



Peer Review  
Program

# 2023 Conference Cases

**Engagement Reviews**

*without 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?

#### **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?

#### **Question 3**

Would Engagement A be considered non-conforming?

#### **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”.

**Question 5**

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

## 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)?

#### **Question 2**

Is Partner B's engagement non-conforming?

#### **Question 3**

Is Partner C's engagement non-conforming?

#### **Question 4**

Is Partner D's engagement non-conforming?

**Question 5**

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

## 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?

#### **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?

#### **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?

## 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?

#### **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?

**Question 2**

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



## 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?

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

##### 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.

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

##### Question 3

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

- 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.
- 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.
- 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.
- 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.

#### **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.

#### **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?

#### **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?

## 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?

#### **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?

#### **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?

## 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?

#### **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?

#### **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?

#### **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?

#### **Question 4**

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

## 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?

#### **Question 2**

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

#### **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)?

#### **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?

## 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?

#### **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?

#### **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?



## 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.

##### **Question 2**

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

##### **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?

## 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?

#### **SCENARIO B**

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

<u>Level of Service Provided</u>	Number of Engagements Performed		
	<u>Responsible Party A</u>	<u>Responsible Party B</u>	<u>Responsible Party 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?

#### **SCENARIO C**

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

<u>Level of Service Provided</u>	Number of Engagements Performed	
	<u>Responsible Party A</u>	<u>Responsible Party 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?

**SCENARIO D**

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

		Number of Engagements Performed
<u>Level of Service Provided</u>	<u>Industry</u>	<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?

**SCENARIO E**

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

		Number of Engagements Performed
<u>Level of Service Provided</u>	<u>Industry</u>	<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?

## 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?

#### **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?

#### **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?

**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?

**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?

**Question 2**

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

**Question 3**

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

**Question 4**

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

## 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

#### **Question 2**

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

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

#### **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

#### **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

#### **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

**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

**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?



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