



Peer Review  
Program

# 2023 Conference Cases

**Engagement Reviews**  
*with solutions*

## CASE #1

### Evaluating and Aggregating Matters

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete:** 20 Minutes

#### **SCENARIO A**

The review captain on a peer review identified several “no” answers when reviewing the review engagements performed by the firm in accordance with AR-C Section 90. Multiple review engagements were selected as they were the only type of engagements that multiple partners within the firm performed. Based on these “no” answers, the review captain concluded that:

<b>Engagement Reference</b>	<b>“No” Answers</b>	<b>Disposition</b>
A	1	No MFC form necessary
A	1	MFC form only
A	2	FFC form
B	4	Deficiency
C	10	Significant Deficiency

When reviewing the workpapers submitted by the peer reviewer, the technical reviewer noted that none of the “no” answers from Engagement B were from the “List of Matters That Generally Would Result in a Deficiency” from paragraph .A31 of PR-C Section 220 (otherwise known as “Appendix A — Examples of Noncompliance With Applicable Professional Standards”)

#### **Question 1**

Is it appropriate for the peer reviewer to not include the one “no” answer from Engagement A on an MFC form? In other words, do all “no” answers need to be included on MFC forms in Engagement Reviews?

#### **Solution 1**

**Not all “no” answers identified in an Engagement Review need to be documented on an MFC form, although most will likely be so.**

Whether a “no” answer needs to be included on an MFC form is somewhat a matter of the peer reviewer’s professional judgment.

Paragraph .22 of PR-C Section 220 states, “the review captain should document a matter on a matter for further consideration (MFC) form when the review captain identifies one or more “no” answers on peer review engagement checklists that were not resolved to the review captain’s satisfaction”.

The most likely scenarios for a “no” answer to not be included on an MFC form are when the firm is subsequently able to show that the answer should have been “yes” or when the reviewer answers a question “no” but the noncompliance is so immaterial, the reviewer could have likely answered the question “N/A”.

*Note for discussion leaders:* You may elect to ask table participants to see when, if at all, they answer a question “no” but elect not to document the issue on an MFC form.

### **Question 2**

Is it appropriate for the peer reviewer to include the one other “no” answer from Engagement A on an MFC form, but not on an FFC form, or in the report? In other words, do all issues documented on MFC forms in Engagement Reviews need to also be included on an FFC form or in the peer review report?

### **Solution 2**

**All MFCs identified as part of an Engagement Review should either be included in an FFC form or as a deficiency on the peer review report.**

Paragraph .23 of PR-C Section 220 states: “The review captain should document a finding on a finding for further consideration (FFC) form when the review captain concludes the submitted engagement was not performed or reported on in conformity with the requirements of the applicable standards.”

Paragraph .24 of PR-C Section 220 states: “The review captain should document a deficiency in the report when the review captain concludes at least one engagement submitted for review was not performed or reported on in conformity with the requirements of the applicable standards in all material respects.”

Whether the instance of noncompliance, which warranted an MFC, goes on FFC form or in the peer review report as a deficiency depends on the significance of that instance of noncompliance.

Additionally, paragraph .25 of PR-C Section 220 states: “The review captain should complete a Disposition of Matter for Further Consideration (DMFC) for all MFCs, indicating whether each one was:

- a. included on a specific FFC form (individually or combined with other MFCs) or
- b. included as a deficiency (individually or combined with other MFCs) in a report with a peer review rating of pass with deficiencies or fail.”

As you can see, paragraph .25 does not include an option for leaving an instance of noncompliance as just an MFC.

### **Question 3**

Would Engagement A be considered non-conforming?

### **Solution 3**

**No. Given that no instances of non-compliance were deemed significant enough to warrant a deficiency in the report, the engagement would not be considered “non-conforming” from a peer review perspective.**

Per the definition of a deficiency in an Engagement Review (per paragraph .11 of PR-C Section 100), “One or more matters that the review captain concludes result in an engagement that is not performed or reported on in conformity with the requirements of applicable professional standards in all material respects. Deficiencies should be documented in a peer review report with a rating of pass with deficiencies or fail.”

Given this definition, any engagement that is not performed or reported on in conformity with the requirements of applicable professional standards in all material respects (i.e. “non-conforming”) would warrant a deficiency in the peer review report.

#### **Question 4**

Is a deficiency appropriate for Engagement B given that none of the “no” answers from Engagement B were from the “List of Matters That Generally Would Result in a Deficiency” from “Appendix A — Examples of Noncompliance With Applicable Professional Standards”.

#### **Solution 4**

**Possibly. The clarified peer review standards do not prohibit peer reviewers from concluding that an engagement is non-conforming even if none of the instances of non-compliance noted in the deficiency are individually matters that would generally result in a deficiency (i.e. non-conforming engagement). Ultimately, whether or not a deficiency exists is based on the judgment of the peer reviewer.**

Paragraph .21 of PR-C Section 220 states (emphasis added): “The review captain should determine the relative importance of matters noted during the review, individually *and in the aggregate.*”

Paragraph .A10 of PR-C Sections 220 states: “To determine whether a matter is elevated to a finding or deficiency, the review captain considers the matter’s nature and relative importance, if the matter is material to the understanding of the report or financial statements, or if the matter represents the omission of a critical procedure including documentation.”

Peer reviewers should document their judgment for these types of conclusions within the peer review checklists submitted to the AE or in a separate memo to assist the technical reviewer and the report acceptance body in the execution of the report acceptance process.

*Note for discussion leaders:* You may elect to ask table participants if they have ever determined an engagement to be “non-conforming” without having any issues included in the “List of Matters That Generally Would Result in a Deficiency”. If so, what types of scenarios led to this conclusion.

#### **Question 5**

Is a significant deficiency appropriate for Engagement C given the volume of issues noted by the peer reviewer?

#### **Solution 5**

**No. The concept of a significant deficiency no longer exists for Engagement Review. The issues for Engagement C (if the engagement is determined to be non-conforming) would be documented in a deficiency in the peer review report.**

For an Engagement Review, a pass with deficiency report is issued when “one but not all the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects” and a fail report is issued when “all the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects.”

In essence, the number of deficiencies dictates that type of report to be issued, not necessarily the severity of the deficiencies noted.

## CASE #2

### Materiality in a Review Engagement

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete:** 15 Minutes

#### **SCENARIO A**

A review captain is performing the peer review of Firm ABCD, a firm with four partners that only perform review engagements. As part of the engagement review, the review captain selected and reviewed a review engagement performed by each of the firm's four partners. During the peer review, the review captain noted the following:

- For partner A's review engagement, there was no evidence that a materiality calculation was performed. Partner A, new to the firm, commented that he was unaware that an explicit materiality calculation was required.
- For partner B's review engagement, a fluctuation analysis was performed between the prior year balance sheet and income statement amounts and the current year balances. A handful of differences noted had explanations on why the differences occurred, but no documentation existed as to how materiality was applied.
- For partner C's review engagement, the materiality calculation was based on the client's total assets. As part of its analytical procedures and inquiries, the firm noted that a large portion of assets was mistakenly included in the financial statements. Despite these assets being removed from the client's balance sheet, partner C did not modify the materiality calculation.
- For partner D's review engagement, another fluctuation analysis was performed between the prior year balance sheet and income statement amounts and the current year balances. The workpaper stated that based on its understanding of the business, they did not expect large fluctuations in account balances and would investigate any difference larger than a quarter of the materiality amount established or 10% of the current year balance. Explanations existed for each difference that met the threshold.

#### **Question 1**

Is Partner A's engagement non-conforming (in other words, not performed and reported on in conformity with applicable professional standards in all material respects)?

#### **Solution 1**

**Yes, generally speaking, if a firm does not determine materiality for the financial statements in a review engagement, the review engagement would likely need to be considered non-conforming from a peer review perspective.**

In this case, the firm did not establish materiality for the engagement. AR-C section 90 states that the accountant should determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures.

**Question 2**

Is Partner B's engagement non-conforming?

**Solution 2**

**Yes, generally speaking, if a firm does not apply the established materiality when designing the review procedures or evaluating the results of those procedures, the review engagement would likely need to be considered non-conforming from a peer review perspective.**

In this case, the firm did apply the established materiality for the analytical procedures performed as part of the engagement. AR-C section 90 states that the accountant should determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures.

**Question 3**

Is Partner C's engagement non-conforming?

**Solution 3**

**Yes, similar to questions 1 and 2, if a firm does not determine materiality for the financial statements in a review engagement or does not apply the established materiality when designing the review procedures or evaluating the results of those procedures, the review engagement would likely need to be considered non-conforming from a peer review perspective.**

In this case, the firm did not reevaluate materiality even though information was discovered that would have changed the materiality amount. AR-C section 90 states that the accountant should revise materiality for the financial statements as a whole if the accountant becomes aware of information during the review that would have caused the accountant to have determined a different amount initially.

**Question 4**

Is Partner D's engagement non-conforming?

**Solution 4**

**No, not based on the information provided.**

SSARS No. 25, Materiality in a Review of Financial Statements and Adverse Conclusions, explicitly established the following requirements for a review engagement conducted in accordance with AR-C section 90, Review Engagements:

- The accountant should determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures.
- The accountant should revise materiality for the financial statements as a whole if the accountant becomes aware of information during the review that would have caused the accountant to have determined a different amount initially

Based on the information provided, partner D appears to have complied with the relevant requirements.

Reviewers are reminded that AR-C Section 90 requires that the accountant should prepare review documentation in a timely manner that is sufficient to enable an experienced accountant, having no previous connection to the review, to understand:

- The nature, timing, and extent of the review procedures performed to comply with SSARSS
- The review evidence obtained from the review procedures performed and the accountant's conclusions formed on the basis of that review evidence
- Significant matters arising during the review, the accountant's conclusions reached thereon, and significant professional judgments made in reaching those conclusion

Given that the documentation of the materiality determination may vary significantly from firm to firm, peer reviewers, as always, need to avoid basing a “no” answer on a personal preference. Rather, reviewers need to use their professional judgment to identify and document unreasonable judgments made by the firm that lack support under professional standards.

**Question 5**

Based on these answers, what type of peer review report should be issued by the review captain?

**Solution 5**

**A pass with deficiencies report would be appropriate for Firm ABCD.**

Paragraph .34(o) of PR-C Section 220 states that in a report with a peer review rating of pass with deficiencies the peer reviewer should state that because of the deficiencies previously described, the review captain believes that at least one but not all the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.

In this case, not all of the engagements reviewed were non-conforming, specifically Partner D's engagement.



## CASE #3

### Critical Elements and Reviewer Judgment

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 10 minutes**

#### **SCENARIO A**

Crinkle & Associates, CPAs underwent their most recent peer review for the period of July 1, 20X2 through June 30, 20X3. The engagement listing provided to the peer reviewer, indicated that Crinkle performed one review engagement during the peer review period: a report on the comparative financial statements of Swagger Production, Inc. for the years ended December 31, 20X2 and 20X1. This review engagement was selected by the peer review team.

During the peer review team's procedures, it was noted that all elements of the review report were in accordance with paragraph .76 of AR-C section 90, *Review of Financial Statements*, with the exception of (1) a title that included the word "independent", and (2) the fact that the accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review, was not included under the "Accountant's Responsibility" heading of the report.

#### **Question 1**

Should this review engagement be considered nonconforming?

#### **Solution 1**

**Likely this review engagement should be considered nonconforming.**

Per Appendix A of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*, circumstances in which there is a failure to adopt current applicable professional standards, or the accountant's report does not contain critical elements of the current applicable professional standards, are considered to represent nonconforming engagements.

#### **SCENARIO B**

Instead of the findings outlined in Scenario A, assume that during the peer review team's procedures, it was noted that all elements of the review report were in accordance with paragraph .76 of AR-C section 90, *Review of Financial Statements*, with the exception of a title that included the word "independent".

#### **Question 1**

Should this review engagement be considered nonconforming?

#### **Solution 1**

**Not likely, however, circumstances may exist that influences a reviewer's judgment to conclude otherwise. For more information refer to solution discussion below at Scenario C.**

### **SCENARIO C**

Instead of the findings outlined in Scenarios A or B, assume that during the peer review team's procedures, it was noted that all elements of the review report were in accordance with paragraph .76 of AR-C section 90, *Review of Financial Statements*, with the exception of the fact that the accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review, was not included under the "Accountant's Responsibility" heading of the report.

#### **Question 1**

Should this review engagement be considered nonconforming?

#### **Solution 1**

**Not likely, however, circumstances may exist that influences a reviewer's judgment to conclude otherwise.**

**As noted in the solution to Scenario A, Appendix A of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*, circumstances in which there is a failure to adopt current applicable professional standards, or the accountant's report does not contain critical elements of the current applicable professional standards, are considered to represent nonconforming engagements.**

As always, it is important that professional judgment be exercised to determine what constitutes "critical elements".

The inclusions and requirements for an accountant's review report are listed in paragraph .76 of AR-C section 90, *Review of Financial Statements*. With respect to expressing the accountant's independence, there are two mentions:

.76a. "A title that includes the word independent to clearly indicate that it is the report of an independent accountant for a review engagement", and

.76eiii. "A section with the heading "Accountant's Responsibility" that includes the following statements... The accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review."

In Scenario B, Crinkle & Associates omitted the word "independent" from the title of the review report. However, based on the wording of the question ("it was noted that all elements of the review report were in accordance with paragraph .76 of AR-C section 90, *Review of Financial Statements*, with the exception of..."), one can assume the report complied with .76eiii and stated under the "Accountant's Responsibility" heading that the accountant was independent.

In Scenario C, Crinkle & Associates omitted the independence disclosure from the "Accountant's Responsibility" heading, but based on the wording of the question, one can assume the review report's title appropriately included the word "independent".

A peer reviewer alert article published in October of 2021 stated that if "firm did not include a statement that the accountant is required to be independent of the entity in

accordance with SSARS No. 25, but did include 'Independent' in the title of the report" that the engagement would generally not be considered nonconforming as even though the accountant should include this statement, a reasonably expected user may not be misled since the term "Independent" was included in the title. Reviewers are reminded that reviewer alert articles are not designed to be authoritative and ultimately, the PRB recognizes that each peer review is unique and that reviewers need to exercise professional judgment when forming conclusions.

While the example provided in the case may not cause too many differences in opinion among peer reviewers, it is intended to stress the importance of reviewer judgment, even in Engagement Reviewers.

## CASE #4

### Writing Deficiencies

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 15 minutes**

#### SCENARIO A

##### Background

Christopher Cummins is completing the review (engagement review) on Smith and Co. (the Firm, Smith) for the review period ending 3/31/2023.

At the conclusion of the review, Mr. Cummins has identified the following items:

- In 2 compilation engagements within the construction industry, disclosures related to material lease obligations were not included in the financial statements
- In 2 compilation reports, the report was not modified to reflect that management has elected to omit substantially all disclosures. This was determined to be a repeat deficiency.
- In 2 review engagements, expectations were not developed or documented for analytical procedures

In response, Mr. Cummins wrote the following deficiencies:

**Deficiency:** In the construction industry compilation engagements that we reviewed, we identified 2 engagements whereby the disclosures of material lease obligations, as required by GAAP were not included in the financial statements, and the omissions were not disclosed in the accountant's reports.

**Deficiency:** During our review, we noted 2 instances whereby the firm did not modify its compilation reports to reflect that management has elected to omit substantially all disclosures.

**Deficiency:** During our review, we identified several failures to adhere to applicable professional standards in conforming to Statements on Standards for Accounting and Review Services (SSARSs). Analytical procedures should be developed creating a set expectation for each line item and compared to the prior year balances to determine if fluctuations are appropriate.

##### Question 1

Are any revisions necessary to the deficiencies written by Mr. Cummins?

##### Solution 1

**The above deficiencies could be improved to fully comply with PR-C 220.34q and to adhere to other recommendations provided to peer reviewers when writing deficiencies.**

PR-C 220.34q states:

- q. in a report with a peer review rating of pass with deficiencies or fail:
  - i. include descriptions of the deficiencies (each of these should be numbered).
  - ii. if there are any repeat deficiencies, state that the deficiency was noted in the firm's previous peer review. (Ref: par. .A28–.A29)
  - iii. identify the level of service for any deficiencies. If the deficiency is industry specific, also identify the industry.

*Note for discussion leader:* Have the participants rewrite the deficiencies / give examples. Solutions may vary but should look like the following removing frequencies, removing potential preferences, and defining acronyms. Examples of how the deficiencies could be improved include:

Deficiency: In the construction industry compilation engagements that we reviewed, disclosures of material lease obligations and industry specific disclosures, as required by Generally Accepted Accounting Principles (GAAP) were not included in the financial statements, and the omissions were not disclosed in the accountant's reports.

Deficiency: During our review, we noted the firm did not modify its compilation reports to reflect that management has elected to omit substantially all disclosures. This deficiency was noted in the firm's previous peer reviews.

Deficiency: During our review, we identified several review engagements whereby analytical procedures were not appropriately performed in accordance with SSARs, specifically as it relates to the development of expectations.

*Additional Recommendations:*

*On an Engagement Review, written deficiencies should avoid:*

- a. including personal preferences. Deficiencies should be based on professional standards. Reviewers are occasionally surprised to find that some generally accepted professional standards are in reality, only a preferred treatment by their firm.*
- b. identifying the firm's policies and procedures.*
- c. referencing specific individuals, offices, or third-party practice aides.*
- d. using undefined acronyms such as GAAP, CPE, or FASB.*
- e. identifying the exact number or frequency of occurrence. Terms such as in some instances or frequently should be used in a written deficiency.*
- f. identifying references to specific technical standards, unless it is critical to the understanding of the deficiency, in which case the deficiency should be written in a sufficient and succinct manner describing the technical standards in the proper context. Otherwise, the use of the general term professional standards should be used in a written deficiency.*

**SCENARIO B**

Now assume Mr. Cummins identified the following items during a different peer review:

- On one construction compilation engagement, the firm failed to disclose the omission of substantially all disclosures

- Interest paid was inappropriately classified as investing activity (instead of operating) in the statement of cash flows for 2 review engagements
- The current portion of long-term debt was not disclosed or presented as a current liability for one review engagement
- The accounting policy related to inventory valuation and costs was inadequately documented in the notes to the financial statements for 3 manufacturing compilation engagements.

### **Question 1**

Which of the above items would classify as deficiencies?

#### **Solution 1**

**Based upon information presented, the first item would likely be classified as a deficiency. The other items would likely result in FFCs, with materiality being an important factor when making the ultimate determination.**

Guidance from PRC 220 paragraphs .23 and .24 states:

*.23 The review captain should document a finding on a finding for further consideration (FFC) form when the review captain concludes the submitted engagement was not performed or reported on in conformity with the requirements of the applicable standards.*

*.24 The review captain should document a deficiency in the report when the review captain concludes at least one engagement submitted for review was not performed or reported on in conformity with the requirements of the applicable standards in all material respects.*

Further, PRC 220 Appendix A contains a list of matters and findings that generally would not result in a deficiency as well as a list of matters and findings that would result in a deficiency.

### **Question 2**

For those items identified as deficiencies in question 2, draft a proposed deficiency to be included in the peer review report.

#### **Solution 2**

**Answers will vary, but discussion leaders could emphasize omitting personal preferences, specific numbers of engagements among other items. The following is an example of how it could be written:**

1. During our review, we noted an instance on a construction compilation engagement whereby the firm failed to disclose the omission of substantially all disclosures.

**At a minimum, written deficiencies need to comply with PRC 220 paragraph .34q as noted above.**

## CASE #5

### Writing FFCs

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 15 minutes**

#### SCENARIO A

##### Question 1

Engagement review findings should be written with an engagement focus. Which of the following situations would most likely **not** cause a RAB to delay acceptance in an engagement review?

- a. When the FFCs do not describe the scenario that led to the finding.
- b. When the FFCs do not provide reference to the nonconforming engagement, if applicable.
- c. When the FFCs contain grammatical errors and typos.
- d. When the FFCs do not identify the MFC that led to the finding.

##### **Solution 1**

**The correct answer is C.**

Item b in paragraph .A8 of PR-C Section 410, *The Report Acceptance Process*, states: "Acceptance of a peer review may be delayed in the following situations (this list is not all-inclusive):

- b. When FFCs:
  - i. have incorrect or missing references to the applicable professional standards;
  - ii. do not identify the MFC that led to the finding;
  - iii. incorrectly identify the type of matter;
  - iv. do not correctly identify whether the finding is a repeat;
  - v. do not describe the scenario that led to the finding;
  - vi. do not provide reference to the specific industry or engagement related to a nonconforming engagement, if applicable;
  - vii. do not have a clear description of the finding from the reviewer;
  - viii. are not signed by an authorized representative of the firm;
  - ix. or for system reviews, have incorrect or missing references to the applicable requirements of the Statements on Quality Control Standards"

Item b in paragraph .A12 of PR-C Section 410, *The Report Acceptance Process*, states: "Acceptance of a peer review may be deferred in the following situations (this list is not all-inclusive):

- b. When FFCs

- i. do not have a clear description of the finding from the reviewer and, on system reviews, do not include the systemic cause of the finding or
- ii. include a response from the reviewed firm that does not appear comprehensive, genuine, and feasible”

### **Question 2**

From the list below, select the item(s) that the reviewer should consider when reviewing and evaluating the firm’s response on the FFC.

- a. The firm’s actions taken or planned to remediate the findings.
- b. Any additional procedures to ensure the finding is not repeated in the future.
- c. The number of engagements the situation occurred.
- d. Timing of the remediation.
- e. Whether the firm’s actions are feasible, genuine, and comprehensive.

### **Solution 2**

**The correct answer is all of the above except C.**

Paragraph .28 of PR-C section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*, states: “The review captain should review and evaluate the responses on the FFCs and letter of response prior to the exit conference. The review captain should consider the following: (Ref: par. .A16–.A17)

- a. The firm’s response should include the firm’s actions taken or planned to remediate the findings or deficiencies, including timing of the remediation, and additional procedures to ensure the findings or deficiencies are not repeated in the future.
- b. The firm’s actions should be feasible, genuine, and comprehensive.
- c. If the firm has acted, the review captain should review documentation of actions taken and consider whether the actions are appropriate. (Ref: par. .A18)”

### **Question 3**

Which of the following statements is true regarding repeat findings in an engagement review?

- a. A finding in the current review for failure to disclose significant accounting policy related to advertising would be considered a repeat if the prior review had a finding for missing disclosures for advertising costs policy.
- b. A finding in the current review for failure to explain the degree of responsibility the accountant is taking with respect to supplementary information would be considered a repeat if the prior review had a finding for not clearly segregating supplementary information.
- c. A finding in the current review for incorrectly reporting net instead of gross numbers in the financing and investing activities on the statement of cash flows would be considered a repeat if the prior review had a finding for missing the adjustment for bad debt expense under operating activities on the statement of cash flows.
- d. A finding in the current review for failure to include required disclosures related to method of income recognition in financial statements where the cause was due to insufficient engagement partner review would be considered a repeat if the prior review had a finding for failure to include required disclosures concerning inventory valuation allowance in financial statements where the underlying cause was determined to be



insufficient detail and final review of working papers by the engagement partner as required by firm policy.

### **Solution 3**

**The correct answer is A.**

Paragraph .11 of PR-C 100, *Concepts Common to All Peer Reviews*, states: “**Repeat finding or deficiency (engagement reviews)**. An engagement finding or deficiency that is the same as noted in the prior review. (Ref: par. .A27)”

Paragraph .A27 of PR-C 100, *Concepts Common to All Peer Reviews*, states: “As an example, omitting the exact same disclosure in an engagement selected in the previous peer review and in an engagement selected in the current peer review would constitute a repeat finding or deficiency. Omitting one disclosure in an engagement selected in the previous peer review and omitting an entirely different disclosure in an engagement selected in the current peer review would not constitute a repeat finding or deficiency.”

### **Question 4**

Which of the following generally would **not** result in a deficiency due to the nature of the issues noted?

- a. On the compilation with disclosures engagement, we noted the financial statements were prepared using the cash basis reflecting titles normally associated with financial statements prepared under generally accepted accounting principles (GAAP) when the applicable financial reporting framework is not clearly identified.
- b. On the compilation without disclosures engagement, we noted the report stated the financial statements were prepared in accordance with “accounting principles generally accepted in the United States of America” when in fact, they were prepared on a tax basis. A similar issue was noted in the firm’s previous peer review.
- c. On the review engagement, we noted a capital lease was inappropriately accounted for as an operating lease.
- d. On the compilation with disclosures engagement, we noted a significant related party was not disclosed in the notes. A similar issue was noted in the firm’s previous peer review.

### **Solution 4**

**The correct answer is A.** The other selections would be indicative of matters that generally would result in a deficiency.

Appendix A of PR-C Section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*, identifies certain situations which generally would not result in a deficiency on an engagement review and other situations which generally would result in a deficiency. Under the heading of “Lists of Matters That Generally Would Result in a Finding” is: “Compiled financial statements prepared using a special purpose framework reflecting titles normally associated with financial statements prepared under GAAP when the applicable financial reporting framework is not clearly identified.”

Paragraph .11 of PR-C 100, *Concepts Common to All Peer Reviews*, states: “**Finding (engagement reviews)**. One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.”

Paragraph .11 of PR-C 100, *Concepts Common to All Peer Reviews*, states: **“Deficiency (engagement reviews).** One or more matters that the review captain concludes result in an engagement that is not performed or reported on in conformity with the requirements of applicable professional standards in all material respects. Deficiencies should be documented in a peer review report with a rating of *pass with deficiencies* or *fail*. (Ref: par. .A21)”

Paragraph .A21 of PR-C 100, *Concepts Common to All Peer Reviews*, states: “In all material respects” is a matter of professional judgment and is entity-specific based on size or nature, or both. Materiality is described as follows: Misstatements, including omissions, are material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.”

### **SCENARIO B**

You are performing the technical review of Murray, Knight, and Baxter, LLC engagement review and have received FFC 1 in the documentation submitted by the review captain. The relevant content of the FFC appears below.

*Reviewer’s Description of the Finding: Professional standards require the firm to identify and document all nonattest services provided during an attestation engagement. During my review I noted the firm did not document consideration of nonattest services on the review engagements reviewed.*

*Reviewed firm’s response: The firm is already using on all of its review engagements an independence checklist to ensure documentation and assessment of all nonattest services and their impact on independence.*

#### **Question 1**

What, if any, modifications would you suggest the review captain make to FFC 1 in order to comply with the standards?

#### **Solution 1**

**The reviewer has not fully complied with peer review standards, and the technical reviewer or RAB will likely request a revised FFC 1. The following are suggested areas for improvement:**

- **The description of the finding could be more detailed to assist the firm in their response. In this case, the description should include the exact reason why the documentation related to nonattest services did not conform to professional standards. A thorough description will enable the firm to provide a more meaningful response.**
- **The firm’s response is not specific as to what actions have been taken or will be taken to remediate the finding, including timing of the remediation.**
- **The firm’s response does not provide additional procedures to ensure the finding will not be repeated in the future.**

#### **Question 2**

Assume that the FFC 1 was revised to reflect the following:

*Reviewer's Description of the Finding: During our review we noted that the practitioner did not identify all nonattest services to be provided to the client in the engagement letter and the firm's quality control material. In addition, the practitioner did not evaluate multiple nonattest services provided to the entity that individually would not impair independence, but in the aggregate could rise to the level of independence impairment. The captain was satisfied the practitioner understands the nonattest standards and was independent of the clients on the two review engagements reviewed.*

*Reviewed firm's response: We agree that we did not address all nonattest services in the engagement letter and we did not document the cumulative effect of multiple nonattest services in the aggregate. Documentation will be added to have proper independence analysis on all future review engagements.*

What, if any, modifications would you suggest the review captain make to FFC 1 in order to comply with the standards?

### **Solution 2**

**The reviewed firm's response still does not contain the required elements. It does not describe the firm's actions taken or planned to remediate the finding, including timing of the remediation, and additional procedures to ensure the finding is not repeated in the future.**

An example of an appropriate reviewed firm's response would be: "We have met with our partners and supervisory personnel to discuss the importance of thoroughly reviewing engagement files as it pertains to independence documentation prior to issuance. Additionally, we have discussed the need to address all nonattest services in the engagement letter and document in writing the cumulative effect of multiple nonattest services in the aggregate. We have provided copies of the Engagement Independence Compliance and Nonattest Services Documentation Form, and the Engagement Acceptance and Continuance Form provided from PPC for their review and discussion. These required forms will also be communicated in our upcoming Wednesday team meeting to the rest of our staff."

## CASE #6

### Repeat Findings and Deficiencies

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 15 minutes**

#### **SCENARIO A**

Brown and Associates is performing the review of Clayton and Co. (CC) for the peer review year ending 6/30/2023. CC has 7 professionals and 2 partners focusing primarily on reviews, compilations and AUPs, with a few preparation engagements.

The prior peer review had the following FFC:

- Review engagement failed to disclose related party transactions

On the current review, the review captain selected two review engagements, one compilation and one AUP.

During the review, the captain identified the following:

- A finding that CC did not disclose the use of estimates in the review engagement

#### **Question 1**

Would the current review FFC be considered a repeat finding?

#### **Solution 1**

**No. This would not be a repeat finding based on PRC 100 – paragraph .A27. The current year finding is not the same disclosure as prior year.**

Though both findings are related to disclosures they are not considered substantially the same and thus would not be a repeat finding in an engagement review.

Paragraph .11 of PR-C section 100, *Concepts Common to All Peer Reviews* defines a repeat finding or deficiency for engagement reviews as the following: An engagement finding or deficiency that is the same as noted in the prior review. (Ref: par. .A27)

Paragraph .A27 of PR-C section 100, *Concepts Common to All Peer Reviews* discusses the following:

*As an example, omitting the exact same disclosure in an engagement selected in the previous peer review and in an engagement selected in the current peer review would constitute a repeat finding or deficiency. Omitting one disclosure in an engagement selected in the previous peer review and omitting an entirely different disclosure in an engagement selected in the current peer review would not constitute a repeat finding or deficiency.*

### **Question 2**

Would the FFC identified in the current peer review be considered a repeat finding if the prior review included a deficiency for failing to disclose the use of estimates in the engagements selected?

#### **Solution 2**

**Yes, though the prior review MFC was elevated to a deficiency whereas the current review MFC was elevated to an FFC (which can occur depending on the facts and circumstances of the engagement reviewed), this would be a repeat finding because the identified finding is substantially the same as noted in the prior peer review.**

### **SCENARIO B**

Brown and Associates is performing the review of Clayton and Co. (CC) for the peer review year ending 6/30/2023. CC has 7 professionals and 2 partners focusing primarily on reviews, compilations and AUPs, with a few preparations.

The prior peer review had the following two deficiencies:

- In aggregate, significant various disclosures were missing or incomplete (for example, failed to disclose related party transactions, maturities of debt due in 5 years)
- A deficiency on a compilation engagement due to failing to disclose the omission of substantially all disclosures

On the current review, the review captain selected two review engagements, one compilation and one AUP.

During the review, the captain identified the following:

- A deficiency on a construction industry compilation engagement, disclosures of material lease obligations and industry specific disclosures, as required by GAAP were not included in the financial statements, and the omissions were not disclosed in the accountant's reports

### **Question 1**

Does the deficiency relating to the missed disclosures on the compilation engagement represent a repeat deficiency?

#### **Solution 1**

**No, the deficiency is not a repeat due to the prior review missing disclosures being in-aggregate (and not industry specific) while the current year pertains directly to construction industry specific items being missed. The two are viewed as different.**

## CASE #7

### Performance Deficiency Letters and Corrective Actions

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 10 minutes**

#### **SCENARIO A**

Mr. Herring is serving as the review captain for the peer review of Harnett and Co. The Committee noted that Mr. Herring did not select an engagement from each partner, the report and representation letter required revisions, and the lack of applicable firm license was not documented on an FFC. The Committee noted that Mr. Herring has received feedback forms on over 50 percent of his peer reviews over the last three years for similar performance issues

#### **Question 1**

Can the Committee consider issuing a performance deficiency letter (PDL) in this situation?

#### **Solution 1**

**Yes, even though the performance findings individually do not necessarily rise to the level of a deficiency, the reviewer has exhibited a pattern and thus, a PDL is warranted.**

Paragraph .06 of PR-C section 430, *Reviewer Monitoring and Performance*, states: Performance deficiency letters (PDLs) are issued to improve reviewer performance and assist the committee in ensuring reviewers are fulfilling all reviewer responsibilities in the performance of reviews. PDLs should be issued when there is (Ref: par. .A6–.A8)

- a. a pattern of reviewer performance findings by a reviewer or
- b. more than one reviewer performance deficiency on one review (regardless of whether a pattern is present).

#### **SCENARIO B**

Mr. Lance is serving as the review captain for the peer review of Zephyr and Hominy PLLC. The Committee noted that Mr. Lance failed to conclude an engagement was nonconforming and ultimately resulted in a deficiency. The technical reviewer noted that Mr. Lance did not appear to have sufficient knowledge and experience required to identify and assess the impact of the noted issues prior to technical review. Mr. Lance has no prior history of pattern of performance feedback.

#### **Question 1**

Can the Committee consider issuing a performance deficiency letter (PDL) in this situation?

#### **Solution 1**

**Yes, even though the reviewer does not have a history of performance feedback, there is more than one reviewer performance deficiency noted on the Zephyr and Hominy PLLC peer review. In this case, the deficiencies are due to the reviewer failing to appropriately identify a nonconforming engagement and demonstrate**

**sufficient knowledge and experience required to review the engagement and identify issues prior to technical review, oversight, or RAB consideration.**

Paragraph .06 of PR-C section 430, *Reviewer Monitoring and Performance*, states: Performance deficiency letters (PDLs) are issued to improve reviewer performance and assist the committee in ensuring reviewers are fulfilling all reviewer responsibilities in the performance of reviews. PDLs should be issued when there is (Ref: par. .A6–.A8)

- a. a pattern of reviewer performance findings by a reviewer or
- b. more than one reviewer performance deficiency on one review (regardless of whether a pattern is present).

Paragraph .A3 of PR-C section 430, *Reviewer Monitoring and Performance*, states: Examples of reviewer performance deficiencies that may be documented on a reviewer performance feedback form include, but are not limited to, the following:

- a. Related to engagement selection and review, the reviewer
  - i. Did not appropriately identify a nonconforming engagement prior to technical review, oversight, or RAB consideration **and**
  - ii. Did not demonstrate sufficient knowledge and experience required to review the engagement and identify issues prior to technical review, oversight, or RAB consideration.
- b. Related to assessment and disposition of matters, the reviewer did not appropriately aggregate or evaluate matters noted on the review such that the RAB determined
  - i. a deficiency was present but the reviewer did not elevate the matter beyond a matter for further consideration (MFC) or
  - ii. a significant deficiency (or a *fail* report rating on an engagement review) was present but the reviewer did not elevate the matter beyond an FFC.

**Question 2**

Assume that the Committee decided to issue Mr. Lance a PDL. What information is typically included in a PDL? What type of corrective actions do you believe would be helpful for the reviewer in this situation?

**Solution 2**

**Given the nature of the deficiencies in this scenario, examples of appropriate corrective actions would be oversight until performance improves on all reviews for which he serves as a review or team captain on or pre-issuance reviews on all future engagements he reviews as part of a system or engagement review; however, the Committee can use judgements based on the details.**

Paragraph .07-.08 of PR-C section 430, *Reviewer Monitoring and Performance*, states: .07 A PDL should do the following: (Ref: par. .A9)

- a. State that improvements are needed in the performance of the reviewer.
- b. Include an explanation of the performance deficiencies.
- c. Indicate that the individual must agree to comply with one or more corrective actions or restrictions in order to continue performing reviews, such as, but not limited to, the following:
  - i. Oversight (at the reviewer's expense) until performance improves
  - ii. Consulting with the AE to discuss the planning and performance of the next review until performance improves

- iii. Submitting all reports and appropriate documentation on all outstanding peer reviews before scheduling or performing another review
  - iv. Having pre-issuance reviews of the report and peer review documentation on future peer reviews by an individual acceptable to the RAB (at the reviewer's expense)
  - v. Submitting evidence of completion of specified types of and amounts of CPE or training, or passing the related AICPA advanced certificate exam
  - vi. Removing or revising certain peer reviewer resume items until appropriate proof of experience and knowledge have been provided to the satisfaction of the RAB
- d. Specify whether any corrective actions or restrictions are specific to the individual's performance as a captain or team member, if applicable.
  - e. Indicate that other AEs will impose the preceding corrective actions or restrictions on the reviewer.
  - f. Indicate that the committee may request that the board remove the individual's name from the list of qualified reviewers if improvements are not noted in the performance of the reviewer on subsequent reviews or the reviewer refuses to cooperate, such as by failing to return a signed acknowledgment copy of the letter within 30 days from the date of the letter.
  - g. Indicate that the reviewer will be suspended from scheduling reviews and performing reviews that are scheduled but not commenced by all AEs if the reviewer has not acknowledged the letter within 30 days from the date of the letter.
  - h. Give the reviewer an opportunity to appeal the decision before a hearing panel of the board, via telephone conference or in writing. (Ref: par. .A9)
  - i. Indicate that a request for appeal must be made within 30 days of receipt of the letter and that the actions or restrictions outlined in the letter will remain in effect for all reviews that the reviewer commences, pending the appeal results.
  - j. Be copied and sent to the managing partner of the reviewer's firm if the reviewer is not a sole practitioner and be sent to all AEs for which the reviewer is scheduled to perform reviews or has performed a review in the past year.

.08 The entity issuing a PDL should document its communication (either through discussion or email) with the reviewer to ensure the reviewer is knowledgeable about the evidence supporting the PDL. (Ref: par. .A10)

### **Question 3**

Based on the above facts, Mr. Lance was issued a PDL requiring oversight until performance improves on all reviews for which he serves as a review or team captain on.

Would you expect these corrective actions to apply to the reviews he performs for AEs other than the one who issued the PDL?

### **Solution 3**

**Yes, corrective actions or restrictions included in a PDL should be adhered to by all AEs and current reviews evaluated by each AE.**

Paragraph .09 of PR-C section 430, *Reviewer Monitoring and Performance*, states: Corrective actions or restrictions included in a PDL should be adhered to by all AEs and applied to the individual's participation in the performance of any peer review unless the condition is specific to the individual's service as a team captain, review captain, or team



member. Corrective actions or restrictions included in a PDL should remain in effect for reviews that the reviewer commences after acknowledging receipt of the PDL until

- a. either the corrective actions and restrictions are withdrawn or
- b. the reviewer has appealed the PDL and the hearing panel determines that the corrective actions or restrictions should be removed or revised.

Paragraph .16 of PR-C section 430, *Reviewer Monitoring and Performance*, states: Because reviews will be in different stages of completion when a reviewer is issued a PDL, the AE should evaluate the situation and ensure appropriate actions are taken, if any, due to the PDL. (Ref.: par. .A16)

**Question 4**

How long is Mr. Lance required to comply with the corrective actions imposed by the PDL?

**Solution 4**

**The corrective actions or restrictions are in place until the Committee that issued the PDL determines they have been completed to its satisfaction.**

Paragraph .34 of PR-C section 200, *General Principles and Responsibilities for Reviewers*, states:

The committee (or its designated body) or board that issued the performance deficiency letter will determine when a corrective action is no longer required. To assist the committee (or its designated body) or board in making this determination, the reviewer should provide evidence that supports the reviewer's remediation of the related performance deficiency for each corrective action to the AE or board. (Ref: par. .A43)

## CASE #8

### Considerations for Written Representations

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete:** 20 Minutes

#### **SCENARIO A**

The review captain received the firm's written representations and noticed it didn't conform with the illustrative version included in paragraph .A19 (otherwise known as "Exhibit A – Illustrative Representation Letter") of PR-C Section 320, General Principles and Responsibilities for Reviewed Firms — Engagement Reviews. Specifically:

- a) Content in the letter was included in one long paragraph as opposed to individual paragraphs as shown in the illustrative version.
- b) The following representation from Exhibit A was omitted:
  - "This list included, but was not limited to, all engagements performed under Government Auditing Standards, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (SOC 1® and SOC 2® engagements), as applicable."

The firm informed the peer reviewer that they don't perform such engagements.

- c) The following representation related to the firm's system of quality control from Exhibit A was omitted:
  - "Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects")

The firm stated it does not have a system of quality control.

- d) The letter was not on the firm's letterhead and was signed only in the firm's name.

#### **Question 1**

Should the peer reviewer ask the firm to revise the representation letter to conform with the paragraph structure of the illustrative representation letter?

#### **Solution 1**

**No, the illustrative representation letter is merely designed to help reviewed firms comply with the requirements of paragraphs .16 and .17 of PR-C Section 320. It's use is not required.**

Furthermore, paragraph .A19 states "The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the review captain."

### **Question 2**

Can the peer reviewer require the firm to include the representation that was omitted as noted in item (b)?

#### **Solution 2**

**No, although the inclusion of this specific representation is strongly encouraged the firm could decline to include as it isn't explicitly required by the standards.**

While the inclusion of this sentence isn't explicitly required, the representation can assist the peer reviewer and the administering entity determine if the firm's peer review contains a material departure from the standards. In this case, not including a must-select engagement (which would also affect the type of peer review performed), would be considered a material departure. This could potentially lead to a recall of the peer review report as described in Appendix C of section 400

Additionally, the discussion related to this representation may help a firm realize that it has, in fact, performed an engagement that would require a system review. For example, Staff have historically identified several firms that were engaged to perform an audit of an employee benefit plan, but did not realize it would require a system review as it was "limited scope" (or in today's parlance, 103(a)3(c)).

Ultimately, however, the firm is only required to represent that:

- "Management has provided the review captain with all relevant information including all engagements with periods ending during (or, for financial forecasts or projections and agreed-upon procedures engagements, report dates in) the year under review" and
- "Management has disclosed to the review captain that the firm did not perform any engagements under the Statements on Auditing Standards (SASs) or Government Auditing Standards, examinations under the SSAEs, or engagements under the Public Company Accounting Oversight Board (PCAOB) standards that are not subject to PCAOB permanent inspection."

### **Question 3**

Should the peer reviewer ask the firm to include the representation related to the firm's system of quality control as noted in item (c)?

#### **Solution 3**

**No, as this representation would not be accurate from the perspective of this reviewed firm. However, the peer reviewer would likely need an alternative representation that accurately reflects the situation of this reviewed firm and its system of quality control, or lack thereof.**

Paragraph .17 of section 320 states "If, in addition to the representations required by paragraph .16, the review captain determines that it is necessary to obtain other representations based on the circumstances and nature of the peer review, the review captain should request such other written representations"

While PR-C section 320.16 states that a firm should state that "Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our

accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects” and paragraph .A19 of PR-C Section 320 states “The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the review captain.”

*Note for discussion leaders: Feel free at this stage to discuss the ramifications of not having a system of quality control on an engagement review. Specifically, that while required in accordance with Statements on Quality Control Standards No. 8 (i.e. QC Section No. 10), a failure to have documented QC policies and procedures will not impact the peer reviewer’s report. Table participants are also encouraged to discuss instances where they have encountered this situation and what they have done in response (e.g. alert the firm to resources they can use to develop a quality control document).*

#### **Question 4**

Should the peer reviewer ask the firm to provide a version the representation letter on the firm’s letterhead and signed by someone other than in the firm’s name?

#### **Solution 4**

**Yes. The representation letter is required to be on firm letterhead (in accordance with paragraph .16 of PR-C Section 320) and signed by members of management of the firm whom the captain or AE 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 (in accordance with paragraph .10 of PR-C Section 300, *General Principles and Responsibilities for Reviewed Firms*)**

## CASE #9

### Yellow Book Engagements for Commercial Entities

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 10 minutes**

#### **SCENARIO A**

Sharon Purcell is the review captain on the engagement review of Isner and Kubler LLC (the firm) for the year ending June 30, 2022. The firm indicates on their Engagement Summary Form in PRIMA that they perform five reviews and 20 compilations with disclosures. Ms. Purcell selected one review and one compilation with disclosures to cover all responsible parties and levels of service.

When reviewing the compilation with disclosure engagement, Ms. Purcell notices that the income statement for the entity, a motion picture theater operator, includes 10 million dollars in miscellaneous income that is cause for concern. During Ms. Purcell's discussion with the engagement partner, she learned that the income is from a Shuttered Venue Operators Grant (SVOG) that helped cover payroll costs during the COVID-19 pandemic. The engagement partner further indicated the firm is engaged to perform another engagement for the motion picture theater operator related to the SVOG award, specifically an engagement performed under the AICPA Statements on Standards for Attestation Engagements (SSAEs), with a year-end during the firm's peer review year. Ms. Purcell recalls reading in a Reviewer Alert (from the February 2023 Reviewer Alert) that many for-profit organizations are now subject to single audits or alternative engagements under *Government Auditing Standards* (also known as GAGAS or the Yellow Book) for the first time because of initiatives such as the Provider Relief Fund (PRF) and SVOG programs. After her discussion with the engagement partner, Ms. Purcell discussed the engagement with the AICPA Peer Review Program technical hotline, noting that for-profit entities that received SVOG awards have the option for a compliance examination engagement performed in accordance with the SSAEs and the Yellow Book to meet the U.S. Small Business Administration audit requirements.

#### **Question 1**

How might Ms. Purcell respond to the situation she encountered?

#### **Solution 1**

**Ms. Purcell should advise the firm that all engagements performed in accordance with the Yellow Book require a system review regardless of type and the review should be rescheduled to be performed after the compliance examination engagement is issued. Ms. Purcell should also bring this to the administering entity's attention.**

In this situation, Ms. Purcell would likely consider the following:

- Whether her firm is capable of performing the system review
- Whether Ms. Purcell is capable of reviewing the compliance examination engagement
  - A reviewer of Yellow Book engagements should meet the following criteria:

- Additional training on must-select engagements
- Be currently involved in such engagements in their own firm (“A” experience code)
- The reviewer’s firm should be a member of the AICPA Governmental Audit Quality Center
- Whether a team member may be necessary to perform the review
- Whether she can ensure that the team member possesses the necessary capabilities and qualifications
- Whether she can take ultimate responsibility for the work performed by the team member

In addition, the firm should take U.S. Government Accountability Office (GAO) requirements into account when requesting an extension. Administering entity extensions that exceed three months beyond the firm’s due date require concurrence from the GAO [2018 GAS par. 5.64].

Paragraph .09 of PR-C section 100, *Concepts Common to All Peer Reviews*, states: “Firms that perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or audits or examination engagements under PCAOB standards as their highest level of service must have system reviews. Firms are eligible to have engagement reviews if the highest level of service does not require a system review and is performed under the SSARSs or the SSAEs or is an other attestation engagement under PCAOB standards. (Ref: par. .A11)”

Paragraph .19 of PR-C section 200, *General Principles and Responsibilities for Reviewers*, states: “Before agreeing to perform a peer review, a reviewer should do the following:

- a. Obtain and consider information about the firm to be reviewed, including size, nature of practice, industry specializations, and levels of service. (Ref: par. .A28)
- b. Assess the reviewer’s own capability and availability to perform the peer review.
- c. Consider the review due date to account for adequate time to assess appropriate responses. (Ref: par. .A29)
- d. Consider the need for additional reviewers with appropriate levels of expertise and experience to perform the review.
- e. Consider the need for individuals with expertise in specialized areas to assist in a consulting capacity. (Ref: par. .A30)”

Paragraph .A21 of PR-C 200 states: “Current experience is performing, supervising, or carrying out a quality control function on an engagement with a report date within the last 18 months.”

Paragraph .06 of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, states: “In addition to the qualifications discussed in section 200, a reviewer of must-select engagements should meet the following criteria:

- a. Have completed additional training focused on must-select engagements that meets the requirements of the board. (Ref: par. .A2)
- b. Be presently involved in one of the following areas in the must-select engagements in the reviewer’s firm:
  - i. Supervising or performing engagements
  - ii. Performing engagement quality control reviews on engagements
  - iii. Performing the inspection of must-select engagements as part of the firm’s monitoring process
- c. Be employed by or be an owner of a firm that is a member of the respective audit quality center, if applicable.”

Paragraph .24 of PR-C section 210 states: “Engagements subject to selection for review should be those with periods ending during the year under review, except financial forecasts or projections and agreed-upon procedures engagements. For engagements without period ends, engagements with report dates during the year under review would be subject to selection. (Ref: par. .A20–.A21)”

### **Question 2**

What is a peer reviewer’s responsibility to determine whether the firm failed to appropriately perform an audit or an alternative engagement under the Yellow Book prompted by COVID-19 pandemic funding?

### **Solution 2**

**While there is no peer review guidance that mandates that the peer reviewer identify when the firm performs these engagements, there are some considerations that may be made in such circumstances. For example, consideration of the types of entities that may be prone to receiving this type of funding including, but not limited to:**

- **PRF- Hospitals physician groups, assisted living facilities, dental groups, behavioral health providers, nursing and custodial care facilities**
- **SVOG- Live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators**

A sampling of factors to consider as you plan your upcoming reviews include:

- Talk to your peer review clients about whether they have performed, been engaged to perform, or expect to be engaged to perform a single audit or other compliance examination engagement under Yellow Book with respect to the receipt of federal funds
- Consult with the administering entity if there are reasons to believe the firm’s list of engagements is not complete

- Consider whether the types of federal funding received affect planning or require additional emphasis in the current review, as applicable
- Review publicly available information, such as the [Shuttered Venue Operators Grantees - Dataset - U.S. Small Business Administration \(SBA\) | Open Data](#) or [Provider Relief Fund Payments and Data | HRSA](#), if deemed appropriate, to determine the completeness of the firm's engagement listing

### **Question 3**

In response to the issue outlined in Question 1, the firm performed the compliance examination engagement. Ms. Purcell believes she has the necessary capabilities and competencies and agrees to perform the firm's system review. What are the factors that Ms. Purcell should consider when addressing the must-select engagement omission?

### **Solution 3**

**Ms. Purcell should consider the impact of the must-select engagement omission on the peer review risk assessment and evaluation of the firm's system of quality control. Ms. Purcell should also gain an understanding of the firm's process for ensuring completeness of the engagement listing.**

A sampling of the quality control policies and procedures Ms. Purcell would likely consider include:

- *Client Acceptance and Continuance*- Whether engagement personnel have an adequate level of competency before accepting the engagement, have access to sufficient technical resources, and that appropriate ongoing continuing professional education (CPE) is provided to staff in this highly specialized field.
- *Human Resources*- What criteria is in place for determining personnel to be assigned to Yellow Book engagements, including partners, and whether the firm's quality control policies and procedures are appropriately designed to require specialized CPE in specialized areas.
- *Engagement Performance*- Is the criteria for performing engagement quality control review appropriate in the circumstances and does the firm intend to engage a third party for assistance?
- *Monitoring*- Does the firm have appropriate parties possessing current experience and knowledge of the accounting and auditing practices specific to Yellow Book engagements to monitor performance?
- *Relevant Ethical requirements*- Does the firm understand and have appropriate policies and procedures to address ethical requirements in the Yellow Book, including the additional requirements as it relates to performing nonaudit services?



## CASE #10

### Closing Meetings vs. Exit Conferences

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete:** 15 Minutes

#### **SCENARIO A**

Answer the following questions related to the requirements of closing meetings and exit conferences based on guidance included in PR-C section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*.

#### **Question 1**

Which of the following items should be discussed with the firm during the closing meeting and which should be discussed during the exit conference? (All answers are based on paragraphs .26 through .29 of PR-C Section 220).

A: The firm's required written representations

B: Peer review noncooperation implications of consecutive non-pass report ratings, if applicable

C: The appropriateness of the firm's responses to any matters, findings or deficiencies

D: The firm's requirement to respond to the MFCs, FFCs, or deficiencies included in the peer review report

E: Preliminary peer review results, including any matters, findings, or deficiencies, and the expected report rating

F: The firm's representation letter

G: Potential implications of the peer review acceptance process related to oversight procedures

H: Other suggestions and observations for the firm to consider.

#### **Solution 1**

**Items A, D, E and H should be discussed during the closing meeting. Items B, C, F and G should be discussed during the exit conference.**

Items to point include that:

- Item A relates to discussing the firm's responsibility to provide written representations as of the exit conference date. Item F relates to the discussion of the written representations provided by the firm (i.e. most likely if there are any issues that need to be addressed in the representation letter).
- While "other suggestions and observations for the firm to consider" can also be discussed during the exit conference, paragraph .26 of PR-C section 220 specifically states that this item be discussed during the closing meeting. Additionally, paragraph .A14 states: "Examples of other suggestions and observations include implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement."

Paragraphs .26 through .29 of PR-C section 220 states:

**“Communication Requirements for Closing Meeting and Exit Conference**

.26 Prior to issuing the report or finalizing MFCs and FFCs, if applicable, the review captain should communicate the conclusions to the firm at a closing meeting. The review captain should discuss the following during the closing meeting: (Ref: par. .A11–.A13)

- Preliminary peer review results, including any matters, findings, or deficiencies, and the expected report rating
- The firm’s requirement to respond to the MFCs, FFCs, or deficiencies included in the peer review report
- The firm’s required written representations d. Other suggestions and observations for the firm to consider (Ref: par. .A14)

.27 The closing meeting should be held within a reasonable time frame before the firm’s due date to allow enough time for the firm to determine appropriate remediation with respect to findings and deficiencies, if applicable. (Ref: par. .A15)

.28 The review captain should review and evaluate the responses on the FFCs and letter of response prior to the exit conference. The review captain should consider the following: (Ref: par. .A16– .A17)

- The firm’s response should include the firm’s actions taken or planned to remediate the findings or deficiencies, including timing of the remediation, and additional procedures to ensure the findings or deficiencies are not repeated in the future
- The firm’s actions should be feasible, genuine, and comprehensive.
- If the firm has acted, the review captain should review documentation of actions taken and consider whether the actions are appropriate.

.29 After the firm has responded to the MFCs, FFCs, and deficiencies in the report and the review captain has assessed whether the responses are appropriate and has considered any additional impact to the peer review results, the review captain should communicate the results to the firm at an exit conference. The review captain should discuss the following during the exit conference:

- The peer review results to be submitted to the AE, including any changes to the information communicated at the closing meeting after consideration of the firm’s responses to MFCs, FFCs, and deficiencies in the report
- The appropriateness of the firm’s response
- The firm’s representation letter
- Potential implications of the peer review acceptance process and their impact on the acceptance and completion of the peer review and on the reviewed firm’s enrollment in the program including, but not limited to:
  - corrective actions for deficiencies and implementation plans for findings, if applicable;
  - recommended report rating changes; and
  - oversight
- Peer review noncooperation implications of consecutive non-pass report ratings, if applicable”

**Question 2**

When should the closing meeting and exit conference be held in an Engagement Review and can they ever be combined?

**Solution 2**

The closing meeting should be held within a reasonable time frame before the firm's due date to allow enough time for the firm to determine appropriate remediation with respect to findings and deficiencies, if applicable. Generally speaking, a reasonable timeframe is around 30 days (Paragraphs .27 and .A15 of PR-C Section 220)

The exit conference should be held after the firm has responded to the MFCs, FFCs, and deficiencies in the report and the review captain has assessed whether the responses are appropriate and has considered any additional impact to the peer review results. (Paragraph .29 of PR-C Section 220).

The closing meeting and exit conference can be combined if the steps to 1) provide the firm with sufficient time to determine appropriate responses to the matters, findings, or deficiencies identified and 2) to provide the review captain with sufficient time to assess the firm's responses prior to the report date are not necessary or have occurred prior to any scheduled closing meeting. (Paragraph .A12 of PR-C Section 220)

**Question 3**

What recommendations would you have for new peer reviewers on how best to conduct a closing meeting or exit conference? Are there specific steps that you take to facilitate a robust discussion with the reviewed firm?

**Solution 3**

There is no "correct" answer to these questions, but rather Staff are hopeful these questions will lead to peer reviewers sharing ideas (for example, conducting the meetings via videoconference as opposed to solely over the phone) on how to get the most out of closing meetings and exit conferences.

## CASE # 11

### Engagement Selection

Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.

**Estimated Time to Complete:** 15 Minutes

#### **SCENARIO A**

A sole practitioner performs 12 monthly compilations of historical financial statements that omit substantially all disclosures for one client.

#### **Question 1**

What engagements should be selected for review?

#### **Solution 1**

**Ordinarily, a minimum of two engagements are required to be selected for review, so the peer reviewer should select two of the 12 monthly compilation engagements.**

Paragraph .13(c) of PR-C Section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*, states that “The review captain should select at least two engagements, unless only one is performed.”

#### **SCENARIO B**

The following matrix is derived from the firm’s Engagement Summary Form:

<u>Level of Service Provided</u>	<u>Number of Engagements Performed</u>		
	<u>Responsible Party A</u>	<u>Responsible Party B</u>	<u>Responsible Party C</u>
	<u>A</u>	<u>B</u>	<u>C</u>
R	-	4	4
C	24	-	-
CO	6	-	-

#### Level of Service Codes:

R – Review of historical or personal financial statements

C – Compilation of historical or personal financial statements with disclosures

CO – Compilation of historical or personal financial statements that omits substantially all disclosures

#### **Question 1**

What engagements should be selected for review?

**Solution 1**

The review captain should select a review engagement from Partner B and Partner C in addition to a compilation with disclosures and compilation without disclosures from Partner A.

Paragraph .13 of PR-C Section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*, states:

“The review captain should select the following:

- a) One engagement from each of the following levels of service performed by the firm:
  - o Reviews of financial statements (performed under SSARs)
  - o Compilations of financial statements with disclosures (performed under SSARs)
  - o Compilations of financial statements that omit substantially all disclosures (performed under SSARs)
  - o Engagements performed under the SSAEs other than examinations
- b) One engagement from each engagement partner responsible for the issuance of reports listed in item (a).
- c) At least two engagements, unless only one is performed

**SCENARIO C**

The following matrix is derived from the firm’s Engagement Summary Form:

<u>Level of Service Provided</u>	<u>Number of Engagements Performed</u>	
	<u>Responsible Party A</u>	<u>Responsible Party B</u>
	<u>A</u>	<u>B</u>
C	10	3
CO	6	-
AUP	-	3

Level of Service Codes:

C – Compilation of historical or personal financial statements with disclosures

CO – Compilation of historical or personal financial statements that omits substantially all disclosures

AUP – Agree upon procedures engagement

**Question 1**

Should the review captain select a compilation with disclosures engagement from both Partner A and Partner B?

**Solution 1**

No, the review captain does not need to select a compilation with disclosures engagement from both Partner A and Partner B. The review captain can meet the requirements by either selecting:

- A compilation with disclosures and a compilation without disclosures engagement from Partner A and an AUP engagement from Partner B OR

- **A compilation without disclosures engagement from Partner A and a compilation with disclosures and AUP engagement from Partner B.**

In addition to Paragraph .13 of PR-C Section 220 paragraph .15 states: “The review captain should select only the number of engagements needed to meet the requirements in paragraphs .13 and .14” (which outlines selection criteria for preparation engagements, which is covered in a subsequent case).

**SCENARIO D**

The following matrix is derived from the firm’s Engagement Summary Form:

<u>Level of Service Provided</u>	<u>Industry</u>	Number of Engagements Performed
		<u>Responsible Party A</u>
R	Construction	4
R	CIRAs	2
C	Construction	12

Level of Service Codes:

R – Review of historical or personal financial statements

C – Compilation of historical or personal financial statements with disclosures

**Question 1**

Is the review captain permitted to select two review engagements, one from each industry?

**Solution 1**

**No. As previously stated the review captain should select only the number of engagements needed to meet the requirements in paragraphs .13 and .14. In this case, the review captain could meet the requirements by selecting a singular review engagement (from either industry) and a compilation with disclosures engagement.**

**SCENARIO E**

The following matrix is derived from the firm’s Engagement Summary Form:

<u>Level of Service Provided</u>	<u>Industry</u>	Number of Engagements Performed
		<u>Responsible Party A</u>
R	Construction	4
R	CIRAs	2

Level of Service Codes:

R – Review of historical or personal financial statements

**Question 1**

Is the review captain permitted to select two review engagements, one from each industry?

**Solution 1**

**Yes, as a minimum of two engagements is required to be selected when possible, the peer reviewer may determine that selecting an engagement from each industry is appropriate.**

Alternatively, the peer reviewer may also decide to select two of the construction review engagements or to select both of the CIRA review engagements. While there is no formal risk assessment associated with an engagement review, the peer reviewer may include consideration of industries when selecting engagements to review (per paragraph .A7 of PR-C section 220).

## CASE #12

### Selecting Preparation Engagements

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete: 15 minutes**

#### **SCENARIO A**

Walter Payton is the peer reviewer for Chicago and Company, LLP (the firm). The firm is small with one office, two A&A partners, and one additional A&A professional. The two partners perform only compilation and preparation engagements, and no other individuals are responsible for performing these engagements or issuing reports.

The firm performs the following engagements:

	<i>Partner 1</i>	<i>Partner 2</i>
Compilations with disclosures	5	
Compilations without disclosures		15
Preparations with disclosures	38	

#### **Question 1**

Based on the fact pattern above, would a preparation engagement be selected to meet the requirements for an engagement review?

#### **Solution 1**

**No, a preparation engagement would not be selected.**

Engagement review selection guidance is located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*:

.13 The review captain should select the following: (Ref: par. .A6–.A7)

- a. One engagement from each of the following levels of service performed by the firm:
  - i. Reviews of financial statements (performed under SSARSs)
  - ii. Compilations of financial statements with disclosures (performed under SSARSs)
  - iii. Compilations of financial statements that omit substantially all disclosures (performed under SSARSs)
  - iv. Engagements performed under the SSAEs other than examinations
- b. One engagement from each engagement partner responsible for the issuance of reports listed in item (a).
- c. At least two engagements, unless only one is performed

.14 The review captain should select a preparation engagement only in the following instances:

- a. It is the only level of service performed by the engagement partner.
- b. It is the only engagement performed with disclosures.



- c. It is the only engagement performed without disclosures.
- d. Doing so is necessary to meet the minimum requirement of two engagements selected for review.

.15 The review captain should select only the number of engagements needed to meet the requirements in paragraphs .13 and .14.

**Question 2**

During the closing meeting it is determined that the firm entered information about the practice’s preparation engagements into the PRI incorrectly. Instead of performing preparations with disclosures, the firm actually performs preparations *without* disclosures. Based on the updated facts, would a preparation engagement be selected to meet the requirements for an engagement review?

**Solution 2**

**No, a preparation engagement would not be selected.**

Based on the guidance located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*, requirements would be met by selecting a compilation with disclosures from Partner 1 and a compilation without disclosures from Partner 2.

**SCENARIO B**

Walter Payton is the peer reviewer for Chicago and Company, LLP (the firm). Chicago and Company, LLP is a firm with one office, three A&A partners, and two additional A&A professionals. The three partners perform only compilation and preparation engagements, and no other individuals are responsible for performing these engagements or issuing reports.

The Firm performs the following engagements:

	<i>Partner 1</i>	<i>Partner 2</i>	<i>Partner 3</i>
Reviews	3		6
Compilations with disclosures		13	
Compilations without disclosures			
Preparations with disclosures	4		8
Preparations without disclosures		10	

**Question 1**

Based on the fact pattern above, would a preparation engagement be selected to meet the requirements for an engagement review?

**Solution 1**

**Yes, a preparation engagement would be selected.**

Engagement review selection guidance is located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*.

Based on this guidance, the Mr. Payton should select the following engagements for review:

- Review engagement from Partner 1
- Compilation with disclosures from Partner 2
- Review engagement from Partner 3
- Preparation without disclosures from Partner 2

**Question 2**

During an initial planning call, it is determined that the firm entered information about the practice's preparation engagements into the PRI incorrectly. Instead of Partner 2 performing compilations with disclosures, he actually performs compilations *without* disclosures. Based on the updated facts, would a preparation engagement be selected to meet the requirements for an engagement review?

**Solution 2**

**No, a preparation engagement would not be selected, as all selection criteria would be met by selecting other engagements.**

In this case, the selection requirements would be met through the selection of partner 2's compilation engagement (given that both the compilation and preparation engagements performed by partner 2 omit disclosures). Engagement review selection guidance is located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*.

**SCENARIO C**

Consider each of the following questions independently.

**Question 1**

A sole practitioner performed three compilations with disclosures and two preparations without disclosures. What is an appropriate engagement selection?

**Solution 1**

**One compilation with disclosures and one preparation without disclosures would be selected.**

Engagement review selection guidance is located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*.

**Question 2**

A sole practitioner performed three compilations with disclosures and two preparations with disclosures. What is an appropriate engagement selection?

**Solution 2**

**Two compilations with disclosures would be selected.**

Engagement review selection guidance is located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*.

**Question 3**

A sole practitioner performed one review, three compilations with disclosures, and two preparations without disclosures. What is an appropriate engagement selection?

**Solution 3**

**One review, one compilation with disclosures, and one preparation without disclosures would be selected.**

Engagement review selection guidance is located within paragraphs .13 - .15 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*.

**Question 4**

A sole practitioner performed two preparations without disclosures and four agreed upon procedures (AUP) engagements. What is an appropriate engagement selection?

**Solution 4**

**One preparation without disclosures and one AUP engagement would be selected.**

Paragraph .14 of PR-C section 220, *General Principles and Responsibilities for Reviewers – Engagement Reviews*, states: “The review captain should select a preparation only... [when] it is the only engagement performed without disclosures.”

By practical application, an AUP engagement cannot omit disclosures as this is not a concept discussed by the SSAEs.

## CASE #13

### Engagement Review Potpourri

**Consider each scenario separately related to engagement reviews. It is assumed that each question is separate from the previous or following question within the scenario, unless otherwise indicated.**

**Estimated Time to Complete:** 15 Minutes

#### **Question 1**

Which training course is required for review captains?

- A. Must select training course for reviewers of EBP engagements
- B. Must select training course for reviewers of governmental engagements
- C. Technical Reviewer Update training course
- D. Peer Review Update course

#### **Solution 1**

**Option D, Peer Review Update course. This is the only course among those listed that counts toward ongoing training for team and review captains.**

Paragraph .06 of PR-C Section 220 states "In addition to meeting the requirements in section 200, a review captain should complete initial and ongoing peer review training that meets the requirements established by the board."

#### **Question 2**

What is the most appropriate number of team members for an Engagement Review?

- A. Zero
- B. One
- C. Two
- D. It depends.

#### **Solution 2**

**Option D, while most Engagement Reviews can be performed exclusively by the review captain, it may be beneficial to have team members on some Engagement Reviews for various reasons. Peer review guidance does not limit the amount of team members that can participate in an Engagement Review. and review captains can add team members based on the facts and circumstances of the peer review.**

**For example, a review captain may find it beneficial to train a new peer reviewer in their firm by having them participate in an Engagement Review.**

Paragraph .22 of PR-C Section 200 states "A captain should assemble a review team of one or more individuals depending on the size and nature of the reviewed firm's practice and other factors."

#### **Question 3**

If the firm does not possess the required applicable licenses to perform accounting and auditing engagements anytime during the peer review year through the issuance dates of the reviewed engagements, the review captain must document this on:

- A. Review Captain Summary form
- B. MFC
- C. FFC
- D. The peer review report as a deficiency

**Solution 3**

**Answer C, FFC form.**

Paragraph .11 of PR-C Section 220 states “If a firm does not possess the required applicable licenses to perform accounting and auditing engagements anytime during the peer review year through the issuance dates of the reviewed engagements, the review captain must document this on an FFC.”

**Question 4**

If an individual does not possess a current individual CPA license as required by state boards of accountancy, the review captain must document this on:

- A. Review Captain Summary form
- B. MFC
- C. FFC
- D. The peer review report as a deficiency

**Solution 4**

**Answer D, the peer review report as a deficiency.**

Paragraph .12 of PR-C Section 220 states “If an individual with reporting responsibility does not have a current individual license to practice public accounting as required by state boards of accountancy, the review captain should consider the engagements reported on by that individual as not performed or reported on in conformity with applicable professional standards in all material respects (nonconforming).”

Paragraph .11 of PR-C Section 100, *Concepts Common to All Peer Reviews*, states that a deficiency for engagement reviews is “One or more matters that the review captain concludes result in an engagement that is not performed or reported on in conformity with the requirements of applicable professional standards in all material respects. Deficiencies should be documented in a peer review report with a rating of pass with deficiencies or fail.”

**Question 5**

The review captain should determine if the firm and its personnel are in compliance with licensure requirements of the state boards of accountancy in which the firm and its personnel practice for the peer review year through \_\_\_\_\_:

- A. the issuance dates of the reviewed engagements
- B. the peer review year end
- C. the peer review due date
- D. the peer review acceptance date

**Solution 5**

**Answer A, the issuance dates of the reviewed engagements.**

Paragraph .09 of PR-C Section 220 states “The review captain should determine if the firm and its personnel are in compliance with licensure requirements of the state boards of accountancy in which the firm and its personnel practice for the peer review year through the issuance dates of the reviewed engagements”

**Question 6**

Which of the following documents is not submitted to the administering entity unless that administering entity is the National Peer Review Committee?

- A. Review Captain Summary
- B. Firm’s Representation Letter
- C. DMFC, if applicable
- D. Engagement questionnaires or checklists

**Solution 6**

**Answer D, Engagement questionnaires or checklists.**

Paragraph .35 of PR-C Section 220 states “Within 30 days of the exit conference date or by the firm’s peer review due date, whichever date is earlier, the review captain should submit to the AE or complete electronically, as applicable, the following documents:

- Report and letter of response, if applicable
- Review Captain Summary
- Review summary
- FFC forms, if applicable
- MFC forms, if applicable f. DMFC, if applicable
- Firm’s representation letter”

Paragraph .36 of PR-C Section 220 states “For all reviews administered by the National Peer Review Committee, the review captain should submit the following documents, as applicable:

- a. All documents required by paragraph .35 to be submitted for engagement reviews
- b. Engagement questionnaires or checklists”

**Question 7**

Discussion Time! What do you find to be the most challenging aspect of performing Engagement Reviews? Or put another way, what is the one thing you would change about Engagement Reviews if you could?

**Solution 7**

**This question is intended to generate discussion among table participants. If discussion leaders believe any salient points are raised during the discussion, please bring those to the attention of Staff (through any informal means necessary, such as verbally, on a notepad, bullets in an email, etc., whatever is easiest).**



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