

Reviewer alert

May 2023

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May Peer Review Board Meeting Update

On May 3, the Peer Review Board (PRB) met and discussed various topics including:

- The proposed Peer Review Standards Update No.1, Omnibus Enhancements and Technical Corrections was approved unanimously effective for reviews commencing on or after June 1, 2023.
 - Examples of approved guidance clarification or correction included in the update include:
 - For administering entities, the inclusion of current examples of familiarity threat policies and procedures
 - Reviewers are to select an audit of financial statements performed according to government auditing standards
 - Previous guidance solely said “an engagement”
 - Reviewers are required to assess the design of a firm’s quality control policies and procedures as part of planning a peer review
 - Review captains should also complete required initial and ongoing peer review training
 - Examples of guidance changes included in the update include:
 - SOC 1 versus SOC 2 engagement selection becomes entirely based on peer reviewer judgement
 - A summary of known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies is no longer required in the firm representation letter
 - The requirement for technical reviewers to obtain specific training in single audit engagements is now limited to technical reviewers performing

technical reviews of firms that performed governmental engagements for the first time

- The [2022 AICPA Peer Review Board Annual Report on Oversight](#) which is available on the peer review website and provides information on the results of program oversight procedures.

Meeting Highlights

Summaries of other items discussed are included in the meeting highlights which will be available shortly on the AICPA's peer review web site. Any questions about the meeting highlights can be directed to [Peer Review Staff](#).

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What's New in the Peer Review Program Manual (PRPM)

The May 2023 PRPM update will be available on the [Peer Review website](#) and in the Online Professional Library (OPL)¹ to subscribers by the end of May. The update is effective for reviews commencing on or after June 1, 2023. Updated practice aids have an "May 2023" date at the top.

The update consists of:

- [Clarified AICPA Standards for Performing and Reporting on Peer Reviews](#) (clarified standards) updated for [Peer Review Standards Update \(PRSU\) No. 1, Omnibus Enhancements and Technical Corrections](#). Revisions were made for clarification and technical accuracy and are described in more detail in the PRSU.
- [Updates to most audit engagement checklists and their profiles, all SSARS engagement checklists, and the financial reporting and disclosure checklist](#) for certain accounting and auditing standards updates²; to address exposure to or holdings in digital assets³; and to inquire whether it appeared the client received federal funding, including COVID-19 funding, based on inquiry of the accountant or review of engagement files, and whether appropriate procedures were performed to determine if a single audit or other engagement under *Government Auditing Standards* was required.⁴
- [21,150A Reporting on Controls at a Service Organization Checklist \(SOC 2® Reports\)](#) added to reflect SSAE No. 21 and the updated AICPA Guide (see May 2023 Reviewer's alert [SOC 2 Peer Review Checklist Updated](#) for additional details).

¹ To access OPL, visit the purchases tab under your profile when you log in to www.aicpa-cima.com.

² Each checklist indicates the guidance it has been updated through. Some checklists are pending future additional updates.

³ The audit engagement checklists now also include a reference to the practice aid titled "[Accounting for and auditing of digital assets](#)" that may be a helpful resource to reviewers who have selected engagements where the entity under audit has material holdings, transactions, or involvement in the digital assets ecosystem.

⁴ For additional information, see articles titled, "Are Your Peer Review Clients Performing New Yellow Book Services?" and "Yellow Book Engagements Subject to Selection" in the [May 2022 Reviewer alert](#).

- For alternative practice structures (APS) created through outside investments, 5100 Supplemental Guidelines for Review and Testing of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With a CPA Firm was expanded to include required procedures and considerations around the quality control changes and risks associated with APS that are created through outside investments by private equity, wealth management or similar type firms. The PRI will be updated in its next release to ask firms to provide information about outside investments and APS.
- 4800 SRM new questions related to:
 - Emerging accounting areas (such as digital assets)⁵ or those having a large impact on the profession (such as alternative practice structures)
 - Re-evaluation of control risk in response to any identified matters, findings, deficiencies, or significant deficiencies based on review of engagements or tests of compliance with the firm's quality control policies and procedures
 - Conforming changes
- Conforming changes to the:
 - 4900 *Team Captain Checklist*
 - 4950 *Technical Reviewer's Checklist for System Reviews*
 - 6300 *Review Captain Checklist*
 - 6950 *Technical Reviewer's Checklist for Engagement Reviews*
 - *SSARS Profile*
 - *SSAE Profile*
 - Practice Management Toolkits:
 - 24,190 *Illustrative Representation Letter – System Review*
 - 24,300 *Illustrative Examples of the Reviewer's Report – System Reviews*
 - 25,240 *Illustrative Representation Letter – Engagement Reviews*
- Elimination of 2011 Yellow Book versions of 4,400; 22,110 and 22120, and renumbering of the 2018 Yellow Book versions to eliminate the suffix A

Reminder: Use the [Table of PRPM Sections](#) to determine the current version dates for any practice aid, and use the most current version of a practice aid that is available as of a peer review's commencement date.

Next PRPM update: The next update is currently scheduled for Fall 2023.

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Get Ready for Your Upcoming Peer Reviews

If you missed the May Reviewer Forum, you missed a great conversation about important items to be aware of as you prepare for your upcoming peer reviews. And while we certainly encourage you to listen to the [archive of the forum](#), we also wanted to outline some of the key takeaways from the conversation here in case you need them.

Key takeaways included, but were not limited to:

- A reminder about the appropriate use of extensions, as first communicated in the February 2023 reviewer alert
- Be sure to do the following to increase the chances of an efficient remote peer review:

⁵ The PRI will be updated in its next release to ask firms to provide information about digital assets.

- Confirm accuracy of PRI
- Block off appropriate time
- Understand the technology used by the firm
- Consider file security
- Be knowledgeable of recent guidance changes as summarized in the May PRB meeting update article
- Be knowledgeable of recent changes to the Peer Review Program Manual, which are effective for reviews commencing on or after June 1, as summarized in the What's New in the PRPM article
- Consider risks associated with recent government funding on the scope of the peer review
 - For example, your peer review client may have engagements that should be performed in accordance with the Yellow Book and be completely unaware!
- And finally: DOCUMENT, DOCUMENT, DOCUMENT!
 - Your rationale for conclusions made during the peer review should be clearly and sufficiently documented to avoid technical reviewer questions or further requests from the RAB

As you begin to perform your upcoming peer reviews, please don't hesitate to reach out to your administering entity or peer review's technical hotline (919.402.4502, option 3, or prptechnical@aicpa.org) if you have questions!

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2018 Yellow Book Q&A for Peer Reviewers

The resource, [Evaluation of a Firm's Compliance with 2018 Yellow Book Independence Requirements Related to Nonaudit Services](#), has been updated and is now available online. This version reflects new inquiries received by Peer Review staff on whether there is a departure from professional standards and the impact of that departure on the engagement. In addition to providing example scenarios to help you identify potential Yellow Book independence quality problems with the performance of nonaudit services, a decision tree is included as a pictorial to assist you when reviewing a Yellow Book engagement.

Key topics include, but are not limited to:

- Noteworthy differences in applying the AICPA Code of Professional Conduct and the 2018 Yellow Book
- Detail-rich examples and scenarios to help you identify potential Yellow Book independence quality problems with performance of nonaudit services
- Tools to evaluate compliance with 2018 Yellow Book independence requirements related to nonaudit services

For additional questions contact the technical hotline at 919.402.4502, option 3, or prptechnical@aicpa.org.

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SOC 2 Peer Review Checklist Updated

PRP Section 21,150A Reporting on Controls at a Service Organization Checklist (SOC 2® Reports) (For Engagements Performed in Accordance with SSAE No. 21) (SOC 2 Checklist)

was revised primarily to reflect updated attestation standards and revisions to the AICPA Guide “SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy” (SOC 2 Guide).

The revised SOC 2 Checklist:

- Reflects updated attestation standards as well as updated guidance from the revised SOC 2 Guide in areas such as:
 - Risk assessment
 - Qualitative materiality
 - Service organization or service auditor use of governance, risk and compliance (GRC) tools
 - Management’s use of specialists and third-party software tools
 - Commitments to follow process or control frameworks (e.g., NIST, ISO)
 - SOC 2+ engagements
- Includes more questions about independence and ethical considerations that are frequently encountered in SOC 2 engagements
- Includes more questions to help the peer reviewer determine whether the service auditor followed applicable guidance in performing procedures to:
 - Evaluate whether the subject matter of the SOC 2 examination is appropriate
 - Obtain evidence about the description and the controls
 - Evaluate information produced by the entity (including information produced by management’s specialist or a SOC tool)
- Better reflect the SOC 2 specific guidance in questions about the representation letter and service auditor’s report
- Better aligns with the organization of the examination engagement checklist and the sequence of questions better matches the sequence of a SOC 2 engagement
- Includes an expanded reporting section to include questions about compliance with Description Criteria from DC-200

Which version of the SOC 2 checklist should reviewers use?

Engagement Performance	Checklist
The SOC 2 engagement was performed prior to the effective date of SSAE 21	PRP 21,150 <i>Reporting on Controls at a Service Organization Checklist (SOC 2® Reports)</i>
The SOC 2 engagement was performed after the effective date of SSAE 21 but before the issuance of the revised SOC 2 Guide in October 2022	PRP 21,150A <i>Reporting on Controls at a Service Organization Checklist (SOC 2® Reports) (For Engagements Performed in Accordance with SSAE No. 21¹)</i>
The SOC 2 engagement was performed after the effective date of SSAE 21 and after the issuance of the revised SOC 2 Guide in October 2022	PRP 21,150A <i>Reporting on Controls at a Service Organization Checklist (SOC 2® Reports) (For Engagements Performed in Accordance with SSAE No. 21)</i>
¹ This version may be used because the updated SOC 2 Guide reflects SSAE 21, but reviewers should be aware that some of the interpretive guidance in the updated SOC 2	

Guide was not available and different interpretations may have been made by the service auditor.

The purpose of a SOC 2 report is to enhance the trust and confidence a user can place on information provided by a service organization about its controls relevant to the security, availability and processing integrity of systems used to process users' data and the confidentiality and privacy of the information these systems process. Because of the importance of SOC 2 reports, it is imperative that the quality of these engagements and related reports is carefully monitored through the peer review process.

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Quick Hits

A New Resource for Peer Reviewers!

Q&A: Comparing issues identified in peer reviews and firm systems of quality management

As firms begin to implement their systems of quality management, reviewers have begun to ask about the differences between findings and deficiencies from a quality management perspective and a peer review perspective. This Q&A is designed to address some of the more common questions, such as whether a deficiency in a firm's QM system warrants a deficiency in a firm's peer review. For answers to this question, plus others, [visit our website and download this new resource!](#)

Register for Upcoming Reviewer Forums!

Please join us for the remaining 2023 forums. Registration options are below.

Are you interested in a deeper dive on a specific topic? Email prsupport@aicpa.org to suggest content for future Reviewer Forums.

- September 12, 2-3pm ET – Register for [free \(no CPE\)](#) or [paid \(CPE\)](#)
- November 29, 2-3pm ET – Register for [free \(no CPE\)](#) or [paid \(CPE\)](#)

Reminder of Must-Select Training Requirements

As a reminder, reviewers of employee benefit plan audit engagements and governmental engagements are required to complete peer review specific training within 12 months of reviewing such an engagement. Options to meet the requirement are listed on the [must-select training requirement webpage](#). Once you have completed one of the options, don't forget to update your resume to avoid any unnecessary scheduling issues!

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