify what is meant by inspections being required for a partner every 10 years?**

A: The firm must inspect completed engagements for each engagement partner on a cyclical basis. The cycle is determined by the firm. The lower the risk, the longer the cycle can be. For example, an engagement partner who only performs compilations and has not had deficiencies identified on his or her engagements would be at the longer end of the cycle, versus a new partner who performs audits in a specialized area.

**Session 06a Breakout Session for Peer Review Committee Members**

**1) How often does the Oversight Task Force (OTF) review the information related to reviewer performance?**

A: Quarterly.

**2) Are administering entities not performing annual inspections?**

A: Administering entities are no longer required to perform annual inspections; however, some are electing to perform administrative oversights in years when there is no oversight performed by a member of the OTF.

**3) Can you define an egregious act as it relates to peer review?**

A: PR-C Section 200, paragraph .A44 lists the following as examples as egregious acts a peer reviewer could commit:

- a. Signing false documents
- b. Failure to perform a Peer Review Board directive resulting from a hearing or review panel in a timely and professional manner
- c. Continuing to schedule or perform reviews after receipt of a required corrective action letter or settlement agreement from the AICPA Professional

Ethics Division that indicates the reviewer is restricted from performing reviews

- d. Failure to notify an AE when there has been a restriction placed by a regulatory, monitoring or enforcement body on the reviewer's ability to perform audit and attest engagements, and the reviewer continues to perform peer reviews
- e. Knowingly providing advice to a firm that is contradictory to the standards, such as informing the firm that it may distribute the peer review report prior to committee acceptance or omitting engagements from the scope of the review without the appropriate scope limitations or approvals in compliance with the guidance
- f. Use of confidential material obtained during the peer review to enhance the reviewer's own firm (such as a client listing)
- g. Failure to maintain qualifications or otherwise cooperate with the program (for example, not meeting licensure or regulatory requirements), leading the AE or firm to find another reviewer to complete the review and causing the firm harm

### Session 06b Breakout Session for Technical Reviewers

- 1) **Can you clarify the appropriate signature for supporting documentation related to a corrective action or implementation plan? For example, when the submission of monitoring report is required by the RAB, who should sign it?**

A: Ultimately it depends on the circumstances and the nature of the item being submitted as support for the completion of the corrective action. For example, for a subsequent monitoring report, a signature from the individual assigned ultimately responsible for the firm's system of quality control would likely be reasonable.

- 2) **On an engagement review, does PRIMA allow you to submit a peer review without the firm or individual licenses being uploaded?**

A: Evidence of firm and individual licenses are not required documents in PRIMA and a peer review can be submitted without them being uploaded. However, some AEs may require their submission and will ask for them to be uploaded.

- 3) **Should revisions be requested for FFCs or the peer review report when findings or deficiencies begin with "the firm's quality control policies and procedures ..." when the standards require a "reference to the applicable requirements of the Statements on Quality Control Standards"?**

A: Not likely, as the firm's QC policies and procedures should, at a minimum, meet the requirements of the QC standards. Therefore, by noting the firm's QC policies and procedures, the reviewer would be identifying the relevant QC standard. Additionally, the firm's QC policies and procedures might exceed what is required by the QC standards and therefore an explicit reference to the firm's policies and procedures may be necessary if noncompliance is associated with something that is

required by the firm's QC policies and procedures, but not necessarily the QC standards.

**4) What can you do if a firm objects to a RAB decision?**

A: We suggest you tell the firm to request a disagreement panel.

**5) Can you post a link to the single audit training course required for technical reviewers?**

A: Why, certainly. [Technical Reviewer Training for Single Audits | Courses | AICPA](#)

### Session 06c Breakout Session for Experienced Peer Reviewers

**1) Would it be difficult on a system review to have the same thing go wrong in both the prior and current peer reviews, but somehow have two different systemic causes, thus it not being a repeat finding?**

A: It is certainly possible. There are situations where a firm could address the systemic cause of a particular issue in the current peer review but then unintentionally create a secondary issue causing the same issue on the firm's next peer review.

**2) Are responses to the examples we discussed during the presentation available?**

A: Yes, the responses have been uploaded as a "handout" for the session at the Peer Review Conference web page included on [aicpaconferences.com](#).

### Session 06d Breakout Session for New Peer Reviewers

No questions were left unaddressed. An archive of the session is located on the Peer Review Conference web page included on [aicpaconferences.com](#)

### Session 07 Back to Basics

**1) In order to have a surprise engagement, do you have to perform the peer review on-site?**

A: No. Whether an engagement is selected as a "surprise" is based on risks identified by the peer reviewer and the proposed responses to those risks.

**2) Other than the EBP checklist, do any engagement checklists have bolded questions for which a "No" answer would presumptively indicate a non-conforming engagement?**

A: Currently, only the EBP checklist contains bolded questions. However, that is subject to change, as bolded questions may be incorporated into other checklists in future updates to help reviewers identify significant issues.

**3) Do the management representation letter and the firm’s letter of response, if applicable, need to be signed by the same person?**

A: Illustrations for both the management representation letter and letter of response indicate that they should be signed by members of management as described in paragraph .25 of section 200, General Principles and Responsibilities for Reviewers. This paragraph states these should be members of management the captain 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. As long as the individuals signing these letters meet this definition, they don’t necessarily need to be the same person. However, it is likely common that they will be.

**4) What are best practices in documenting risk associated QCMs that are not having these reviews or exams?**

A: Please see the [May 2022 Reviewer Alert](#) article “How to evaluate Quality Control Materials (QCM) in Peer Reviews under the Clarified Peer Review Standards” for guidance on how to address QCM in a peer review. As firms transition to the new quality management (QM) standards, their responsibilities regarding intellectual resources will increase, as will a peer reviewer’s responsibilities to evaluate the firm’s compliance with the QM standards related to intellectual resources. The peer review team is working with the standard setters to develop practice aids for firms and peer reviewers.

**5) Can the checklists be updated so “Yes,” “No” and “N/A” are in the same sequence on all checklists?**

A: All checklists use the same sequence except the quality control policies and procedures checklists (PRP Sections 4400-4650). While these checklists may be changed beforehand, at a minimum, the sequence will be revised when these checklists are updated for the quality management standards.

**6) If you, as the peer reviewer, consult with the technical reviewer and disagree on the type of report to issue before submitting to the RAB, should you consult with multiple technical reviewers to obtain multiple opinions or should you take other steps?**

A: You could certainly request that the technical reviewer present the peer review to the RAB with your original report rating, to have the RAB weigh in. Alternatively, if necessary, you can request a disagreement panel weigh in on the disagreement.

**7) Can you define electronic signature? Can a typed name on the document qualify as an electronic signature versus a signature validated electronically such as in Adobe?**

A: Ultimately, the peer reviewer, technical reviewer or RAB/committee will need to determine the adequacy of any non-manual signature (e.g., a document signed with a pen) included on any peer review documentation. Peer reviewers should be aware

of the risks associated with electronic signatures, some of which are outlined in a recent [Journal of Accountancy article](#).

**8) Does an industry concentration for purposes of determining a must cover industry equal 10% of a firm's total accounting and auditing hours including SSARS and non-examination SSAE engagements?**

A: No, Appendix C of PR-C section 210 indicates that the must cover categories include any industry that has a 10 percent or more concentration of the firm's audit practice.

**9) Do MFCs need to include if the engagements are nonconforming?**

A: No. While all nonconforming engagements should be documented on MFC forms, there are no explicit requirements as to what should be documented on the MFC form itself. However, documentation should provide enough information for the AE's peer review committee to determine whether the conclusion is appropriate.

### Session 08 Identifying and Writing Systemic Causes

**1) Can you expand on the phrase, "remember your role as an advocate for the firm"?**

A: We certainly wouldn't recommend a peer reviewer adopt an adversarial relationship with its peer review clients. While peer review clients often bristle at receiving feedback, peer reviewers should reinforce that their efforts are designed to help the firm improve as it relates to complying with relevant professional standards in all material respects. This includes identifying:

- Instances of noncompliance with the professional standards,
- Systemic causes as to why those instances of noncompliance occurred and
- Follow up actions that can address the systemic issue and help prevent those instances of noncompliance from occurring in the future.

**2) Is there guidance related to identifying systemic causes related to the "Tone at the Top" quality control element? These issues are often difficult to identify.**

A: Determining if a tone at the top issue exists is obviously a matter of professional judgment and depends on the nature and extent of issues identified during the peer review. Indicators of a tone at the top systemic cause include but are not limited to:

- Firm leadership not assuming ultimate responsibility for the firm's system of quality control
- The person(s) assigned operational responsibility for the firm's system of quality control by the firm's leadership does not have sufficient and appropriate experience to identify and understand quality control issues and develop appropriate policies and procedure or having the ability or authority to implement those policies and procedures

- Unclear or inconsistent, and frequent actions and messages from all levels of the firm's management that emphasize the firm's quality control policies and procedures
- The firm not establishing policies and procedures that address performance evaluation, compensation and advancement (including incentive systems) with regard to its personnel in order to demonstrate the firm's overarching commitment to quality. The firm not assigning management responsibilities so that commercial considerations do not override the quality of the work performed.
- The firm not providing sufficient and appropriate resources for the development, documentation and support of its quality control policies and procedures
- With respect to internal inspections, peer review and other third-party inspections, the firm's policies and procedures not ensuring the firm will consider the results of those inspections, identify the systemic cause of issues identified, appropriately remediate the firm's system of quality control or monitor compliance with revised policies and procedures
- Deficiencies identified during the peer review that can be attributed to multiple quality control elements
- Pervasive, firm-wide, noncompliance with applicable professional standards identified during the peer review

Don't be afraid to contact the [peer review hotline](#) or your [administering entity](#) if you believe a tone at the top issue exists and you would like a sounding board. While the hotline or AE can't tell you a tone at the top issue definitively exists, sometimes having an impartial individual to talk through your thought process with can be helpful.

### Session 09 AICPA Technical Hotline's Top A&A Issues Facing CPAs

Given the volume of unanswered questions, a separate Q&A document has been prepared and is available on the [Reviewer Training web page](#).