

Reviewer alert

February 2021

Dear Peer Reviewers,

This edition of the Reviewer alert contains the articles below:

[February Peer Review Board Meeting Update](#)
[Firm Remediation of Non-Conforming Engagements](#)
[Quick Hits](#)

February Peer Review Board Meeting Update

On February 11, the Peer Review Board (PRB) met and discussed the following topics:

- Revisions to the Review Captain Summary form, which were approved and will be included in the April 2021 version of the form. These changes were designed to enhance review captain procedures related to engagement completeness.
- An overview of the status of the project to clarify peer review program guidance. The Standards Task Force is hopeful to present an Exposure Draft to the PRB for issuance later in 2021.
- Other recent task force activity including discussions related to peer review extensions, oversight activities, reviewer pool analysis and peer review course development.

Meeting Highlights

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

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Firm Remediation of Non-Conforming Engagements

For any non-conforming engagement identified, peer reviewers should remind the reviewed firm of its responsibilities to take appropriate actions as included in the *relevant* professional standards.

However, firms are only required to remediate as appropriate in accordance with the *relevant* professional standards and are not expected to recall reports or perform additional procedures in every scenario. For example, a firm with a non-conforming compilation engagement does not need to consider AU-C 560 or AU-C 585 when considering what remediation is necessary.

While firms are discouraged from defaulting to a response of “we’ll fix it on the next engagement” without thought behind that response, it may be the appropriate response. In such cases, firms should be able to articulate why that is the appropriate response.

Additionally, report acceptance body (RAB) members are reminded that they should not instruct reviewed firms to perform omitted procedures, to reissue accounting reports, or to have previously issued financial statements revised and reissued because those are decisions for the firm and its client to make. However, if the firm determines that omitted procedures will be performed or that financial statements will be revised, the RAB may require follow up action to evaluate the firm’s follow through on the intended steps taken. Ultimately, RABs can assign corrective actions as allowed by the guidance included in the RAB handbook, PRP Section 3300.

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Quick Hits

Single audits: Deliver high quality in a challenging time

The federal funding surge accompanying the coronavirus pandemic has made single audits more challenging than ever. But now that rules have been released, practitioners need to focus on [delivering high-quality single audits](#) in this difficult time. As we shared in the [November 2020 Reviewer alert](#), the GAQC has put together a myriad of [Uniform Guidance resources](#), most of which are available for free to you and your peer review clients.

Top audit challenges in 2021: you weighed in

With a new revenue recognition standard and continued pandemic-related disruption, 2021 is anything but business as usual for auditors. [Here are tips](#) for navigating the top 2021 audit challenges based on feedback from more than 230 of you and your fellow peer reviewers. From your input, we derived top challenges and identified resources, which we shared with thousands of CPAs. Thank you for your feedback!

Help us shape new quality management standards

[Share your thoughts on proposed standards](#) that will change the way firms manage quality for their accounting and auditing practices. These changes will impact all firms that have an accounting and auditing practice. The standards include a new proactive risk-based approach to effective quality management systems within firms. This improves the scalability of the standards since it promotes a system tailored to the nature and circumstances of the firm and its engagements. The standards are intended to convergence with the International Auditing and Assurance Standards Board’s (IAASB) recently finalized quality management standards. Please review the exposure draft and provide feedback by June 11. We’d appreciate it if you would also communicate to your peer review clients and encourage them to do the same.

Peer review extensions update

While peer reviews, corrective actions and implementation plans are no longer receiving automatic due date extensions, extensions are still going to be necessary in the current environment. While administering entities are still being encouraged to be lenient when reviewing these requests, they are also being encouraged to ask if the firms have a plan in place for how they plan to complete their peer review, corrective action or implementation plan before approving any extension request. As peer reviewers, please be proactive and work with your peer review clients and potential peer review clients in developing that plan (for example, agreeing to a date when the peer review will be performed) should an extension be necessary.

Need a training course?

Several of the sessions at last year's Peer Review Conference have been converted to on-demand CPE eligible training courses available for purchase. If you were unable to attend and need to take a course to fulfill your peer review training requirement, consider taking one of the following on-demand courses:

- [Peer Review Update session](#)
 - Fulfills [training requirement for ongoing qualification](#) for team captains and review captains
- [Employee Benefit Plans Must-Select Update](#)
 - Fulfills [training requirement for ongoing qualification for reviewers of EBP engagements](#))
- [Engagements under Government Auditing Standards Must-Select Update](#)
 - Fulfills [training requirement for ongoing qualification for governmental engagements](#))
- [Breakout Session for Technical Reviewers](#)
 - Fulfills training requirement for technical reviewers
- [Breakout Session for Peer Review Committee Members](#)
 - Fulfills training requirements for CPAs on Staff; optional training for RAB members.

Peer Review Risk Assessment Guidance

As a reminder, for peer reviews commencing through September 30, 2021, you should follow the guidance in the [Supplemental Guidance](#) section of the Peer Review Program Manual related to the evaluation of non-compliance with the risk assessment standards.

Remember that your objective is to determine whether the firm met the requirements outlined in the Risk Assessment Standards. It is not necessary to determine that all the engagements' forms and practice aids were completed correctly. Even if certain practice aids are not completed correctly, firms may be able to evidence compliance with the requirements through other means. You should have thorough conversations with your peer review clients to determine if they met all the requirements, including documentation.

Reminder - working paper submission requirements for reviews administered by NPRC

Interpretation 94-1 provides guidance on submission of peer review documentation to the administering entity for reviews administered by the National PRC. To minimize requests for revisions, thereby reducing delays in the peer review process, please ensure that the following documents are included in your submission of working papers:

- **All** documents required to be submitted for System Reviews and Engagement Reviews
- **All** Engagement questionnaires or checklists
- Appendix A, "Explanation of No Answers," for the PRPM section 4400, "Supplemental Guide-lines for Review of Quality Control Policies and Procedures for Engagements Performed in Accordance with Government Auditing Standards (Yellow Book)"
- Appendix A, "Explanation of No Answers," for the PRPM section 4500 or 4600, "Guidelines for Review of Quality Control Policies and Procedures," and 4550 or 4650, "Guidelines for Testing Compliance with Quality Control Policies and Procedures"
- Quality control documents and related practice aids
- Staff and focus group interview forms

- Planning documents
- Any other relevant documents

Illustrative examples of exemption reports

The illustrative examples of exemption reports for SEC-registered broker-dealers have been published on the [AICPA Stockbrokerage and Investment Banking Expert Panel webpage](#) and can be accessed directly [here](#).

AICPA Peer review manager position

Do you know of someone who would be a good fit for the AICPA Peer Review team? If so, encourage him or her to apply for our open manager position! The individual will be responsible for various peer review related initiatives, including providing clear and concise peer review related information to various stakeholders and performing audit like procedures of select peer reviews as they go through the report acceptance process. The individual should have solid knowledge of accounting and auditing standards and strong project management, organizational, written/oral communication and presentation, decision-making, problem-solving and conflict resolution skills; and the ability to manage multiple projects simultaneously.

Candidates should have a current CPA license with a minimum of 5-7 years' experience. The individual will be based in the Durham, NC office and will be able to telecommute remotely from most locations in the US, subject to the AICPA telecommuting policy. The AICPA has a work environment that offers work/life balance and is committed to diversity and inclusion.

Interested individuals can [click here](#) to see the job posting and apply for the position.

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Reviewer alert

The Spring 2021 Reviewer Alert contains the following articles:

- [May Peer Review Board meeting update](#)
- [SEC Registered Broker-Dealers removed from the scope of Peer Review](#)
- [What's new in the Peer Review Program Manual \(PRPM\) – June 2021 update](#)
- [FREE WEBCAST: Single audits and new QM \(QC\) standards – Get ready and prepare for change!](#)
- [Are your peer review clients performing new single audit services?](#)
- [Six-month single audit submission extension](#)
- [Peer Review implications for surprise examinations for investment advisors](#)
- [What to consider when reviewing engagements with digital assets](#)
- [Resources from the Enhancing Audit Quality initiative \(EAQ\)](#)
- [Quick hits](#)

May Peer Review Board Meeting update

On May 19, the Peer Review Board (PRB) met and discussed various topics including:

- Removing SEC registered broker-dealer engagements from the scope of the peer review program as discussed in further detail below.
- Extending the temporary suspension of Standards paragraph .08 (which requires the majority of the procedures in a System Review to be performed at the reviewed firm's offices). The suspension of this requirement is now in effect for reviews commencing on or before May 31, 2022.
- Modifying training requirements for technical reviewers to explicitly require the completion of a technical reviewer single audit training course every two years.
- The timing and the contents of a rough draft of the clarified standards for performing and reporting on peer reviews.

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](#).

SEC Registered Broker-Dealers removed from the scope of Peer Review

The Peer Review Board (PRB) has determined that audits and the related compliance and exemption engagements for SEC registered broker-dealers (BDs), including those dually registered with the SEC and the CFTC, should no longer be included in the scope of peer

review. The Securities Investor Protection Corporation (SIPC) agreed upon procedures engagements will remain subject to peer review.

The AICPA established the Enhancing Audit Quality (EAQ) initiative in 2014 to support auditors in upholding audit quality in an evolving business environment. In the increasingly complex environment, audit quality has become an area of focus needing continual assessment and improvement and expenditure of resources in areas of need. Audits of SEC registered BDs has been one of those areas of focus for the last ten years, with the Peer Review Board (PRB) revising Peer Review Standards (Standards) to temporarily continue the inclusion of BDs in the scope of peer review, even though the engagements were subject to PCAOB inspection.

Since the dual inspection of BD audits has continued for ten years, the AICPA has determined that such engagements can be removed from the scope of peer review without creating a gap in inspection coverage and a corresponding risk to the public interest. However, to ensure there will be no gap in coverage in the event that, at some point in the future, the PCAOB determines certain BD audits will cease being subject to its inspection process, the PRB does not propose revising standards. Rather, strictly for purposes of the PRP, the proposal is to deem these engagements to be part of a permanent inspection program of the PCAOB.

As the PRB previously modified the Standards in such a manner that BDs would automatically be removed from the scope of peer review once a permanent inspection program was established, no changes to the Standards requiring exposure were required (paragraphs .06 and .07 state that engagements included in the scope of the PRP are those not subject to PCAOB permanent inspection). In addition, few changes are required to the Peer Review Program Manual (PRPM). The most significant change will be the removal of the supplemental checklist designed specifically for the review of these engagements (checklist 21,300). Refer to the [What's New in the Peer Review Program Manual \(PRPM\)](#) article below for more information.

The changes referenced above are not applicable to surprise examinations performed for SEC registered investment advisors. Refer to the [Peer Review Implications for Surprise Examinations for Investment Advisors](#) article for more information on these engagements.

Broker-Dealers No Longer Considered a Must-Select Engagement

The only BDs subject to peer review are CFTC-only registered BDs. Due to the limited population of these BDs, the PRB determined must-select designation for these engagements is not necessary.

Several changes to the PRPM will be necessary to remove BDs as a must-select engagement, including the peer review report, firm representation letter, and several interpretations. Conforming changes have been made throughout the PRPM. Refer to the [What's New in the Peer Review Program Manual \(PRPM\)](#) article for more information.

Effective Date

These changes are effective for reviews commencing on or after July 1, 2021. NPRC staff will be contacting firms that may be impacted by this change.

For more information, refer to the [May 19, 2021 PRB open session materials](#).

What's new in the Peer Review Program Manual (PRPM) – June 2021 update

The June 2021 PRPM Update will be available on the [peer review web pages](#) and in the Online Professional Library ([OPL](#)) to subscribers by the end of June. PDF or excel documents will have a “June 2021” date on the top. The update will be effective for reviews commencing on or after July 1, 2021. Monitor PRIMA announcements for when the update is available.

The update will reflect:

- Decisions from the May 2021 Peer Review Board (PRB) meeting. This included changes related to SEC registered broker-dealer engagements, performing system review procedures remotely, and training requirements for technical reviewers as described above, which has resulted in various PRP Section updates, including to PRP 1000, 2000, and 3300 (see webpages and OPL for other impacted sections).
 - This also includes changes to the peer review report and firm representation letter, and the elimination of the 21300 SEC-Registered Broker-Dealer Audit and Attest Engagements Checklist after a transition period.

- Enhancements to various practice aids, including the:
 - 3400 Technical Reviewer’s Checklists
 - 4800 Summary Review Memorandum (SRM)
 - 4900 Team Captain Checklist
 - 6300 Review Captain Checklist

- Conforming changes made to practice management toolkits.

Next PRPM Update:

The next update is currently scheduled for October 2021.

FREE WEBCAST: Single audits and new QM (QC) standards – Get ready and prepare for change!

Join us for a [free CPE webcast](#) for peer reviewers on June 11, 2021 from 1-2pm ET. Gain an understanding of the COVID-19 relief funding’s effect on single audits, and the proposed quality management standards. Jennifer Burns, AICPA’s Chief Auditor, and Kim McCormick, GAQC’s Executive Committee Chair, will tell you what’s important to know and what to discuss with your peer review clients. Please do not forward this webcast to those who aren’t also peer reviewers as this webcast will focus on the reviewer perspective.

Are your peer review clients performing new single audit services?

Your peer review clients may be asked to perform their first single audit engagements as their clients navigate the requirements of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act allocated significant amounts of money in new aid to non-federal entities requiring many of them to undergo a single audit perhaps for the first time. Single audits are complex highly specialized audits focused on compliance with federal laws or regulations (and internal controls to ensure compliance) that apply to specific federal funds and require the financial statement audit to be performed under *Government Auditing Standards* (GAS).

If your peer review client performs a single audit engagement, it will be required to have a system review, which includes a review of at least one single audit engagement (or the audit of

those compliance requirements **and** internal controls over compliance with those requirements). As you plan your upcoming peer reviews, we strongly encourage you to:

- talk to your peer review clients about whether they have performed a single audit related to the CARES Act,
- review publicly available information, such as the [Federal Audit Clearinghouse](#), if deemed appropriate, to determine the completeness of the firm’s engagement listing, even for firms undergoing an engagement review,
- determine if other procedures are necessary in the circumstances.

Six-month single audit submission extension

On March 21, 2021, the Office of Management and Budget (OMB) issued [Memorandum M-21-20](#) which included a 6-month single audit submission extension for single audits of fiscal years through June 30, 2021, that have not been submitted. A brief overview of the extension as well as potential peer review considerations include:

- The extension is not linked to COVID-19 funds.
- There is precedent for OMB to revise its position regarding extensions. The [GAQC](#) is monitoring any activity and will send an alert if the OMB revises the extension.
- There may be more instances where the reviewer needs consult with their administering entity to consider various scenarios. Possible situations may include:

Scenario	Possible Responses
The firm is performing its first single audit (or its first audit that includes COVID-19 funds subject to Uniform Guidance) and issuance is expected within 3-months of the peer review due date.	The firm may request a 3-month extension so the single audit can be included within the scope of the peer review.
The firm’s current year engagements are subject to the extension, but the firm has a single audit from a prior year available that includes COVID-19 funds subject to Uniform Guidance.	The reviewer may review a single audit from a prior period if he or she determines this is appropriate considering Standards paragraph .58. If the reviewer selects a single audit that does not include funds related to COVID-19, the reviewer should gain an understanding of the firm’s procedures to ensure a quality single audit.
The firm has been engaged to perform its initial single audit, but issuance of the report is not expected within 3-months of the due date.	The reviewer will likely need to consult with the administering entity to determine if a due date extension beyond 3-months of the current due date is warranted. Additionally, the reviewer may perform alternate procedures (e.g. looking to see if the firm has taken appropriate CPE, has appropriate staffing to perform the engagement, has engaged a qualified 3 rd party EQCR etc.)

Peer Review implications for surprise examinations for investment advisors

Surprise examinations for investment advisors are performed under AICPA Standards and are within the scope of the AICPA Peer Review Program. They are also subject to Securities and Exchange Commission (SEC) Independence Rules and Regulations. Paragraph 6i of SEC Rule 206-4 requires audit firms performing surprise examinations to be 1) registered with and 2) inspected by the Public Company Accounting Oversight Board (PCAOB). Surprise examination engagements themselves are not inspected by the PCAOB, which means that to meet the second qualification in paragraph 6i the firm must perform other engagements that are inspected by the PCAOB (i.e. issuer and/or broker-dealer audits).

When performing a peer review of a firm that performed a surprise examination but did not perform other engagements subject to inspection by the PCAOB, consider the implications to the firm's system of quality control as they performed engagements without the proper qualifications. This will likely result in a client acceptance and continuance matter, but you should consider the systemic cause and determine if there are other impacts to the peer review results.

Firms that perform engagements under PCAOB Standards are required to be administered by the National Peer Review Committee. If you identify one of these engagements on a review administered by another administering entity, it is a good indicator that the firm may not be qualified to perform the engagement.

What to consider when reviewing engagements with digital assets

Many companies are starting to invest in digital assets or perform a role in the digital asset space. Additionally, not-for-profits are being gifted digital assets. As such, more accounting firms are auditing digital assets and you may see them on engagements you peer review. Here are some things to consider:

Quality Control Policies and Procedures – has the firm updated its quality control document to address:

- Client acceptance and continuance – what types of parties and investments is the firm capable of accepting in the digital asset space
- Consultation resources – where to go with questions and when to involve subject matter experts (inside or outside the firm and if external, established protocols for evaluating specialists)
- Training – to address unique issues and risks related to digital assets, including changes in laws and regulations
- Review process – whether a pre-issuance review or engagement quality control review is needed

Audit Engagements – did the firm document:

- An understanding of the digital asset and the client's role in the digital asset ecosystem
- An understanding of internal controls related to the digital asset, including IT specialists, service organizations, and third-party service providers
- Audit procedures surrounding:
 - Fair value, including selection of the evaluation model and risks related to valuation (e.g. highly volatile, infrequent trading)
 - Existence (evidence may only be on the blockchain itself so how did the engagement team gain comfort to rely on the blockchain?)

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- Rights and obligations (ownership and control of the key)
 - Safeguarding of the asset (how the key is held and measures to prevent another party from obtaining access to the key)

If the firm hasn't updated its quality control document or didn't appropriately document or perform procedures on an audit engagement, consider the nature, timing, and extent of the firm's involvement with digital assets when determining the impact on the peer review.

Digital assets are diverse with unique digital asset ecosystems so risks and procedures will vary from audit to audit. This industry is constantly evolving and the AICPA's Digital Assets Working Group is continuously updating the [Digital Assets Practice Aid](#) and other resources.

Resources from the Enhancing Audit Quality initiative (EAQ)

Through the [Enhancing Audit Quality Initiative \(EAQ\)](#), the AICPA shares resources and education to help auditors avoid the most common quality issues. Learn more about EAQ in [the 2020 Highlights and Progress Report](#).

Thank you to everyone who submitted responses to our survey on challenges auditors are facing in the current business environment. We summarized your thoughts in [this blog post](#) so auditors could benefit from your valuable insights.

Check out the latest resources from EAQ:

COVID-19 audit implications

The resource center at aicpa.org/covidaudit is updated periodically to help auditors with engagements impacted by the pandemic. Resources include:

- An [article](#) on potential fraud risks related to the pandemic.
- A [blog](#) describing impairment considerations for auditors to keep in mind when performing audits for commercial real estate professionals.
- A [blog](#) highlighting major considerations to keep in mind when auditing health-care entities affected by COVID-19.
- A [blog](#) answering common questions we've received on auditing during the pandemic.
- A [blog](#) on audit considerations to keep in mind when performing EBP engagements in 2021.

For COVID-19 resources to help with other areas of your practice, such as tax, personal financial planning and forensic accounting, check out [the AICPA Coronavirus Resource Center](#).

Fraud risk

Given the financial impact of the COVID-19 pandemic, many clients will have heightened fraud risks. [This upcoming webcast](#) will help auditors understand their responsibilities related to fraud risk and how to respond to these risks.

Revenue recognition

Our [revenue recognition toolkit](#) has resources to help you audit clients who have implemented FASB's Topic ASC 606, including [a practice aid](#) that walks you through the five steps of the standard.

Risk assessment and response

This updated risk assessment on-demand [course](#) reviews the risk assessment standard requirements and discusses the importance of risk assessment during the pandemic recovery period.

Quick hits

Reminder – Respond to the proposed quality management standards

As a reminder, [share your thoughts on proposed standards](#) that will change the way firms manage quality for their accounting and auditing practices. These changes will impact all firms that have an accounting and auditing practice. Please review the exposure draft and provide feedback by the extended deadline of August 31. Additionally, the [AICPA's website](#) contains several helpful resources including a comment letter template, executive summaries of each standard and much more to help you understand and respond to what is being proposed.

Finally, we strongly encourage you to share the special edition of PR Prompts, which was distributed earlier this month, to your peer review clients as it contains a lot of helpful information related to the proposal and encourages all firms to respond!

SSAE No. 19 Effective Date

Reviewers are reminded that SSAE No. 19, Agreed Upon Procedures Engagements, is effective for agreed-upon procedures reports dated on or after July 15, 2021. A checklist, PRP Section 20,900A, already exists for reviewers to use for these types of engagements.

Peer Review Risk Assessment Guidance

As a reminder, for peer reviews commencing through September 30, 2021, you should follow the guidance in the [Supplemental Guidance](#) section of the Peer Review Program Manual related to the evaluation of non-compliance with the risk assessment standards.

Remember that your objective is to determine whether the firm met the requirements outlined in the Risk Assessment Standards. It is not necessarily to determine that all the engagements' forms and practice aids were completed correctly. Even if certain practice aids are not completed correctly, firms may be able to evidence compliance with the requirements through other means. You should have thorough conversations with your peer review clients to determine if they met all the requirements, including documentation.

Need a Training Course?

See below for links to several of our reviewer training options:

- [Peer Review Update session](#)
 - fulfills [training requirement for ongoing qualification](#) for team captains and review captains
- [Employee Benefit Plans Must-Select Update](#)
 - fulfills [training requirement for ongoing qualification for reviewers of EBP engagements](#))
- [Engagements under Government Auditing Standards Must-Select Update](#)
 - fulfills [training requirement for ongoing qualification for governmental engagements](#))
- [Breakout Session for Technical Reviewers](#)
 - fulfills training requirement for technical reviewers

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- [Breakout Session for Peer Review Committee Members](#)
 - fulfills training requirements for CPAs on Staff; optional training for RAB members.

Reviewer alert

September 2021

This edition of the Reviewer alert contains the following articles:

- [September Peer Review Board meeting update](#)
- [Are your firm's employee benefit plan and single audits on point?](#)
- [Impact of coronavirus delays on a Reviewer's independence and performing Corrective Actions and Implementation Plans](#)
- [Quick Hits](#)

September Peer Review Board meeting update

On September 2, the Peer Review Board (PRB) met and discussed various topics including:

- The [Clarified Peer Review Standards exposure draft](#)! The PRB approved the exposure draft. Important dates to keep in mind are:
 - The comment period ends on December 15, 2021
 - The proposed effective date is for peer review commencing on or after May 1, 2022. Early implementation will not be allowed as proposed.

While the intent of the project was to make peer review guidance easier to read, understand and apply, and not necessarily to change existing standards, the proposal contains several changes to existing peer review guidance.

- Staff are specifically requesting comments on these proposed guidance changes and posted a [Template for Comments and Suggestions](#).

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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Are your firm's employee benefit plan audits and single audits on point?

With an imminent US Department of Labor assessment of the quality of ERISA plan audits, and the release of historic amounts of federal funding as coronavirus relief, your firm's employee benefit plan (EBP) audits may undergo additional scrutiny and you may be asked to take on a new or more complex single audits of entities receiving government COVID relief money. [Find out](#) more!

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Impact of coronavirus delays on a Reviewer's independence and performing Corrective Actions and Implementation Plans

Many firms have received extensions on their peer reviews due to the Coronavirus which may result in a delay of receiving corrective actions or implementation plans. A firm may be required to hire an outside party to perform corrective actions or implementation plans and many firms prefer to use their peer reviewer to perform such services. Reviewers should consider their independence on the firm's next peer review before agreeing to perform these services.

With the delay of firms receiving their corrective actions or implementation plans, the engagements or periods that would be subject to these actions may be outside the year after the peer review period which would impact the reviewer's independence to perform the next peer review.

For example, a reviewer would be considered independent if they perform the pre-issuance review on an engagement with a period- or year-ending (report date for financial forecasts, projections, and agreed upon procedures) in the year immediately after the peer review year. According to Interpretation No. 21-4, a reviewer would not be considered independent (and thus would not be eligible to perform the next peer review) if they perform the pre-issuance review on an engagement with a year-ending in the year immediately before the firm's next peer review year. An important factor to consider is the year-end of the engagement, not necessarily when the pre-issuance review is performed. As an example, see the following scenario:

Peer review year: **Jan 1, 2019 – Dec 31, 2019**

Year after peer review: **Jan 1, 2020 – Dec 31, 2020** – The reviewer would be independent if they only performed pre-issuance reviews on engagements with years-ending during this year.

Year immediately preceding the next peer review: **Jan 1, 2021 – Dec 31, 2021** – The reviewer would not be independent (for the next peer review) if they performed pre-issuance reviews on engagements with years-ending during this year.

Likewise, a reviewer would be considered independent on the firm's next peer review if they perform any service involving the firm's system of quality control for or during the year immediately after the peer review year. Such services include reviewing or performing the firm's annual internal monitoring, reviewing the firm's completion of its intended remedial actions in its LOR or FFC, and reviewing the firm's Quality Control Document.

To assist reviewers with their evaluation on independence to perform the firm's next peer review, the period- or year-end of the engagement that the service relates to should be included in the report to the RAB and the example exhibits in the Peer Review Program Section 3600 *Guidance for Writing Letters on Corrective Actions and Implementation Plans by Outside Parties* have been updated.

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Quick hits

Peer Review Risk Assessment Guidance – FINAL REMINDER

For peer reviews commencing after September 30, 2021, you should follow normal peer review guidance (and NOT the [Supplemental Guidance](#) section of the Peer Review Program Manual) as it relates to the evaluation of non-compliance with the risk assessment standards. Reviewers will need to determine if pervasive nonconformity with the risk assessment standards should be a deficiency or significant deficiency in the peer review report.

Remember that your objective is to determine whether the firm met the requirements outlined in the Risk Assessment Standards. It is not necessary to determine that all the engagements' forms and practice aids were completed correctly. Even if certain practice aids are not completed correctly, firms may be able to evidence compliance with the requirements through other means. You should have thorough conversations with your peer review clients to determine if they met all the requirements, including documentation.

Technical Reviewer single audit training course

We are pleased to announce that the new [Technical Reviewer Training for Single Audits](#) course is now available online.

As discussed on the technical reviewers' quarterly call on June 9, 2021, the Peer Review Board approved changes to technical reviewer training requirements, specifically for those technical reviewers who have been delegated the review of a single audit engagement(s) in a peer review. Enhancements include:

- Modifying training requirements for technical reviewers to explicitly require the completion of a technical reviewer single audit training course every two years, which is effective for the two-year period ending December 31, 2022.
- Adding a requirement to complete a technical reviewer single audit training course prior to performing the first technical review with a single audit engagement, which is effective immediately after the course becomes available.

Technical reviewers seeking approval for an alternative course can submit their course, or a detailed summary of their course, to prptechnical@aicpa.org.

Other training course update

Staff are in the process of updating several of the 2021 Peer Review Conference sessions into on-demand training courses that will meet the various training requirements for peer review stakeholders. Stay tuned for more information on when those training courses will be available.

Reviewer alert

October 2021

This edition of the Reviewer alert contains the following articles:

- [October Peer Review Board meeting update](#)
- [Reminder - Clarified AICPA Standards for Performing and Reporting on Peer Reviews Exposure Draft!](#)
- [AICPA.org: Fresh features. Expanded resources. Endless possibilities.](#)
- [What's New in the Peer Review Program Manual \(PRPM\) – October 2021 Update](#)
- [Evaluating Peer Review Implications of SAS Nos. 134-140 and SSARS No. 25 Implementation Issues](#)
- [Quick Hits](#)

October Peer Review Board Meeting Update

On October 6, the Peer Review Board (PRB) met and discussed various topics including:

- The reviewer alert related to assessing noncompliance with SAS Nos. 134-140 and SSARS No. 25 as shown below
- The upcoming DOL audit quality study
- Various task force activities and projects, including revised administering entity benchmarks

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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Reminder - Clarified AICPA Standards for Performing and Reporting on Peer Reviews Exposure Draft!

Don't forget to read and respond to peer review's [recently published exposure draft](#) that clarifies and reorganizes peer review program guidance.

Approved at the PRB's September 2 meeting, the exposed proposal intends to make peer review guidance easier to read, understand and apply, not necessarily to change existing standards. For the few changes to existing standards that the proposal includes, the exposure draft contains specific requests for comments from respondents.

Other important items of note:

- The comment period ends on December 15, 2021.
- The proposed effective date is for peer review commencing on or after May 1, 2022. Early implementation will not be allowed as proposed.
- Comment letter templates and mapping documents that show how existing guidance maps to the proposal included in the exposure draft are available through the above link.

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AICPA.org: Fresh features. Expanded resources. Endless possibilities.

For many of its member sections, the AICPA has launched a [new and improved web platform now live via AICPA.org](#). Designed using member research and feedback, it's easier to navigate and customizable. There's no need to create a new account – you can log in with the username and password you already use to access your account online. Set your preferences to improve your overall AICPA experience, bookmark your most-used resources and personalize the newsfeed to stay current on critical issues.

The new site will continue to evolve as we add other key areas but will redirect you to Peer Review, Ethics and other content still available on our legacy site where appropriate. Your existing bookmarks for the legacy site will automatically re-direct to the appropriate pages or files that now use the new extension “us.aicpa.org.” If you do not already have bookmarks, you may want to add the Peer Review home page: <http://us.aicpa.org/peerreview> for future reference.

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What's New in the Peer Review Program Manual (PRPM) – October 2021 Update

The October 2021 PRPM Update will be available on the [peer review web pages](#) and in the Online Professional Library (OPL)* to subscribers by the end of October. PDF or excel documents will have a “October 2021” date on the top. The update will be effective for reviews commencing on or after November 1, 2021.

The update will reflect:

- Updates to most audit checklists, all SSARS checklists, the financial reporting and disclosure checklist and PRP 22080 *Supplemental Checklist for Review of Audits of For-Profit HUD Engagement* (see webpages and OPL for specifics) for SAS Nos. 134-140 and SSARS No. 25 guidance, enhancements to ASC 606 related questions, and other improvements.
- Updates to PRPM 3600 *Guidance for Writing Letters on Corrective Actions and Implementation Plans by Outside Parties* as it relates to independence matters, as referred to in the [September Reviewers Alert article](#) titled “*Impact of Coronavirus Delays on a Reviewer's Independence and Performing Corrective Actions and Implementation Plans.*”
- The addition of an excel version of the PRP 24150 *Risk Assessment Tool* in the System Review Practice Management Toolkit.
- The conversion of PRP 21300 *SEC-Registered Broker-Dealer Audit and Attest Engagements Checklist* into PRP 21300 *Supplemental Checklist for Review of Agreed-Upon Procedures*

Related to the Securities Investor Protection Corporation (SIPC) Assessment Reconciliation for Broker Dealers, due to decisions from the [May 2021 Peer Review Board \(PRB\) meeting](#) related to SEC registered broker-dealer engagements.

- The discontinuation of PRP 22500 IFRS Financial Reporting and Disclosure Checklist. Other resources should be utilized when performing reviews of IFRS engagements.

New Look for the PRPM Web pages

With the October update, PRPM documents will be accessible on the peer review webpages from *only* zip files. A PDF table containing PRPM section numbers and titles, with month last modified dates, will also be accessible. This new look will streamline presentation of the PRPM. This approach is consistent with how other documents, such as the practice management toolkits, are already presented.

As a reminder, reviewers are expected to consider alert articles and consult the PRPM resource of their choice (peer review web pages or OPL) for news about updated peer review guidance and materials, prior to commencing a peer review.

Next PRPM Update:

The next update is currently scheduled for Spring 2022.

* Access OPL by visiting the purchases tab under your profile when you log into future.aicpa.org

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Evaluating Peer Review Implications of SAS Nos. 134-140 and SSARS No. 25 Implementation Issues

Peer Review Staff is anticipating many questions about how to assess potential noncompliance with SAS Nos. 134-140 and SSARS No. 25 during a peer review, particularly as it relates to firm implementation. As with most instances of noncompliance, peer reviewers:

- evaluate the specific circumstances of noncompliance with these professional standards on each peer review, both individually and in the aggregate, to determine whether to deem an engagement nonconforming.
- consider whether a user, who would reasonably expect to rely on the financial statements, would be affected by noncompliance with the suite of new standards (this requires judgment as it is not expected for reviewers to be intimately familiar with all potential users of specific financial statements).

The PRB recognizes that each peer review is unique and that reviewers need to exercise professional judgment when forming conclusions. In any case, the peer review standards require reviewers to consider identified issues individually and, in the aggregate, and to clearly document the basis of conclusions reached.

As with any new standard, a complete failure to implement is generally deemed non-conforming in either a system review or an engagement review. When such instances are identified in a system review, the reviewer will need to consider applicable peer review standards and

determine the systemic cause to assist the reviewed firm with appropriate remediation in its system of quality control.

Although not all-inclusive, the following table includes examples that illustrate single instances of noncompliance with these new standards that do not always result in nonconforming engagements. As mentioned previously, the reviewer should consider whether multiple issues on the same engagement, such as in the examples below, would result in a nonconforming engagement.

Scenario	Nonconforming	Comments
The auditor did not place the opinion section first, followed by the basis for opinion section as required by SAS No. 134.	No	A reasonably expected user would not be misled by the report not being in the same order as prescribed by SAS No. 134.
The auditor did not include the independence statement in the Basis for Opinion as required by SAS No. 134.	No	Although the Basis for Opinion paragraph is new and the independence statement is required under SAS No. 134, if “independent” is included in the report title, a reasonably expected user would not be misled by the missing language.
The report does not include expanded language regarding management and auditor’s responsibilities for the financial statements as required by SAS No. 134.	No	A reasonably expected user would not be misled by the missing language.
Auditor did not follow updated requirements of SAS No. 134 by including language related to the entity’s ability to continue as a going concern in a separate section entitled “Substantial Doubt About the Entity’s Ability to Continue as a Going Concern.” Rather, the auditor included the language in the Emphasis of Matters section. All required language was present.	No	A reasonably expected user would not be misled by the incorrect section heading.
The firm did not include a statement that the accountant is required to be independent of the entity in accordance with SSARS No. 25. However, the accountant did include “Independent” in the title of the report.	No	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.

Scenario	Nonconforming	Comments
The firm did not include section headings in the accountant’s report as required by the SSARSs (No. 21 or No. 25)	No	As section headings have been required for a number of years, a reasonably expected user may not be misled if the headings were missing.

As with all standards, reviewers may encounter variations in application that comply with SAS Nos. 134-140 and SSARS No. 25. The PRB recommends for reviewers to avoid basing a “no” answer on a personal preference; rather, identify and document unreasonable judgments that lack support under professional standards. The [Issue Advisory Hotline](#) is another recommended resource that may be utilized if you have any disagreements with your peer review clients about whether SAS Nos. 134-140 and SSARS No. 25 (or any other accounting and auditing standard) were properly complied with in all material respects.

You can also contact the [A&A Technical Hotline](#) with any questions you have about whether an engagement you are reviewing complies with professional standards in all material respects. Finally, as in all system reviews, regardless of whether the engagement is determined to be nonconforming, peer review standards require the team captain to evaluate the pervasiveness of the implementation issues and the systemic cause in determining whether the matter should be elevated to a finding or a deficiency. For an engagement review, if the implementation issues cause the selected engagement to be considered nonconforming, the issue should be documented in the peer review report as, at a minimum, a deficiency. If the engagement is not determined to be nonconforming, the review captain should determine if the implementation issues should be elevated to a matter or a finding, based on the significance of the issues identified.

Peer reviewers of employee benefit plan audit engagements should be on the lookout for an upcoming reviewer alert that specifically discusses assessing noncompliance with SAS No. 136.

Peer Review Risk Assessment Guidance – Considerations Given the Supplemental Guidance no longer applies

As stated in the previous Reviewer alert, for peer reviews commencing after September 30, 2021, you should follow normal peer review guidance (NOT the guidance that has existed in the [Supplemental Guidance](#) section of the Peer Review Program Manual) as it relates to the evaluation of noncompliance with the risk assessment standards (AU-C section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, or 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained).

As a reminder, the previous supplemental guidance essentially capped identified instances of noncompliance with the risk assessment standards as findings for further consideration and required RABs to issue implementation plans.

Now, depending on the facts and circumstances of the peer review (such as the nature and pervasiveness of any identified noncompliance), deficiencies or significant deficiencies may be

warranted when noncompliance with the risk assessment standards has been identified. In short, these instances of noncompliance should be evaluated and assessed similarly to any other identified instances of noncompliance identified during the peer review. Additionally, implementation plans would not necessarily be required for any documented findings describing risk assessment non-compliance.

It is important to remember, however, that if an auditor fails to comply with the requirements of the risk assessment standards then the objectives of these standards would not be met. Accordingly, the audit would not be conducted in accordance with GAAS and the auditor would fail to obtain sufficient appropriate audit evidence to support the audit opinion. Therefore, reviewers in these situations would likely find it difficult to conclude that such an engagement conforms with professional standards in all material respects from a peer review perspective and would likely need to consider the audit non-conforming.

Your objective is to determine whether the firm met the requirements outlined in the Risk Assessment Standards. It is not necessary to determine that all the engagements' forms and practice aids were completed 100% correctly. Even if certain practice aids are not completed 100% correctly, firms may be able to evidence compliance with the requirements through other means.

You should have thorough conversations with your peer review clients to determine if they met all the requirements, including the documentation requirements.

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Quick hits

2021 Peer Review Conference cases are now available!

If you are interested in downloading the conference cases from 2021 Peer Review Conference, they are now available on the peer review website! Access the [engagement review cases](#) (and [solutions](#)) or the [system review cases](#) (and [solutions](#)) in one convenient location!

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Reviewer alert

Special Reviewer alert - February 2022

Peer Review Board Approves the Clarified AICPA Standards for Performing and Reporting on Peer Reviews!

In open session on February 2, 2022, the Peer Review Board (board) approved the proposed Clarified AICPA Standards for Performing and Reporting on Peer Reviews, **effective for peer reviews commencing on or after May 1, 2022 (early implementation is not permitted)**. Read more about the proposal, including a draft of the standards in the [February open session materials](#). The final standards and updates to related guidance will be published in the April update to the Peer Review Program Manual (PRPM). A copy of the final standards will also be available on the AICPA Peer Review website around the same time.

The board would like to thank the peer review community for providing comments that contributed to the standard setting process. The board believes the final standards will make peer review guidance easier to read, understand and apply, and do not substantially change what is already required by the extant standards. During the exposure period, respondents provided their views on proposed changes that were considered most significant. After considering comments from various stakeholder groups, the following changes were considered appropriate and will be reflected in the final standards (read more about the basis for these changes in the [exposure draft issued on September 15, 2021](#)):

- The majority of procedures in a system review will not be required to be performed at the reviewed firm's office; the extent of procedures will be determined by assessing peer review risk.
- The number of office visits on system reviews will also be determined by assessing peer review risk.
- A surprise engagement selection will not be required but still may be selected based on assessment of peer review risk.
- Fail reports on engagement reviews will only identify "deficiencies" instead of the extant term "significant deficiencies"; the extant term did not imply severity, only that a deficiency was present on all engagements reviewed.
- While not required by the clarified standards, administering entities may adopt policies to include peer review documents for single audit engagements in materials for their RAB meetings.
- Guidance for performing and reporting on quality control materials (QCM) reviews will no longer be included. Instead, QCM providers may choose to have an examination of their materials conducted in accordance with attestation standards established by the AICPA.

Reviewer alert

February 2022

This edition of the Reviewer alert contains the following articles:

- [February Peer Review Board meeting update](#)
- [Next update of the Peer Review Program Manual \(PRPM\) expected in April](#)
- [Requirements for Reviewers of must-select engagements](#)
- [Consideration for Engagement Reviews related to engagements outside the Peer Review year](#)
- [Impact on reviews of firms that perform SEC registered Broker-Dealer audits](#)
- [Need more Team Captains at your firm?](#)
- [Quick hits](#)

February Peer Review Board meeting update

In open session on February 2, 2022, the Peer Review Board approved the proposed Clarified AICPA Standards for Performing and Reporting on Peer Reviews, **effective for peer reviews commencing on or after May 1, 2022 (early implementation is not permitted)**. Read more about the proposal, including a draft of the standards in the [February open session materials](#) and our [February Special Alert](#) published on February 7.

Meeting highlights

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

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Next update of the Peer Review Program Manual (PRPM) expected in April

The next PRPM update will be available by late April 2022 on the [peer review web pages](#) and in the Online Professional Library (OPL)* to subscribers. The updates will be effective for reviews commencing on or after May 1, 2022. Monitor PRIMA announcements for when and where more details will be available.

*Access OPL by visiting the purchases tab under your profile when you log in to [aicpa.org](#).

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Requirements for Reviewers of must-select engagements

Team captains are reminded to determine that team members who review must-select engagements meet any relevant peer review requirements before reviewing such an

engagement. If an engagement is reviewed by a team member who is not qualified to do so, it may lead to reviewer feedback, oversight procedures from the administering entity, questions from the technical reviewer or other delays to the review acceptance process.

As a reminder, peer review guidance states that reviewers of must-select engagements should:

- Have completed additional training focused on must-select engagements that meets the requirements of the board. Peer review training and criteria for demonstrating proficiency in the standards, interpretations and guidance of the program is established by the board. Those criteria are located on the Peer Review page of the [AICPA website](#).
- Be currently (presently involved in) supervising or performing engagements, in his or her own firm, in the must-select industry or area; performing Engagement Quality Control Reviews on engagements in the must-select industry or area in his or her own firm; or performing the inspection of engagements in the must-select industry or area as part of his or her firm’s monitoring process; and currently meeting relevant, industry specific educational requirements, as applicable.
- Be associated with firms that are members of the respective Audit Quality Center where AICPA Audit Quality Centers exist (such as, but not limited to, the Employee Benefit Plan and Governmental Audit Quality Centers).

Staff are working on various changes to peer review related checklists to assist team captains in this area, which should be ready in early May.

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Consideration for Engagement Reviews related to engagements outside the Peer Review year

There are occasions when a review captain has to consider selecting an engagement outside of the peer review year to fulfill the engagement selection requirements. The following are examples of these potential scenarios and suggested actions the review captain can take.

Scenario	Suggested Action
The firm only performs one engagement within the scope of the review, and it will not be issued by the due date of the peer review.	<p>If the engagement will be issued within three months of the due date, request an extension.</p> <p>If the engagement will not be issued within six months of the due date, consider reviewing a prior engagement and tailor the report to accurately reflect the year-end of the engagement reviewed. The subsequent review would still be on the normal three-year cycle.</p> <p>Also, discuss with the reviewed firm and the administering entity about whether a year-end change would be beneficial for future peer reviews.</p>
The only engagement for a specific partner will not be issued by the due date of the peer review.	If the engagement will be issued within three months of the due date, request an extension.

Scenario	Suggested Action
	<p>If the engagement will not be issued within six months of the due date, review the prior year engagement, but do not alter the wording to the peer reviewer’s report.</p> <p>Also, discuss with the reviewed firm and the administering entity about whether a year-end change would be beneficial for future peer reviews.</p>
<p>The firm only performs one monthly compilation; therefore, a more recent engagement is available to review.</p>	<p>Review an engagement within the peer review period, which would not require any modifications to the peer reviewer’s report.</p>

Reviewed firms that encounter these scenarios may also consider consulting their state board of accountancy to determine any impact to the firm’s licensing requirements.

As a reminder for System Reviews, explicit guidance related to selecting engagements outside the peer review year exists as paragraph .58 states, “If the current year’s engagement has not been completed and issued, and if a comparable engagement within the peer review year is not available, the prior year’s engagement may be reviewed.” Additional information is included in Interpretations 58-1 through 58-3.

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Impact on reviews of firms that perform SEC registered Broker-Dealer audits

For reviews commencing on or after July 1, 2021, audits and the related compliance and exemption engagements for SEC registered broker-dealers are no longer included in the scope of peer review. However, there is still an impact on firms’ peer reviews that perform these types of engagements. These firms’ peer reviews need to be administered by the National Peer Review Committee as they performed engagements under PCAOB Standards. Other impacts include:

Firm - PRI:

- Only include levels of service and types of engagements that are in the scope of peer review
- Answer the PCAOB question relating to the Form 2 – if a Form 2 was filed with the PCAOB with broker-dealers, then the applicable questions should be answered yes
- Include Securities Investor Protection Corporation (SIPC) agreed upon procedures engagements (if performed) related to the broker-dealers audits as these are in the scope of peer review

Reviewer:

- Inquire if the PCAOB has inspected their broker-dealer engagements and document in the SRM if there are any findings, if those findings are applicable to engagements subject to peer review, and any impacts on peer review procedures
- Select a SIPC AUP engagement depending on the risk assessment; if one is reviewed, then complete checklist 21,300 Supplemental Checklist for Review of Agreed-Up

Procedures Related to the SIPC Assessment Reconciliation for Broker Dealers (updated October 2021 to only apply to the SIPC AUP engagement) and the applicable 20,900 agreed upon procedures checklist

- Include “applicable to engagements not subject to PCAOB permanent inspection” language in the first and last paragraphs in the peer review report

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Need more Team Captains at your firm?

While team captains are required to be “partners,” the recently approved clarified peer review standards define partners as any individual with authority to bind the firm with respect to the performance of a professional services engagement. This definition may include employees with this authority who have not assumed the risks and benefits of ownership.

As firms might use different titles to refer to individuals with this authority, your firm should encourage anyone meeting this definition, including managers, to get involved in peer review! Tips for completing a reviewer resume and other helpful information in becoming a peer reviewer can be found on the [Peer Review web page](#).

As a reminder, team members on a System Review do not have to be partners. Having managers serve as team members can be a great way to get those interested involved in the Peer Review Program so they can be team captains in the future!

While Peer Review Board members did discuss the possibility of allowing managers (in other words, those without the authority to bind the firm) to serve as team captains, there were ultimately concerns over:

- The effectiveness of a peer review performed by such as team captain, particularly as it relates to interactions with senior partners at other firms
- Their ability to sign peer review reports, but not other types of reports for their firm

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Quick hits

Quality management communication is important!

We strongly encourage you to begin talking about the proposed quality management standards with your peer review clients as soon as you can! The original exposure draft and other helpful supplementary material can be found on the [AICPA's Exposure Drafts of Proposed SASs, SSAEs, and SQCSs web page](#). Other helpful information can be found in our special edition of the [PR Prompts newsletter](#) from May of 2021.

Peer Reviewer Forum update

Did you miss the first edition of the Peer Reviewer Forum held in December? If so, check out the [Peer Review webcast archive web page](#) for an hour long recording where PRB Chair, Brian Bluhm goes over the latest developments in peer review.

If you have suggested topics or questions you want answered at a future Peer Reviewer Forum, [please let us know](#). We want to make sure the peer reviewer community is getting the information it needs!

Need a training course?

Several of the sessions at last year's Peer Review Conference have now been converted to on-demand CPE eligible training courses available for purchase. If you were unable to attend and need to take a course to fulfill your peer review training requirement, consider taking one of the following on-demand courses:

- [Peer Review Update session](#)
 - Fulfills [training requirement for ongoing qualification](#) for team captains and review captains
- [Employee Benefit Plans Must-Select Update](#)
 - Fulfills [training requirement for ongoing qualification for reviewers of EBP engagements](#)
- [Engagements under Government Auditing Standards Must-Select Update](#)
 - Fulfills [training requirement for ongoing qualification for governmental engagements](#)
- [Breakout Session for Technical Reviewers](#)
 - Fulfills training requirement for technical reviewers
- [Breakout Session for Peer Review Committee Members](#)
 - Fulfills training requirements for CPAs on Staff; optional training for RAB members

Need to contact a Peer Review related hotline?

As a reminder, if you have a peer review related question, you can always reach out to one of our peer review related hotlines to get the assistance you need!

- 1) Have a PRIMA related question? Contact the peer review operations hotline:
 - a. 919.402.4502, press 2 or prsupport@aicpa.org
- 2) Have a question about peer review guidance? Contact the peer review technical hotline:
 - a. 919.402.4502, press 3 or prptechnical@aicpa.org
- 3) Want a member of the AICPA's A&A team to help you and your peer review client understand the relevant authoritative guidance on a selected engagement? Contact the [Issue Advisory Hotline](#):
 - a. 919.402.4502, press 4
- 4) Have other miscellaneous A&A questions? Contact the [AICPA Technical Hotline](#):
 - a. 877.242.7212 or submit a [Technical Inquiry Form](#)

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Reviewer alert

Special Reviewer alert - April 2022

How should noncompliance with risk assessment standards be evaluated?

As you are aware, temporary guidance related to the impact of risk assessment nonconformity on the results of a peer review ended with peer reviews commencing on September 30, 2021. For peer reviews commencing after that date, AICPA staff have received numerous questions related to:

- whether all instances of noncompliance with the risk assessment standards should lead to a nonconforming engagement and
- how should risk assessment nonconformity impact a peer review report.

In summary, peer reviewers, technical reviewers and RABs should use judgment to determine whether one or more identified instances of noncompliance with the risk assessment standards would cause an engagement to be nonconforming.

Peer reviewers, technical reviewers and RABs should also use judgment when assessing the impact of risk assessment nonconformity on the peer review report, including potential repeat deficiencies, as this nonconformity is no longer limited to just an FFC.

For example, when making these determinations, peer reviewers, technical reviewers and RABs can consider:

- The pervasiveness and egregiousness of the noncompliance, not only across engagements, but within an engagement itself. For example, was a singular audit area impacted, or several?
- Were significant risks properly identified and addressed appropriately?
- Were any relevant documentation requirements met versus could documentation be improved upon?

Background

Staff understands the confusion created by the language currently included in PRPM Section 3100, Supplemental Guidance, that was referenced in the October 2021 Peer Reviewer alert. Specifically, it stated:

It is important to remember, however, that if an auditor fails to comply with the requirements of the risk assessment standards then the objectives of these standards would not be met. Accordingly, the audit would not be conducted in accordance with GAAS and the auditor would fail to obtain sufficient appropriate audit evidence to support the audit opinion. Therefore, reviewers in these situations would likely find it difficult to conclude that such an engagement conforms with professional standards in all

material respects from a peer review perspective and would likely need to consider the audit non-conforming.

This information led many in the peer review process to conclude that ANY noncompliance with the risk assessment standards (other than clearly immaterial clerical errors) led to a nonconforming engagement. Given the limited impact on the peer review report and the need to educate firms on the requirements of the risk assessment standards, this conclusion was rarely, if ever, challenged during the peer review acceptance process. However, it is not the intent of the Peer Review Board to suggest ANY noncompliance with the risk assessment standards should lead to a nonconforming engagement and the judgment of the peer reviewer, technical reviewer and RAB is still necessary when making such a determination.

Examples of instances of noncompliance with the risk assessment standards that would likely lead to a nonconforming engagement

Prior to the temporary guidance, it was not common for peer reviewers to identify an engagement as nonconforming due to risk assessment noncompliance when warranted. The Supplemental Guidance provides several examples of instances of noncompliance with the risk assessment standards that would lead to a nonconforming engagement, including:

- Failure to identify or document the identified risks of material misstatement (RMM), including any significant risks (virtually every audit, including audits of small- and medium-sized entities, has at least one significant risk)
- Failure to assess or document the assessment of risk at both the relevant assertion level and financial statement level
 - A reviewer may encounter audits where the risks of material misstatement are assessed at the account level only rather than at the relevant assertion level.
 - Some practitioners confuse account-level risk with financial statement-level risk. Financial statement-level risks are not risks limited to one account balance or audit area, but rather, risks that are pervasive to the financial statements.
- Failure to properly document the firm's identification and assessment of the risk of material misstatement and response thereto
 - Reviewers should consider the linkage between the risk assessment and the auditor's procedures, and they should determine whether the procedures are responsive to the client's financial statement- and assertion-level risks.
 - Significant risks require special audit consideration, which means consideration above and beyond what a standardized audit program would address.
- Failure to evaluate the design and implementation of controls relevant to the audit
 - Auditors are expected to:
 - Consider what could go wrong as the client prepares their financial statements.
 - Identify the controls meant to mitigate those financial reporting risks.
 - Evaluate the likelihood that the controls are capable of effectively preventing or detecting and correcting material misstatements.
 - Perform and document walkthroughs of key controls.

Going forward, these instances of noncompliance would likely continue to cause an engagement to be considered nonconforming.

Upcoming Training

Upcoming training for peer reviewers and other peer review stakeholders will emphasize the material above including at ENGAGE and the Peer Review Conference. Additionally, these sessions will reinforce that the information included above from the Supplemental Guidance is not included in the clarified peer review standards which instead emphasize that judgment is required when determining if an engagement is nonconforming. As a reminder, the clarified standards are effective for peer reviews commencing on or after May 1, 2022.

Additional Firm Training to be Required by RABs

The following courses have been or will be added to the list of firm training to be required by RABs:

Course	When to Assign
<u>Risk assessment during the recovery</u>	When significant deficiencies, deficiencies and findings are identified related to noncompliance with the requirements for 1) identifying and assessing the risks of material misstatement and 2) performing audit procedures in response to assessed risks and evaluating the audit evidence obtained (AU-C 315.26 through .32 and AU-C 330)
<u>Take Control of Your Audit - Avoid Common Internal Control Missteps</u>	When significant deficiencies, deficiencies and findings are identified related to noncompliance with the requirements for understanding the entity and its environment, including the entity's internal control (AU-C 315.12 through .25)
<u>Documenting Your EBP Audit: What You Need to Know</u>	When significant deficiencies, deficiencies and findings are identified related to noncompliance with documentation requirements specifically as it relates to EBP engagements
<u>Advanced Topics in a Single Audit</u>	When significant deficiencies, deficiencies and findings are identified related to noncompliance with Single Audit requirements

As a reminder, RABs are required to assign AICPA courses related to Enhancing Audit Quality (EAQ) focus areas as corrective actions or implementation plans when:

- significant deficiencies, deficiencies and findings are identified related to these areas and
- CPE is determined to be the necessary follow up action.

RABs may assign or allow an alternative course if it meets the learning objectives of the AICPA course (as described in the product page of the AICPA's online store).

Reviewer alert

This special May 2022 Reviewer Alert has the following articles:

- [PR Conference survey](#)
- [May 2022 Peer Reviewer forum](#)
- [April 2022 PRPM update](#)

Peer Review Conference survey – we want to hear from you!

We are preparing for the 2022 Peer Review Conference to be held from August 8-10, 2022 in St. Louis, Missouri and online, and would greatly appreciate your feedback. Please take a few minutes to complete this quick survey to help us provide you with a meaningful and informative conference. This survey will only take about five minutes and your response is anonymous.

As always, your continuous feedback is important in helping us understand your preferences and where we can enhance content quality thus driving improvements in audit quality.

Please click [here](#) to complete the survey by **Friday, May 13**.

We plan to launch conference registration the week of May 9, 2022.

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May 2022 Peer Reviewer forum – we want to hear MORE from you!

Join us for the second Peer Reviewer Forum on May 17, 2022 from 2-3pm ET. Brian Bluhm, AICPA Peer Review Board Chair, and Cathy Schweigel, Standards Task Force Chair, will share the latest developments in peer review akin to the popular AICPA Town Halls. Please email prsupport@aicpa.org to let us know any topics you'd like covered.

Register for the [Free \(no CPE\) Webcast](#) or the [Paid \(CPE\) Webcast](#). We look forward to “seeing” everyone!

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April 2022 PRPM update

The April 2022 PRPM update is now available on the [Peer Review website](#) and in the Online Professional Library (OPL)¹ to subscribers. The update is effective for reviews commencing on or after May 1, 2022. The [Table of PRPM Sections](#) summarizes the impact of the update on the PRPM.

¹ To access OPL, visit the purchases tab under your profile when you log into www.aicpa.org.

This update reflects:

- An update to PRP 22,100 - Part A and B - UG Supplemental Checklists for Review of Single Audit Engagements to reflect the *2021 Government Auditing Standards and Single Audits - Audit Guide* and the *2021 OMB Compliance Supplement*

- The clarified AICPA Standards for Performing and Reporting on Peer Reviews (clarified standards), as discussed in the [Special Reviewer alert – February 2022](#) (alert).
 - As a reminder, the clarified standards do not substantially change what is already required by the superseded standards, but the alert identifies changes the Peer Review Board considered most significant.
 - The clarified standards are also included in *AICPA Professional Standards*. They contain requirements and related application and other explanatory material (including appendixes and exhibits) that are organized by user in the following PR-C sections:
 - 100, *Concepts Common to All Peer Reviews*
 - 200, *General Principles and Responsibilities for Reviewers*
 - 210, *General Principles and Responsibilities for Reviewers — System Reviews*
 - 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*
 - 300, *General Principles and Responsibilities for Reviewed Firms*
 - 310, *General Principles and Responsibilities for Reviewed Firms — System Reviews*
 - 320, *General Principles and Responsibilities for Reviewed Firms — Engagement Reviews*
 - 400, *General Principles and Administration Responsibilities*
 - 410, *The Report Acceptance Process*
 - 420, *Corrective Actions and Implementation Plans*
 - 430, *Reviewer Monitoring and Performance*
 - To develop the clarified standards, each section of the superseded PRPM was evaluated to determine whether guidance represented a distinct requirement or application and other explanatory material. As a result of this process, [19 PRPM sections](#) were superseded.
 - Conforming changes were made to the following PRP practice aid sections:
 - 4800 Summary Review Memorandum
 - 4900 Team Captain Checklist²
 - 6300 Review Captain Summary²
 - 4500–4650 Quality Control Policies and Procedures Checklists
 - Technical Reviewer Checklists, which have also been separated by review type and renumbered from 3400 to:
 - 4950 – Technical Reviewer’s Checklist for System Reviews
 - 6950 – Technical Reviewer’s Checklist for Engagement Reviews
 - 20,100 Instructions for Use of Peer Review Engagement Checklists – System Reviews
 - 24,000 and 25,000 Practice Management Toolkits, including:
 - The renumbering of Engagement Review toolkit documents to 25,000’s
 - The elimination of repetitive practice aids

² A question was also added to PRP Sections 4900 Team Captain Checklist and 6300 Review Captain Summary to inquire about whether the firm has performed, been engaged to perform or expects to be engaged to perform a single audit or other compliance attestation engagement under *Government Auditing Standards* with respect to the receipt of federal funds such as the Coronavirus Relief Fund, which could affect the scope of the peer review. 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 upcoming May 2022 Reviewer alert.

- Minor conforming changes will be made to other practice aids as needed in their next update. In the meantime, certain references in engagement checklists have been superseded as described below.
 - Interpretations 66-1 and 67-1, which contained guidance on “Concluding on the Review of an Engagement” in superseded PRP section 2000, and section “Evaluation of Non-Compliance with the Risk Assessment Standards” of superseded PRP section 3100, Supplemental Guidance, have been replaced by guidance found under “Evaluation of engagements” in paragraphs .36–.41 of PR-C section 210 for system reviews, and in paragraphs .16–.19 of PR-C section 220 for engagement reviews.
 - Additional qualifications for reviewers of engagements performed in accordance with Government Auditing Standards (Yellow Book) as described in interpretation 31g-1 “Qualifying for Service as a Peer Reviewer” in superseded PRP section 2000, has been replaced by guidance found under “Reviewer Qualifications for Must-Select and Must-Cover Engagements” in paragraphs .06–.08 of PR-C section 210.
- The superseded PRPM section 1000 Peer Review Standards and other PRPM sections with guidance are archived on the peer review web site. Only the clarified standards are available in OPL.
- Updated practice aids have an “April 2022” date at the top. The clarified standards do not. Instead, a) they indicate that they are effective for reviews commencing on or after May 1, 2022, and b) future updates approved by the Peer Review Board, and related conforming changes, will be identified parenthetically after the affected paragraph with their new effective date.

Tips to access and use the PRPM from the Peer Review website

For the best user experience, ensure you use the latest version of:

- Either Google Chrome or Mozilla Firefox to download files
- Adobe Acrobat Reader
 - To check the version of Adobe Acrobat Reader on your computer, open Adobe Acrobat Reader, click “Help” at the top left and then click “About Adobe Acrobat Reader DC.” The current version is 2021.001.20085.
 - If your version is not current, simply download the latest version of Adobe Acrobat Reader to ensure compatibility with the PRPM sections.

Next PRPM update:

The next update is currently scheduled for Fall 2022.

Additional information:

The 19 superseded PRP sections were:

- 1000 Peer Review Standards
- 2000 Peer Review Standards Interpretations
- 3100 Supplemental Guidance
- 3200 Peer Review Alerts
- 3300 Report Acceptance Body (RAB) Handbook
- 3600 Guidance for Writing Letters on Corrective Actions and Implementation Plans by Outside Parties
- 4100 Instructions to Firms Having a System Review
- 4200 Instructions to Reviewers Performing System Reviews
- 4250 Examples of Deficiencies and Case Studies on Writing Deficiencies

- 4950 Instructions for Use of Matter for Further Consideration (MFC) Form for System Reviews
- 4960 Instructions for Use of Findings for Further Consideration (FFC) Form for System Reviews
- 6100 Instructions for Firms Having an Engagement Review
- 6200 Instructions to Reviewers Performing Engagement Reviews
- 6250 Examples of Deficiencies That Might Be Included in an Engagement Review Report
- 6500 Instructions for Use of Matter for Further Consideration (MFC) Form for Engagement Reviews
- 6600 Instructions for Use of Finding for Further Consideration (FFC) Form for Engagement Reviews
- 7100 Guidance for Association Involvement
- 8100 Instructions to Providers Having a Quality Control Materials (QCM) Review
- 10,000 Monitoring Guidance

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Reviewer alert

May 2022

This edition of the Reviewer alert contains the following articles:

- [May Peer Review Board meeting update](#)
- [How to evaluate Quality Control Materials \(QCM\) in Peer Reviews under the Clarified Peer Review Standards](#)
- [Evaluating Peer Review Implications of SAS No. 136, as amended](#)
- [Governmental articles](#)
 - [Are your Peer Review clients performing new Yellow Book services?](#)
 - [Yellow Book engagements subject to selection](#)
 - [Peer Review extension FAQs](#)
 - [HUD matters](#)
 - [Additional resources and tools for Reviewers and Auditors](#)
- [Reviewer resume verification process changes](#)
- [Capturing statistics in PRIMA when multiple engagements are involved](#)
- [Quick hits](#)

May Peer Review Board meeting update

In open session on May 4, 2022, the Peer Review Board:

- Approved revisions to the reviewer resume verification process
- Had no concerns with proposed messaging to the administering entities (AEs) that would indicate that the Peer Review Board would not object to AEs complying with requirements outlined in PR-C Section 400, regardless of the commencement date of the peer review

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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How to evaluate Quality Control Materials (QCM) in Peer Reviews under the Clarified Peer Review Standards

What changed?

Guidance on how a peer reviewer evaluated the adequacy of QCM used by a reviewed firm (previously provided to peer reviewers in interpretation Nos. 42-2 and 42-3) was eliminated. This was because guidance for how a firm promotes consistency in the quality of engagement

performance is addressed in QC section 10, *A Firm's System of Quality Control*.^{1 2} In response, peer review practice aids were updated to better align with QC section 10. For example:

- The *Guidelines for Testing Compliance With Quality Control Policies and Procedures* checklists (QC P&P) now ask the reviewer to:
 - assess the firm's policies and procedures for use of the QCM, and
 - evaluate whether the firm's policies and procedures for use of the QCM are appropriately designed and implemented (this can be complemented by the evaluation of the firm's QCM during the review of engagements).
 - Determine if any additional optional procedures should be performed including:
 - determining whether the QCM used by the firm are appropriate for the firm and
 - requesting a copy of the practitioner's report or other documentation from the firm, evaluating scope and results of the procedures performed, and determining the extent to which the results can be relied upon to assist the firm in evaluating its QCM if the firm evaluates its QCM in part by referring to:
 - the results of a QCM review,
 - an examination under the Statements on Standards for Attestation Engagements (SSAEs),
 - some other engagement, or
 - other procedures.
- The *Summary Review Memorandum* (SRM) now asks the reviewer to:
 - describe the QCM used by the firm, if applicable, including the name of the provider, and to describe how the firm uses the QCM to promote consistency in the quality of engagement performance.

Guidance on performing and reporting on QCM reviews was eliminated from peer review guidance for similar reasons. QCM reviews that commenced prior to the effective date of the clarified PR standards will be the last QCM reviews accepted and made available on the [QCM review results web page](#). To replace QCM reviews, the AICPA is developing a new assertion-based examination performed under the SSAEs. Firms and peer reviewers could then use the results of these engagements to evaluate a firm's QCM. In mid-2022, proposed criteria for the examination will likely be exposed for:

- evaluating content of QCM as it relates to the relevant standards and interpretive guidance, and
- the description of the content of QCM.

The criteria form the benchmarks against which the practitioner performing the examination evaluates the QCM content and the related description. The AICPA also expects to issue a

¹ The QC section can be found in AICPA *Professional Standards*.

² The AICPA Auditing Standards Board (ASB) recently approved to issue as final the *Quality Management Standards*² including the standard, *A Firm's System of Quality Management* (SQMS No. 1) which addresses a firm's responsibilities to design, implement, and operate a system of quality management (QM) for its accounting and auditing practice. Some of the intellectual resources discussed in SQMS No. 1, including those made available through technological resources, are considered QCM (expected to be renamed QMM). Firms and peer reviewers will find additional guidance in the SQMS No.1 and expected implementation materials. Systems of quality management in compliance with the quality management standards are required to be designed and implemented by December 15, 2025.

guide to assist practitioners engaged to perform and report on QCM content and the related description.

Nothing precludes QCM providers from obtaining an examination on their QCM using criteria they developed, rather than those developed by the AICPA. Those examination results may also be used to evaluate a firm's QCM if the criteria used are relevant, objective, measurable and complete.

Peer reviewers should encourage their peer review clients to obtain those practitioner's examination reports directly from their QCM providers if they do not already do so.

Other resources and means to evaluate QCM in Peer Reviews

A firm and its peer reviewer may choose to use other resources and means to evaluate QCM when appropriate. For example, other means may be necessary when the QCM or an aspect of the QCM (such as the functionality of the technology) has not been subject to a QCM review, an examination or other type of engagement.

As an example of an "other means," a firm may perform its own measurement and evaluation of its QCM by reading the content of the QCM; comparing the QCM content to the relevant standards and interpretive guidance; comparing the relevant standards and interpretive guidance to the QCM content; and testing the QCM content by assuming a set of conditions and applying the QCM content to that set of conditions.

Finally, a firm could consider the QCM provider's experience in the industry and reputation in the market, consult with peers about the QCM, and consider the firm's previous experience using the QCM, including whether the firm's monitoring procedures and peer reviews identified deficiencies or engagements that were not in compliance with professional standards resulting from use of the QCM. A firm may also refer to QC section 10 and other relevant quality control or quality management standards and interpretive guidance for guidance on determining whether a resource such as QCM is appropriate for use in a firm's system of quality control or quality management.

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Evaluating Peer Review Implications of SAS No. 136, as amended

In addition to the items discussed in the [October 2021 Reviewer alert article](#), peer review staff is anticipating questions on how to assess potential noncompliance with SAS No. 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*, as amended, during a peer review, particularly as it relates to firm implementation. Please note that the information included herein should be considered in addition to the October 2021 Reviewer alert article, as some of the scenarios listed in that alert relate to requirements that are also included in AU-C section 703. As with most instances of noncompliance, peer reviewers should:

- Evaluate the specific circumstances of noncompliance with this professional standard on each peer review, both individually and in the aggregate, to determine whether to deem an engagement nonconforming.
- Consider whether a user, who would reasonably expect to rely on the financial statements, would be affected by noncompliance with the suite of new standards (this requires judgment as it is not expected for reviewers to be intimately familiar with all potential users of specific financial statements).

The Peer Review Board recognizes that each peer review is unique and that reviewers need to exercise professional judgment when forming conclusions. In any case, the peer review standards require reviewers to consider identified issues individually and, in the aggregate, and to clearly document the basis of conclusions reached.

As with any new standard, a complete failure to implement is generally deemed non-conforming. Although not all-inclusive, the following table includes example scenarios that illustrate single instances of noncompliance with these new standards. The scenarios primarily relate to instances of reporting noncompliance, but peer reviewers should note that noncompliance with other requirements outlined in SAS No. 136, as amended, could also lead to a non-conforming engagement. As mentioned previously, the reviewer should consider whether multiple issues on the same engagement, such as in the scenarios below, would result in a nonconforming engagement.

Scenario	Nonconforming	Comments
The auditor did not use the new form of report for an ERISA section 103(a)(3)(C) audit.	Yes ³	An expected user would likely be misled if an auditor used the prior year's limited scope auditor's report.
The auditor's report is for an ERISA Section 103(a)(3)(C) audit, however, the entity issuing the certified investment information is not a qualified institution under DOL rules and regulations or has provided an improper certification.	Yes ³	An expected user would likely be misled by statements included in the auditor's report when investment information has not been certified properly or was certified by an entity that is not qualified under DOL rules and regulations. Additionally, an auditor is not permitted to perform an ERISA Section 103(a)(3)(C) audit or issue an ERISA Section 103(a)(3)(C) auditor's report when the certifying institution is not a qualified institution or when the certification is improper.
The Scope and Nature of ERISA Section 103(a)(3)(C) Audit section is not presented first in the auditor's report for an ERISA Section 103(a)(3)(C) audit.	No	An expected user would likely not be misled by the report not being in the same order as prescribed by SAS No. 136, as amended.
The auditor implemented SAS No. 136, as amended, and issued an ERISA Section 103(a)(3)(C) report	Yes ³	An expected user would likely be misled by statements in the auditor's report if the prior period is

³ Reviewers encountering this scenario would likely answer the relevant engagement checklist questions related to reporting as "No." While the final version of engagement checklist questions related to reporting in accordance with SAS No. 136, as amended, are still being finalized, similar questions related to complying with pre-SAS No. 136 reporting requirements are bolded. This indicates that the "No" answers by themselves are usually indicative of an engagement that has not been performed or reported on in accordance with professional standards in all material respects, although this does not preclude professional judgment from being applied.

Scenario	Nonconforming	Comments
<p>for comparative financial statements. In the prior year, the auditor disclaimed an opinion on the financial statements because a limited scope audit was performed. In the current year's audit, the auditor did not do one of the following:</p> <ul style="list-style-type: none"> • perform procedures required by SAS No. 136 on the prior year's financial statements • reference the disclaimer of opinion in an other-matter paragraph in the current year's auditor's report, • update the auditor's report in accordance with AU-C sec. 703.86 • attach the prior year's auditor's report to the financial statements, or • otherwise properly address the prior period. 		<p>not properly addressed. In this situation the auditor could have included an "other matter" paragraph or attached both the old and new audit reports to the financial statements, among other options.</p>
<p>The auditor's report does not include management's responsibilities to:</p> <ul style="list-style-type: none"> • Maintain a current plan instrument, including all plan amendments • Administer the plan, and determine that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, which includes maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants 	<p>No</p>	<p>An expected user would likely not be misled as to what management's responsibilities are versus the auditor's responsibilities</p>

If the firm you are reviewing is struggling in this area, consider encouraging them to check out the [103\(a\)\(3\)\(C\) resource center](#) or the [SAS No. 136 \(AU-C section 703\) resource center](#) from the Employee Benefit Plan Audit Quality Center (EBPAQC)! Exclusive for EBPAQC members, these have a host of great resources including:

- An 103(a)(3)(C) audit primer
- Common deficiencies in ERISA Section 103(a)(3)(C) audit certifications

- A tool for plan management that outlines conditions for plan management to elect an ERISA Section 103(a)(3)(C) audit
- A documentation tool for the auditor's evaluation of management's assessment of an ERISA Section 103(a)(3)(C) audit certification
- FAQs for the new employee benefit plan auditing standard
- Client discussion tools for SAS No. 136

Finally, the AICPA's financial reporting center has [illustrative auditor's reports for initial year of implementation of SAS No. 136](#) available for free!

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Governmental articles

Are your Peer Review clients performing new Yellow Book services?

The AICPA estimates that funding related to Coronavirus aid and relief will result in several thousand new single audits or other engagements performed under *Government Auditing Standards* (also referred to as the Yellow Book and GAGAS). Your peer review clients may be asked to perform their first Yellow Book engagement as their clients navigate the requirements of federal funding. Yellow Book engagements are highly specialized engagements that build on AICPA standards and add additional requirements issued by the U.S. Government Accountability Office (GAO).

If your peer review client performs a Yellow Book engagement it will be required to have a system review, which includes a review of at least one Yellow Book engagement.

As you plan your upcoming peer reviews, we encourage you to:

- 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 attestation 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
- Determine if other procedures are necessary in the circumstances

For more information on Yellow Book engagements, consider the following resources:

- To view the 2018 Yellow Book, [GAO Yellow Book web page](#)
- For Yellow Book practice aids and tools, AICPA's [Governmental Audit Quality Center](#), including [Archived GAQC web events](#)
- For an AICPA independence comparison, [Independence rules comparison: AICPA and Government Auditing Standards](#)

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Yellow Book engagements subject to selection

Legislation in response to the COVID-19 pandemic has provided historic levels of federal funding to states and localities, not-for-profits, and other entities. With this new funding, many organizations are finding themselves subject to a single audit or other compliance attestation engagements performed under *Government Auditing Standards*, commonly referred to as generally accepted government auditing standards (GAGAS) or the Yellow Book, for the first

time. A common question peer reviewers are asking AICPA peer review staff is related to selection of an initial Yellow Book engagement with a year-end after a firm's peer review year. While selection of such an engagement is not appropriate under peer review standards, there are some considerations that would need to be made in such circumstances.

Discuss your clients' Peer Review year-end and due date

Paragraph .A43 of PR-C section 100 indicates that ordinarily a firm should maintain the same year-end on subsequent peer reviews. However, circumstances may arise that may influence a firm to want to request a change to its peer review year-end or request a due date extension. Talk to your peer review clients during planning about the appropriateness of their peer review year-end and due date. Factors to consider include, but are not limited to:

- Nature of practice in high-risk areas subject to peer review
- Due dates for single audits are generally nine months from the financial statement year-end
 - The Data Collection Form and reporting package are required to be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the end of the audit period [2 CFR 200.512]
- With the current peer review due date, would the engagements be complete at the time the review is due
- If the firm has a large tax practice, think about if the current peer review due date allows the firm to have the peer review after busy season

The firm may also consult their state board of accountancy or other regulatory bodies to consider the impact on licensing or other requirements.

Consider the firm's quality control policies and procedures

If your peer review client was engaged to perform its first Yellow Book engagement during the peer review year, determine if the appropriate structures are in place at the firm to facilitate the successful performance of the engagement. A sampling of the quality control policies and procedures (QCPP) for a Yellow Book practice 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 QCPP is appropriately designed to require specialized CPE in specialized areas. See additional considerations in the following subsection, "Expertise, competence, and continuing professional education."
- *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 single audits 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?

If the firm didn't appropriately design or perform procedures on its QCPPs consider the nature, timing, and extent of the firm's involvement with Yellow Book engagements when determining the impact on the peer review. Keep in mind, the goal of the peer review program is to be remedial and assist firms in performing quality work.

Expertise, competence, and continuing professional education

The auditor must assign auditors with the competence needed to conduct the engagement in accordance with GAGAS. Competence is the knowledge, skills, and abilities obtained from education and experience, necessary to conduct the GAGAS engagement. The [2018 Yellow Book](#) establishes requirements reviewers will need to consider when a reviewed firm is performing its first audit pursuant to GAGAS. Key requirements to consider include, but are not limited to:

- *Paragraph 4.02:* Auditors must assign auditors to conduct the engagement who before beginning work on the engagement **collectively** possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.
- *Paragraph 4.03:* Auditors must assign auditors who possess the competence needed for their assigned roles **before beginning work** on the engagement.
 - Competence may come from various sources including prior experience, CPE matter, or obtaining certain certifications.
- *Paragraph 4.16:* Auditors who plan, direct, perform engagement procedures for, or report on the engagement should complete at least 80 hours of CPE in every two-year period, including at least 24 hours in subject matter directly related to the environment in which the audited entity operates.
 - Determining whether CPE qualifies for the 24-hour requirement is a matter of professional judgement.
 - Auditors hired or assigned to a GAGAS engagement after the beginning of the 2-year CPE period may complete a prorated number of CPE hours.
- *Paragraph 5.43:* Auditors should perform monitoring procedures that enable it to assess compliance with professional standards and ensure individuals performing monitoring have sufficient expertise and authority within the organization.

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

“Step-Up” review reminder

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

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

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Peer Review extension FAQs

Yellow Book compliance with peer review timing requirements remains a focus point during the COVID-19 pandemic and often leads to discussions during the peer review, technical review,

and review acceptance process. The questions below summarize the most common inquiries received by peer review staff relating to peer review extensions and provide considerations based on the 2018 Yellow Book requirements.

The examples provided are intended to assist the peer reviewer in determining whether there is a departure from professional standards and the impact of that departure on the peer review. However, examples cannot contemplate every circumstance a peer reviewer might face and are not a substitute for professional judgement.

Is a Yellow Book engagement nonconforming if the firm did not have a peer review performed timely?

If a firm is performing engagements subject to GAGAS and the firm does not have a peer review performed timely (ordinarily every three years), the engagements would likely be classified as not performed or reported on in accordance with the requirements of applicable professional standards in all material respects (nonconforming) for purposes of the AICPA Peer Review Program.

The 2018 Yellow Book [2018 GAS par. 5.60] does not explicitly indicate a three-year peer review requirement, but rather indicates the firm should comply with the recognized organization's (AICPA) peer review requirements [2018 GAS par. 5.61], which is generally to have a peer review performed every three years (with consideration of approved extensions) per paragraph .22 of PR-C section 100.

Due to the pandemic, the U.S. Government Accountability Office (GAO) provided a blanket approval of all AICPA/Administering Entity (AE) extensions granted during the Peer Review Board's automatic extension period in 2020. AE extensions *granted after* September 30, 2020, that exceed three months beyond the firm's due date (including three months beyond blanket approval extensions), still require concurrence from the GAO [2018 GAS par. 5.64].

Firms that do not obtain approved extensions, or are deemed by the AE as not cooperating, would be out of compliance with both peer review and Yellow Book requirements.

If a firm did not comply with the peer review timing requirement, but properly considered the impact on GAGAS engagements (documented consideration of whether a modified compliance statement in the GAGAS audit report was necessary) as required [2018 GAS par. 2.17- 2.19], the peer reviewer would likely not deem those engagements as nonconforming as the firm appropriately addressed the issue in conformity with professional standards prior to the peer review. If the proper considerations were not made or documented, the peer reviewer would need to evaluate the degree of the departure (e.g., consider the tardiness of the peer review without an approved AE or GAO extension) to determine if those engagements are nonconforming. For example, two months may be evaluated differently than an entire year late.

When should I issue a peer review finding or report deficiency for noncompliance with the peer review timing requirement?

In light of the preceding question and response, a peer reviewer needs to evaluate a firm's system of quality control and compliance with it and the peer review standards in determining whether a finding or deficiency exists. Even if all of a firm's GAGAS engagements are deemed nonconforming, the answer will depend on other factors. For example, consider if the firm performs 100 audits but very few are engagements subject to GAGAS. In this situation, although the firm must address the nonconforming engagement(s), this situation would likely not result in a deficiency. The reviewer must consider the firm's Yellow Book practice in relation to

the practice as a whole and could determine a Pass with Deficiency (or Fail) report is appropriate.

If the firm modified the GAGAS compliance statement in the audit report in accordance with GAS paragraph 2.17b(1) and indicates that the firm did not comply with the peer review requirement, should a peer reviewer conclude the engagement is conforming?

If the firm modifies the GAGAS audit report in accordance with 2.17b(1), this aspect of the audit would be in compliance with professional standards and thus would likely not be deemed as nonconforming for this reason.

If a firm is behind significantly (for example, more than 4 years since the prior peer review), would the engagements still be conforming with the modification of the GAGAS compliance statement in the audit report as indicated in GAS paragraph 2.17b?

If the firm is that delinquent, it is unlikely it received appropriate extension approval(s) and likely was not cooperating with the AICPA Peer Review Program. However, with the appropriate disclosure in the GAGAS audit reports, that would not be a reason to cause the engagements to be nonconforming. However, even if engagements are deemed conforming that doesn't preclude the possibility of a finding or deficiency for the firm's failure to comply with monitoring or professional regulatory requirements, for example. This would depend on the facts and circumstances.

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HUD matters

One of the more common departures from standards found by peer reviewers of the U.S. Department of Housing and Urban Development (HUD) audit engagements is inadequate documentation related to the electronic submission process of financial and compliance data performed by the auditor under the AICPA Statements on Standards for Attestation Engagements for Agreed-Upon Procedures (AUP). Many firms do not realize that this AUP engagement is a separate engagement that requires a separate engagement letter, representation letter, etc. As a result, peer reviewers have noted inadequate documentation and support for the AUP performed that should support the AUP report issued by the firm.

The [Consolidated Audit Guide For Audits of HUD Programs](#) indicates:

That if the program being audited requires electronic submission of the financial and compliance data to HUD, the responsibilities of the auditor and the auditee should be included as follows:

- a. The auditee is responsible for making the electronic submission to HUD.
- b. The auditor under a separate agreed-upon procedure engagement is responsible for applying procedures to ensure that the data submitted agree with the auditee's hardcopies of the supporting documentation. [HUD chapter 1, paragraphs 1-5]

Peer Reviewer considerations

Peer reviewer considerations when reviewing HUD engagements include, but are not limited to:

- Attestation engagements performed under *Government Auditing Standards* (GAS) would require a firm to have a system review per paragraph .09 of PR-C section 100.
- An audit or attestation engagement subject to GAS is eligible to fulfill the GAS must-select requirements (see PR-C section 210, Appendix C — Additional Requirements for Must-Select and Must-Cover Engagements).
 - The reviewer would need to consider whether selection of the attestation engagement instead of an audit subject to GAS, as applicable, would be the

- most appropriate selection based on the peer review risk assessment and document that assessment in the Summary Review Memorandum (SRM).
- If the firm also performs engagements of entities subject to the Single Audit Act, the reviewer would need to at least review the compliance audit requirements of such an engagement.
 - When there are HUD audit engagements, reviewers would need to inquire with the firm as to whether an AUP report was required. If it is determined that the firm did issue an AUP report, the reviewer would need to review the firm's Peer Review Information (PRI) form in PRIMA to make sure the "Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)" (level of service code 26) is marked as being "performed." If this level of service code is not marked, the reviewer would need to either
 - request the firm to update its PRI or,
 - the reviewer could update the PRI in PRIMA and send to the firm for approval.
 - The Review Summary in PRIMA would need to separately identify the AUPs associated with the HUD audit engagement in the "Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)" section.
 - The firm's hours that relate to the AUP portion of the HUD engagement would need to be reflected in the column "Population Hours" in the row, "Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)."
 - If the firm doesn't capture the AUP hours separately from the audit engagement, the firm could provide an estimate or leave the column blank.
 - The reviewer would need to utilize the "Additional Comments Regarding Engagement Selection" section appearing after the Scope and Results of Engagements in PRIMA to provide further explanation about the firm's engagements, as needed.
 - The "Report on the Firm's System of Quality Control," in the Required Selections and Considerations section, should indicate "engagements performed under *Government Auditing Standards*" when the peer reviewer reviewed both the HUD audit engagement and AUP.

The Governmental Audit Quality Center (GAQC) offers the following advice in [GAQC Alert No. 431](#) for practitioners as it relates to the required AUP engagement and out-of-date AUP report templates. Practitioners are advised to proceed with clicking "Submit" to process the electronic AUP reports so that auditees are able to meet their submission requirement. However, we also recommend that practitioners issue a separate AUP report that reflects the requirements of the updated attestation standards for AUP engagements and provide it to the client. Being able to support that an AUP report was issued in accordance with the standards will assist practitioners in the event the AUP engagement is selected as part of your internal inspection process, a peer review, or a federal quality control review.

Considerations during the Peer Review acceptance process

Considerations of technical reviewers and report acceptance body members during the peer review acceptance process include, but are not limited to:

- If it is determined that the firm did issue an AUP report, confirm that the PRI form and Scope and Results of Engagements in PRIMA reflects the firm's performance of AUPs under GAS when there are HUD audit engagements before presenting the review to a RAB, as firms cannot update their PRI after a committee letter is issued.
- Consider if the team captain appropriately addressed the unique risks associated with all GAS engagements in the team captain's risk assessment.

- Evaluate whether the scope of the review, including a cross section of GAS engagements and the firm's other accounting and auditing engagements, provides a sufficiently comprehensive basis to conclude on the adequacy of the firm's system of quality control and compliance with that system.

Reviewers are encouraged to visit the to the [GAQC HUD Information page](#) to access resources relating to HUD engagements, including its [Directory of Helpful Web Sites](#).

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Additional resources and tools for Reviewers and Auditors

The Governmental Audit Quality Center (GAQC) has developed resources that can assist reviewers in reviewing and performing engagements under *Government Auditing Standards* and single audits and to share with auditors, as applicable. (Please note that some GAQC resources are for members only). These resources include, but are not limited to:

- Practice aids related to the Provider Relief Fund program,
 - [HHS Audit Requirements for For-Profit Entities with Awards for the Provider Relief Fund Program and Other HHS Programs](#)
 - [Audit Scope Considerations for Provider Relief Fund General and Targeted Distributions in Parent-Subsidiary Relationships](#)
- [Tips for Auditors Taking on Single Audits](#)
- [Tips for Organizations Subject to Single Audit Requirements](#)
- [Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#)
- [Governmental Illustrative Auditor's Reports](#)
- [GAQC: Archived Web Events](#)
 - 2021 Compliance Supplement and Single Audit Update
 - Uniform Guidance Revisions: What You Need to Know
 - Single Audit Lightning Round
 - An Audit Primer for Auditors of For-Profit Entities Receiving Provider Relief Funds
 - OMB Supplement Addendum and the Latest COVID-19 Single Audit Implications
 - Preparing for your First Single Audit: An Auditee Perspective

Reviewers are also encouraged to periodically check the [GAQC Resources page](#) to access any new resources added.

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Reviewer resume verification process changes

In the open session meeting on May 4, 2022, the AICPA Peer Review Board (Board) approved revisions to the reviewer resume verification process to rely on existing PRIMA functionality. As a result of this enhancement, administering entities (AEs) will no longer manually verify reviewer resumes every three years. However, AEs or the Oversight Task Force (OTF) of the Board may manually verify compliance with CPE requirements when circumstances warrant, such as oversight results or reviewer performance issues.

As a reminder, reviewers should update their reviewer resume annually to accurately to reflect qualifications, including recent industry experience. More frequent updates may be needed in certain situations such as the renewal of a reviewer's license, issuance of reports in new levels

of service, engagement types, or industries; changes in the firm that the reviewer is employed by or a partner of; and peer review continuing education courses taken.

Effective date

For more information, refer to the [May 4, 2022 PRB open session materials](#).

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Capturing statistics in PRIMA when multiple engagements are involved

A common question peer reviewers are asking AICPA peer review staff is related to completing the Review Summary in PRIMA and how to classify an engagement where there is both an audit and an agreed-upon procedures (AUP). As different standards are used, each engagement reviewed would need to be shown on one row in the Review Summary on the most specific row. For example, if the auditor is engaged by an entity to perform the annual audit under Statements on Auditing Standards and also report on tests of compliance with the entity's chart of accounts requirements in an AUP under Statements on Standards for Attestation Engagements (SSAEs), the Review Summary would indicate:

- An audit on the row titled "Other Audits Under Statements on Auditing Standards"
- An AUP subject to the SSAEs on the row titled "Agreed-upon Procedures Engagements"

Note that a single audit under the Uniform Guidance would appear on one row in the Review Summary on the row titled "OMB Single Audit Engagements." The Single Audit Act of 1984, as amended in 1996, refers to a "single audit" because it consolidates multiple individual audits of nonfederal entities required for each federal award into a single audit, encompassing both financial and compliance components. The Office of Management and Budget (OMB) has explained: "A single audit is intended to provide a cost-effective audit for nonfederal entities in that one audit is conducted in lieu of multiple audits of individual programs."

Refer to the PRIMA Help article, [Completing Engagement Summary on System Reviews](#), for additional information.

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Quick hits

Quality Management communication is important!

The Auditing Standards Board recently approved Proposed Statements on Quality Management Standards – Quality Management: *A Firm's System of Quality Control and Engagement Quality Reviews* as well as Proposed Statement on Auditing Standards, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*. The effective date for these standards is not until December 2025 as to, in part, allow peer reviewers to discuss the new requirements with their peer review clients and get the word out.

Peer review staff, ASB staff liaisons and volunteers from each group are working to develop resources and other training materials to help firms understand and implement these new standards. Additional materials are being developed for peer reviewers to help them perform assessments of a firm's system of quality management.

Be on the lookout for these items as they are published and be sure to alert your peer review clients that the new standards are coming!

Will changes in PRIMA be significant for Clarity and when will we see them?

As a quick reminder, there are not significant changes in PRIMA due to Clarity as the changes consist primarily of updating references to guidance and links and will occur in June. The most significant change for peer reviewers is that Matters for Further Consideration (MFCs) on engagement reviews must be elevated on the Disposition of Matter for Further Consideration (DMFC) to a Finding for Further Consideration (FFC) or included as a deficiency in the peer review report; however, that change will not occur until fall 2022.

2018 Yellow Book Q&A for Peer Reviewers – Available now!

We are pleased to announce that the new resource, [Evaluation of a Firm's Compliance with 2018 Yellow Book Independence Requirements Related to Nonaudit Services](#), is now available! Gain an understanding of recent changes to the Yellow Book that may need special attention in a peer review and learn what you can do to help ensure the engagements under review are meeting the quality standards. We will sort through the complexities so you can identify quality problems through review of Yellow Book engagements and give you techniques to use in your own peer reviews. Also, find out about the common areas of noncompliance with professional standards. Hot topics include, but are not limited to:

- Key differences in applying 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 you can use 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

Have questions about independence in peer reviews? We have answers!

If you're not sure how ethical requirements relating to a peer review apply in situations involving review of a firm's system of quality control, pre-issuance reviews, services performed for reviewed firms, reciprocal peer reviews, or when firms are providing services together such as associations of CPA firms, we have a resource for you!

Now available on the AICPA Peer Review website, refer to this [Q&A](#) with considerations intended to help you understand and apply requirements and related application and other explanatory material from the clarified standards. When in doubt, consult your administering entity or the AICPA technical hotline!

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Reviewer alert

September 2022

This edition of the Reviewer alert contains the following articles:

[Next PRPM Update Expected in October](#)

[Acceptance of manual vs. electronic signatures in Peer Review](#)

[Root Cause Analysis Tool with Fishbone Diagram](#)

[Noncompliance with Materiality Requirement in a Review Engagement](#)

[Quick Hits](#)

Next PRPM Update Expected in October

The next PRPM update will be available by late October 2022 on the [peer review web page](#) and in the Online Professional Library (OPL)* to subscribers. The updates will be effective for reviews commencing on or after November 1, 2022. Monitor PRIMA announcements for when and where more details will be available.

* Access OPL by visiting the purchases tab under your profile when you log into [aicpa.org](#).

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Acceptance of manual vs. electronic signatures in Peer Review

A recurring question at the 2022 Peer Review Conference was related to the appropriateness of electronic signatures on various peer review documents such as peer review reports, firm representation letters and firm letters of response.

The new clarified peer review standards do not explicitly require a “manual” signature, but peer reviewers should be aware of the risks associated with electronic signatures, some of which are outlined in a recent [Journal of Accountancy article](#).

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Root Cause Analysis tool - Fishbone diagram

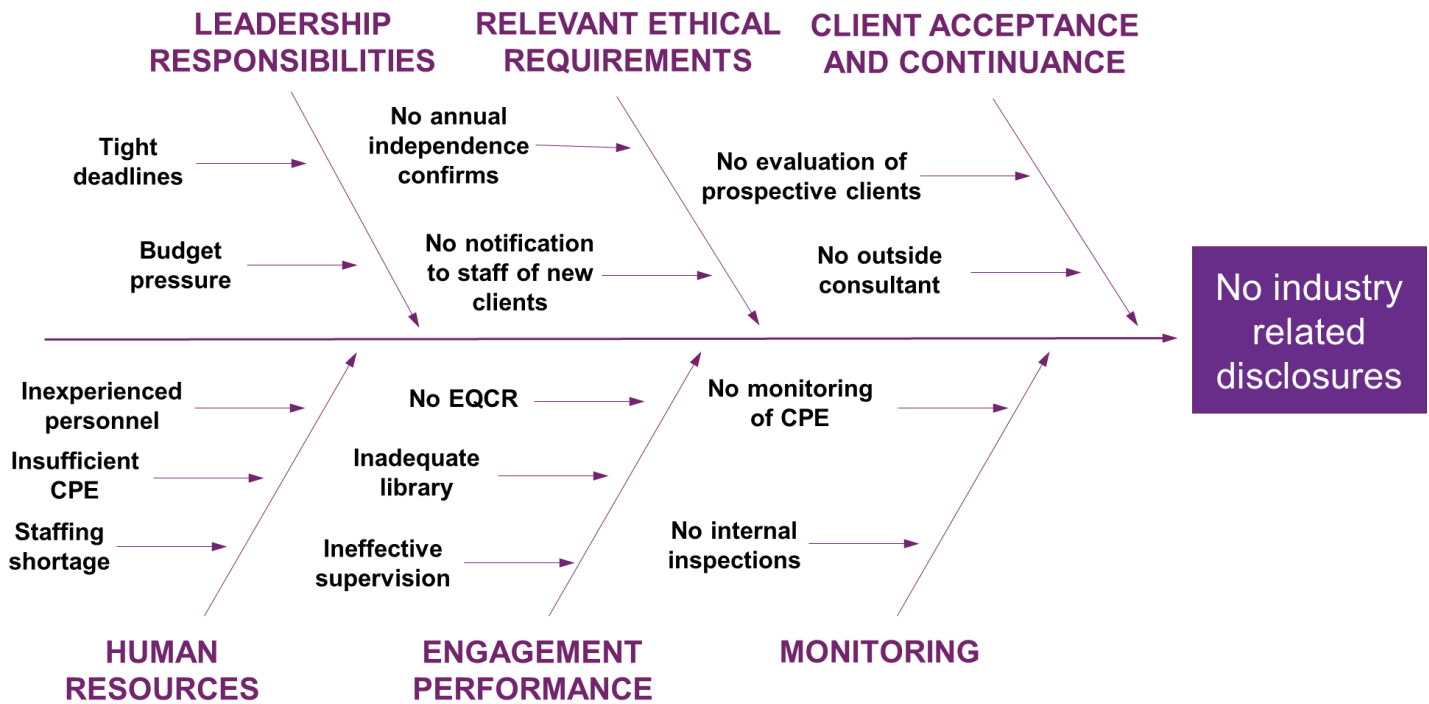
Attendees at the 2022 Peer Review Conference session, *Identifying and Writing Systemic Causes*, were introduced to a widely used tool to determine root causes, the fishbone diagram. As a continuation of that discussion, we are pleased to announce that a new fishbone diagram example is now available that has been tailored for use in peer review.

The fishbone diagram is a visual way to organize cause-and-effect relationships into categories. The peer review matter is placed at the “head” of the fish and the six required elements of quality control appear at the ends of the “bones.” Then, each of the “bones” is taken one at a time and potential causes are identified through questioning and brainstorming (e.g., why did

this matter happen, what went wrong in the system of quality control that did not allow this matter to be caught and corrected). Once all causes are listed, they can be reviewed and eliminated using professional judgement to determine the most likely systemic cause(s), investigate further, as needed, to confirm the actual systemic cause(s). This encourages a holistic look at what in the firm’s system is causing the issues and where to focus corrective action to prevent recurrence.

Please note the example is designed to help peer reviewers see how the diagram could be used to determine a systemic cause for issues identified during a peer review. The items included in the example are not designed to be all encompassing and conversely, may not be relevant to every peer review.

We want to hear from you! If you have a resource you would like to see addressed, e-mail prptechnical@aicpa.org and let us know.



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Assessing Noncompliance with Materiality Requirements for Review Engagements

Generally speaking, 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, regardless of whether a system review or engagement review is being performed.

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.

These explicit requirements will not likely result in a significant change in practice because the accountant has always had to have an understanding of materiality in order to conclude (as stated in the accountant's review report), that the accountant is not aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework.

As a reminder, 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:

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

Given that how a firm documents 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. The Issue Advisory Hotline and A&A Technical Hotline are recommended resources that may be utilized if you have any questions about whether your peer review clients complied with SSARS No. 25 (or any other accounting and auditing standard).

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Quick Hits

Register for the Upcoming Peer Reviewer Forum

Join us for the next edition of Peer Reviewer Forum on November 14, 2022 from 1-2pm ET. Among other items, Alan Long, former PRB and ASB member, will cover ways you can start helping your peer review clients get ready for the Quality Management standards!

Please email prptechnical@aicpa.org to let us know any other topics you'd like covered.

Register for the [Free \(no CPE\) Webcast](#) or the [Paid \(CPE\) Webcast](#). We look forward to "seeing" everyone!

Clarity Standards Peer Reviewer Reference Guide

To assist you in performing peer reviews under the Clarified Standards, a reference guide of significant changes to remember from the peer reviewer perspective is now available on the [peer review website](#)! Any feedback related to the guide is certainly welcome.

Reminder of Changes in PRIMA for Clarity

As a quick reminder, there are not significant changes in PRIMA due to Clarity as the changes consist primarily of updating references to guidance and occurred in June. The most significant change for peer reviewers is that Matters for Further Consideration (MFCs) on engagement reviews must be elevated on the Disposition of Matter for Further Consideration (DMFC) to a Finding for Further Consideration (FFC) or included as a deficiency in the peer review report; however, that change will occur in Q4 of 2022.

Resources from the 2022 Peer Review Conference

Check out the following links for resources from the 2022 Peer Review Conference:

- [Archived sessions](#) - Log back into aicpaconferences.com, locate the event under "My Account" and select the "Archives" page
- [System Review](#) and [Engagement Review](#) Conference Cases and Solutions
- [Questions and answers](#) submitted by attendees

New quality resource for firms!

We are pleased to announce that the new [Are You Ready for Your Peer Review?](#) course is now available online.

The webcast will help your peer review clients gain an understanding of the peer review process and identify ways to prepare for their next peer review by:

- comparing the process for undergoing a system review with that of an engagement review and address recent peer review guidance impacting both
- reviewing the required elements of quality control and the impact they have on firms.
- discussing the most common areas of non-compliance with professional standards uncovered by peer reviewers and how to prevent them.

You may wish to share this resource, where appropriate, with your peer review clients to better understand the peer review process and to prepare for their peer reviews.

Get ready for the new quality management standards

Firms with A&A practices need to understand the new quality management standards and how to implement the move from a quality control system to a quality management system. [Register for this Oct. 14 roundtable](#) (free, no CPE) with members from the Quality Management Task Forces and get your questions answered.

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Reviewer alert

This special November 2022 edition contains the following articles:

- [AICPA's Proposed New Quality Control Material \(QCM\) Criteria Support Examinations of Guides and Tools](#)
- [What's New in the PRPM – October 2022](#)
- [Register for the Upcoming Peer Reviewer Forum](#)

AICPA's Proposed New Quality Control Material (QCM) Criteria Support Examinations of Guides and Tools

The AICPA's Assurance Services Executive Committee (ASEC) issued an exposure draft (ED) titled, [Proposed Criteria for a Description of the Content of Quality Control Materials \(QCM\) and the Content of QCM Related to the Relevant Standards and Interpretive Guidance \(proposed QCM content criteria\)](#), that presents proposed criteria to evaluate quality control materials (QCM). Interested parties, including those interested in quality control and quality management issues, are encouraged to submit their comments to QCMcontentexam@aicpa-cima.com by December 15, 2022.

QCM are written or electronic manuals or tools, including industry- or subject matter-specific materials, intended to support a firm's system of quality control and promote consistency in performing quality engagements. Examples of QCM include a guide that assists a CPA firm in performing an audit of financial statements or a tool that calculates planning materiality.

The criteria will be used to evaluate QCM content in a new assertion-based examination to be performed under the Statements on Standards for Attestation Engagements (SSAEs). Although not required, a QCM provider, possibly a CPA firm, may engage a practitioner to examine its QCM content (examination) as it relates to the relevant standards and interpretive guidance. For additional assistance, practitioners may also use the upcoming AICPA Guide, *Reporting on an Examination of a Description of the Content of Quality Control Materials (QCM) and of the Content of QCM Related to the Relevant Standards and Interpretive Guidance*. The examination will help CPA firms that use QCM, and their peer reviewers, address the risks associated with the use of QCM and monitor their practices.

Paragraph .12 of QM section 10A, *A Firm's System of Quality Control*, states that the objective of a firm is to establish and maintain a system of quality control to provide it with reasonable assurance that (a) the firm and its personnel comply with professional standards and applicable legal and regulatory requirements, and (b) reports issued by the firm are appropriate in the circumstances. A CPA firm establishes policies and procedures to achieve that objective and to promote consistency in the quality of engagement performance. This is often accomplished through the adoption of QCM as an integral part of the firm's system of quality control. However, the use of QCM may result in risks for the firm.

Some firms have depended on QCM review results performed under the peer review standards to help address those risks. For various reasons, when the Peer Review Board approved the clarified peer review standards, the guidance associated with performing and reporting on QCM reviews was eliminated. QCM examinations will replace QCM reviews since the engagement will better align with

professional standards and the intended level of assurance if it is an examination engagement under the SSAEs.

The ED complements the [Statement on Quality Management Standards \(SQMS\) No. 1, A Firm's System of Quality Management](#) (QM section 10). The standard requires a firm to establish specified quality objectives, one of which is to obtain or develop, implement, maintain, and use appropriate intellectual resources to enable the operation of the firm's system of quality management and the consistent performance of quality engagements. To achieve the quality objective related to intellectual resources, the standard indicates that one matter a firm may consider when determining whether a resource is appropriate is the results of an attestation engagement performed by an independent third party. An examination of a description of QCM content (description) and QCM content is an example of such an engagement.

The article "How to evaluate Quality Control Materials (QCM) in Peer Reviews under the Clarified Peer Review Standards" in the [May 2022 Reviewer Alert](#) contains additional information useful to peer reviewers.

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What's new in the Peer Review Program Manual (PRPM) – October 2022

The October 2022 PRPM update is now available on the [Peer Review website](#) and in the Online Professional Library (OPL)¹ to subscribers. The update is effective for reviews commencing on or after November 1, 2022. Updated practice aids have an "October 2022" date at the top.

The update consists of:

- PRP Section 20,700 Employee Benefit Plan Audit Engagement Checklist revised primarily to reflect the AICPA Audit and Accounting Guide Employee Benefit Plans updated as of August 1, 2021 and to more fully integrate requirements of AU-C section 703, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*.
- New checklists for engagements performed in accordance with SSAE Nos. 21 and 22, as applicable:
 - 20,900B Agreed-Upon Procedures Engagement Checklist
 - 21,000A Examination Attestation Engagement Checklist
 - 21,050A Review Attestation Engagement Checklist
 - 21,100A Reporting on Controls at a Service Organization Checklist (SOC 1® Reports)
- PRP Section 21,300 Supplemental Checklist for Review of Agreed-Upon Procedures Related to the Securities Investor Protection Corporation (SIPC) Assessment Reconciliation for Broker Dealers revised to add references to SIPC Member FAQs and AICPA illustrative reports and enhance reporting questions.

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

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

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¹ To access OPL, visit the purchases tab under your profile when you log into www.aicpa.org.

Register for the Upcoming Peer Reviewer Forum

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Please email prptechnical@aicpa.org to let us know any other topics you'd like covered.

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Reviewer alert

December 2022

This edition of the Reviewer alert contains the following articles:

[November Peer Review Board Meeting Update – Exposure Draft Issued](#)
[Don't forget to respond to the Assurance Services Executive Committee's QCM Exposure Draft](#)
[Assessing Non-Compliance – Critical Elements – Engagement Reviews](#)
[Unique Risks to Consider When Selecting Certain Must-Select Engagements](#)
[REMINDER - Peer Review wants to hear from you!](#)
[Carefully Consider Crypto!](#)
[Quick Hits](#)

November Peer Review Board Meeting Update – Exposure Draft Issued

In open session on November 16, the Peer Review Board approved the [Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections](#) exposure draft for issuance. Proposed changes primarily include responses to feedback from users on how the clarified peer review standards could be improved.

The comment period ends on January 31, 2023, and responses can be addressed to Brad Coffey and sent to PR_expdraft@aicpa.org.

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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Don't forget to respond to the Assurance Services Executive Committee's QCM Exposure Draft

The AICPA's Assurance Services Executive Committee (ASEC) issued an exposure draft (ED) titled, [Proposed Criteria for a Description of the Content of Quality Control Materials \(QCM\) and the Content of QCM Related to the Relevant Standards and Interpretive Guidance](#) (proposed QCM content criteria), that presents proposed criteria to evaluate QCM content. For more details, see the special edition [November Reviewer alert](#).

Submit your comments to QCMcontentexam@aicpa-cima.com by December 15, 2022.

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Assessing Non-Compliance – Critical Elements – Engagement Reviews

When the phrase, “and for determining that the XYZ basis of accounting is an acceptable reporting framework” is omitted from the accountant’s report, it would generally result in a deficiency as it has been determined to be a critical element in accordance with PRC 220 Appendix A. This appendix states “failure to adopt current applicable professional standards, or the accountant’s report does not contain the critical elements of the current applicable professional standards,” would result in a deficiency.

The related requirement of AR-C section 80 states:

“.20 In the case of an accountant's compilation report on special purpose financial statements, if management has a choice of financial reporting frameworks in the preparation of the special purpose financial statements, the explanation of management's responsibility for the financial statements should also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. [As amended, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]”

This is in response to feedback received noting that some administering entities classified the issue as an FFC while others classified the issue as a deficiency. If you have any further questions or concerns, please email us at prptechnical@aicpa.org.

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Unique Risks to Consider When Selecting Certain Must-Select Engagements

While no judgment is necessary to determine whether an EBP engagement or SOC examination engagement should be selected during the course of a peer review (as they are must-selects), peer reviewers can and should exercise judgment when determining how many and what types of EBP engagements and SOC examination engagements to select.

To help peer reviewers make an appropriate engagement selection, the following is a list of some of the unique risks associated with EBP engagements and SOC 2 examinations, that should be considered during the risk assessment process:

Employee Benefit Plans

- Defined contribution plans - participant account and allocation testing and timely remittance of participant contributions.
- Defined benefit plans - actuarial present value of accumulated plan benefits and changes in the actuarial present value of accumulated plan benefits.
- Health and welfare plans - benefit obligations and changes in benefit obligations (for example, claims payable, claims incurred but not reported, postemployment benefits, postretirement health care benefits, and so on).
- Employee stock ownership plans (ESOPs) - annual appraisal of securities and leveraged ESOPs.
- Other items - plans with a master trust arrangement, multiemployer plans, initial audits of plans, terminating plans, plan mergers, and so on.

SOC 2 Examination Engagements

In recent years, a number of software developers have developed tools (SOC 2 tools) designed to help service organizations improve the efficiency with which they can prepare for SOC 2

examinations. However, because of the ways these SOC 2 tools are being marketed and used, there are heightened risks that SOC 2 examinations and related reports are not in conformity with professional standards.¹

- Service auditors may over rely on the information provided by the SOC 2 tools without adequately testing whether the tool operates as intended and the information is complete and accurate for their purposes.
- Service auditors whose clients (service organizations) use SOC 2 tools appear to believe that the use of such tools somehow eliminates or reduces their performance and reporting responsibilities under professional standards. This is especially a concern when the fees quoted are well below market rates for a SOC 2 audit performed in conformity with standards.
- SOC 2 tools are often marketed to start up organizations led by managements that do not have expertise in IT security. Among other concerns, management may lack the requisite knowledge and skills to make decisions about the organization's risks and control activities necessary to mitigate those risks – those decisions are often made by consultants that work for the tool providers.
- Some SOC 2 tool providers have a “related” CPA firm that provides the audit based on the SOC 2 information generated by the SOC 2 tool. Depending on how the tool is used by the service organization (e.g., whether the tool becomes part of the service organization's internal controls), there may be a self-review threat that cannot be mitigated to an acceptable level.²
- Some SOC 2 tool providers enter into business relationships with CPA firms that will provide the SOC 2 audit. This raises concerns about whether such firms are meeting ethical requirements around marketing and advertising.
- Some audit organizations identified on SOC 2 tool providers' websites do not appear to be licensed CPA firms. Most state boards of accountancy require attestation engagements, including SOC 2 examinations, to be performed by licensed CPA firms.

For reference, paragraph .06 of PR-C Section 210 Appendix C states, “If a firm has more than one [type of plan], a selection from each type of plan is not required; however, the reviewer must consider the unique risks associated with those types of plans and document how these risks were addressed in the risk assessment” and paragraph .10 states, “The peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in different types of SOC engagements (SOC 1 and SOC 2 engagements). If a firm performs more than one of the preceding types of SOC engagements, the reviewer must consider the unique risks associated with each engagement and document how these risks were addressed in the risk assessment.”

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REMINDER - Peer Review wants to hear from you!

As our primary stakeholders, it is important to us to find out how well we meet your needs. As such, we wanted to remind you to take our [annual survey](#) that gauges your satisfaction with AICPA Peer Review responsiveness, services, products and materials. Please respond before the end of the year!

¹ [FAQs - Effect of the Use of Software Tools on SOC 2@ Examinations](#) provides additional information on heightened risks related to the use of SOC 2 tool.

² The AICPA Code of Professional Conduct *interpretation Information Systems Design, Implementation or Integration* (ET Section 1.295.145) provides additional information regarding information system services that cannot be provided without impairing independence.

Carefully Consider Crypto!

As you have probably seen in recent headlines, digital assets have come under additional scrutiny. Please be mindful of this high-risk area in your current and upcoming peer reviews. The AICPA PRP will provide further guidance – stay tuned in the new year. In the meantime, be sure to ask all of your clients if they perform audits or other services for companies with digital assets and include consideration in your risk assessment.

Additionally, the [Accounting for and auditing of Digital Assets practice aid](#) is a valuable resource. Access news, resources and courses on the Blockchain and Digital Assets [web page](#).

Please contact technical staff if you have questions or need assistance in this area.

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Quick Hits

Resources to get your firm ready for the new quality management standards

New quality management standards require firms performing A&A services to transition their systems of quality control by Dec. 15, 2025.

- Download this helpful [checklist](#) to streamline your implementation process, which
 - Highlights the major steps, milestones to reach, and insights on organizing the project, and
 - Details the risk assessment process that drives QM's new approach.
- Watch this [recording of a roundtable](#) to hear members from the Quality Management Task Force discuss implementation tips and answer questions from firms. Be sure to download the presentation too.

Clarity Standards Peer Reviewer Reference Guide

To assist you in performing peer reviews under the Clarified Standards, a reference guide of significant changes to remember from the peer reviewer perspective is now available on the [peer review website](#). Any feedback related to the guide is certainly welcome.

Resources from the 2022 Peer Review Conference

See the [peer review CPE web page](#) for resources from the 2022 Peer Review Conference:

- Archived sessions
- Conference cases
- Questions and answers submitted by attendees

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Reviewer alert

This special February 2023 Reviewer Alert contains the following articles:

- [Register and save the dates for our 2023 Reviewer Forums!](#)
- [Peer Reviewer Training Courses Now Available](#)

Register and save the dates for our 2023 Reviewer Forums!

We've scheduled our Reviewer Forums through the end of calendar 2023. Join us to hear periodic updates and learn about key recent developments in the AICPA Peer Review Program.

Register for the [free \(no CPE\) webcast](#) or [paid \(CPE\) webcast](#).

Below are links to calendar invites to save the dates for the remaining forum. Click, open, save and close to add the save the date to your calendar. Once registration is available, we will post the link to the Peer Review [home page](#). Are you interested in a deeper dive on a specific topic? Email prsupport@aicpa.org to suggest content for future Reviewer Forums.

[May 11, 2023](#)

[September 12, 2023](#)

[November 29, 2023](#)

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Peer Reviewer Training Courses are now available

The following Peer Review training courses have been updated and are now available on the AICPA Store:

- [AICPA Peer Review Update Course](#)
- [AICPA Peer Review RAB Update Course](#)
- [AICPA Peer Review Must-Select Industry Update: Employee Benefit Plans](#)

We expect the following Peer Review training courses to become available over the next few weeks:

- AICPA Peer Review Technical Reviewer Update Course
- AICPA Peer Review Must-Select Industry Update: Government Auditing Standards

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Reviewer alert

February 2023

This edition of the Reviewer alert contains the following articles:

[February Peer Review Board Meeting Update](#)

[Next Update of the Peer Review Program Manual \(PRPM\) Expected in May](#)

[Tips for Utilizing Extensions](#)

[Governmental articles:](#)

[Spotlight on engagements subject to Government Auditing Standards](#)

[Program-specific audits FAQs](#)

[Single Audit- Low-risk auditee reminder](#)

[New! Proposed updates to Yellow Book](#)

[Engagement risks to consider when selecting Yellow Book engagements](#)

[Additional resources and tools for Reviewers and Auditors](#)

[Quick Hits](#)

February Peer Review Board Meeting Update

On February 8, the Peer Review Board (PRB) met and discussed various topics including:

- Recent task force activity such as:
 - The review of responses to the Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections exposure draft
 - The plan to update peer review standards to reflect the quality management standards
 - The development of the agenda and related content for the 2023 Peer Review Conference
 - How to recruit new reviewers and help firms find available, qualified reviewers

Meeting Highlights

Summaries of other items discussed are included in the meeting highlights, which will be available soon. Send questions about the meeting highlights to [Peer Review Staff](#).

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Next Update of the Peer Review Program Manual (PRPM) Expected in May

The next PRPM update will be available by late May 2023 on the [peer review web pages](#) and in the Online Professional Library (OPL)* to subscribers. The updates will be effective for reviews commencing on or after June 1, 2023. Monitor upcoming alerts for more details.

*Access OPL by visiting the purchases tab under your profile when you log into aicpa.org.

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Tips for Utilizing Extensions

We have heard feedback that some of you are inundated with requests for peer review services, forcing you to turn down prospective peer review clients. One helpful tool is to have peer review clients request extensions to allow for more time to perform all necessary procedures.

Extensions are requested by the firm using self-service functionality in PRIMA and ultimately approved by the administering entity (AE). Paragraph .A45 of PR-Section 100, *Concepts Common to All Peer Reviews*, states “an AE will ordinarily approve a review due date extension of three months or less.” Therefore, if you know you will need some extra time, requesting an extension is a potential option.

However, when discussing the possibility of requesting an extension with a peer review client, please remember:

- Each extension request will be considered on a case-by-case basis by the AE.
- The firm must ensure that any approved change to the review due date complies with governmental, regulatory body or any other organizations’ peer review requirements.
 - For example, if the firm performs engagements under the Generally Accepted Government Auditing Standards (GAGAS), you should discuss the fact that the GAO does not automatically accept extensions granted by the AE beyond three months
- A request for an extension is better if submitted during the planning stages of the review but not later than 60 days prior to the due date. Extensions are not typically granted after the due date unless extenuating circumstances are present.
 - In other words, you could discuss a possible extension during the scheduling phase with existing peer review clients, or when prospective peer review clients first reach out!

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Spotlight on engagements subject to *Government Auditing Standards*

The following articles are most pertinent to peer reviewers of engagements subject to *Government Auditing Standards* and single audits. However, some points (such as engagement alternatives to single audits as a result of the pandemic) are relevant to **all peer reviewers**. These types of engagements are under intense regulatory scrutiny, including quality control reviews and desk reviews performed by federal cognizant and oversight agencies. The AICPA has made many resources available for free to assist you and firms in reviewing and performing engagements under *Government Auditing Standards*. You are encouraged to use these resources in helping perform peer reviews and to share these resources, where appropriate, with firms to enhance audit quality within the profession.

Program-specific audits FAQs

Pandemic funding has led to more program-specific audits elected by entities that have expended over \$750,000 in federal expenditures pertaining to one federal program. The questions below summarize the most common inquiries received by peer review staff relating to program-specific audits and provide considerations based on the Uniform Guidance (Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) requirements.

Should program-specific audits be listed on the row for “OMB Single Audit Engagements” on the firm’s Peer Review Information (PRI) form in PRIMA?

If the program-specific audit was subject to or conducted in accordance with the Uniform Guidance, it should be classified as a single audit for peer review purposes within PRIMA. Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, indicates: “if the firm performs engagements of entities subject to the Single Audit Act, the reviewer must evaluate a compliance audit.” Program-specific audits may be elected under the Single Audit Act and the Uniform Guidance when certain criteria are met. When there are program-specific audit engagements, you would need to review the firm’s PRI form in PRIMA to make sure the “OMB Single Audit Engagements Under Government Auditing Standards (Yellow Book)” (must-select code 13) is marked as being “performed.” If this level of service code is not marked, you should either:

- Ask the firm to update its PRI or
- Update the PRI and send to the firm for approval.

Should a peer reviewer complete the full PRP section 22,100 Part A-UG Supplemental Checklist or just the 22,100 Part B-UG Supplemental Checklist associated with program-specific audits?

The team captain should complete and submit the full PRP section 22,100 Part A-UG, *Supplemental Checklist for Review of Single Audit Engagements* (part A), and the relevant sections of the engagement profile to the administering entity. You should also evaluate the areas in PRP section 22,100 Part B-UG to determine the highest risk area(s) and identify any areas of the engagement that should be reviewed in addition to part A (see especially questions SA155 - SA159 that are specific to program-specific audits). In addition, you should also complete PRP section 22,110A, *Supplemental Checklist for Review of Audit Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) 2018 Revision*, and PRP section 4400A, *Supplemental Guidelines for Review of Quality Control Policies and Procedures for Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) 2018 Revision*.

The reviewer would not be expected to complete a base peer review audit checklist for a program-specific audit (e.g., PRP section 20,500, *Governmental Audit Checklist*) as the program-specific audit under the Uniform Guidance doesn’t include a financial statement audit of the auditee.

If the review team selected a program-specific audit, does the review team need to select one of the firm’s Yellow Book financial statement audits performed to achieve appropriate must-select coverage for the review?

Yes. If the selection only covered the program-specific audit, the review team would still need to select one of the financial statement audits performed under *Government Auditing Standards* (GAS) to achieve appropriate selection coverage for the review. Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, states: “*Government Auditing Standards* (GAS), issued by the U.S. Government Accountability Office, requires auditors conducting engagements in accordance with those standards to have a peer review that includes the review of at least one engagement conducted in accordance with those standards. Additionally, if the firm performs engagements of entities subject to the Single Audit Act, the reviewer must evaluate a compliance audit.” If the firm performs an engagement of an entity subject to GAS and the peer review is intended to meet the requirements of those standards, at least one engagement conducted pursuant to those standards should be selected for review.

We want to remind you that the scope of the engagements selected should include a reasonable cross section of the firm’s accounting, auditing, and attestation engagements,

appropriately weighted considering the assessment of risk relative to the engagements performed by the firm.

The peer review report and firm representation letter refer to the program-specific audit as a “compliance audit under the Single Audit Act,” is this referencing appropriate?

Yes. Considering the preceding questions and responses, the Required Selections and Considerations paragraph of the “Report on the Firm’s System of Quality Control,” and representation letter should refer to the program-specific audit as a “compliance audit under the Single Audit Act.”

For more information, refer to footnote four in Exhibit B of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*.

Single Audit low-risk auditee reminder

The Governmental Audit Quality Center (GAQC) offers the following advice in [GAQC Alert No. 424](#) for practitioners about the single audit submission extension included in the Office of Management and Budget (OMB) Memorandum M-21-20, *Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources*. Practitioners are advised that awarding agencies should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse (FAC) as of March 19, 2021, that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the single audit reporting package to six months beyond the normal due date. Recipients and subrecipients taking advantage of this extension would still qualify as a “low-risk auditee.” Practitioners are reminded that the extension only affects one of the criteria for determining the single audit submission due date. Requirements of the 2 CFR 200.512(a)(1) state that the entity’s due date for an audit submission is the **earlier** of:

- 30 calendar days after receipt of the auditor’s report(s) or
- Nine months after the end of the audit period.

In addition, GAQC offered the following information for practitioners in [GAQC Alert No. 447](#) about delays in the FAC accepting fiscal year 2022 single audit submissions. The OMB has indicated that for any 2022 submissions with fiscal periods ending between January 1, 2022, and October 31, 2022, the requirement stating that single audits are due to the FAC 30 days after receipt of the auditor’s report(s) is waived. These audits will be considered on time if they are submitted within nine months after their fiscal period end date.

We encourage you to share [GAQC Alerts](#), where appropriate, with firms to enhance audit quality within the profession.

New! Proposed Yellow Book updates

On January 30, 2023, the U.S. Government Accountability Office (GAO) released an exposure draft of [proposed updates to Government Auditing Standards](#), also referred to as GAGAS or the Yellow Book. The proposed changes reflect a change in approach to quality management and a risk-based process for achieving the objectives of quality management. The proposed changes also incorporate extensive input and feedback from members of the Yellow Book Advisory Council, including experts from federal, state, and local governments; the private sector; and academia.

“This latest update is intended to strengthen and modernize audit organizations’ systems for managing engagement quality using a proactive and risk-based approach,” said Gene

Dodaro, Comptroller General of the United States and GAO head. “The proposed approach is intended to help ensure that audit organizations produce reliable, objective, and high-quality work for use in holding management and officials entrusted with public resources accountable for carrying out their duties.”

Summary of proposed changes

Of particular interest to peer reviewers is external peer review, and the exposure draft states:

Note: No changes to the External Peer Review section are proposed and therefore that section is removed from the exposure draft. The final revision of Government Auditing Standards will include conforming amendments to change references to “quality control” to “quality management” and to update affected cross-references.

Other key changes include, but are not limited to:

- Allowing audit organizations subject to other quality management standards to comply with those requirements and specific additional Yellow Book requirements
- Emphasizing the responsibility of the audit organization’s leadership for quality management
- Adding a quality management risk assessment process and information and communication component
- Emphasizing monitoring of the entire system of quality management
- Providing for the use of optional quality reviews of Yellow Book engagements
- Proposing application guidance for key audit matters
- Promoting scalability of the standard for use by audit organizations differing in size and complexity

The GAO is seeking public comment on the proposed draft! Please submit your comments to YellowBookComments@gao.gov, by **April 28, 2023**.

Engagement risks to consider when selecting Yellow Book engagements

Certain recipients of several larger pandemic programs that meet specific eligibility criteria are provided with an option to have an alternative engagement that would be less burdensome than a single audit or program-specific audit under 2 CFR Part 200, Subpart F. For example, compliance examination engagements in accordance with *Government Auditing Standards* (also referred to as the Yellow Book and GAGAS) and AICPA Statements on Standards for Attestation Engagements (AT-C section 315, *Compliance Attestation*), or financial audits under the Yellow Book. You should be aware that these types of engagements are under intense regulatory scrutiny due to their strong public interest component and quality concerns. Because these engagements are required to be performed under the Yellow Book, you should consider these engagements as part of the must-select population of engagements subject to selection.

A sampling of the engagement risks related to alternative engagements that you may consider when determining how many and what types of Yellow Book engagements to select include:

Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)

- Determining recipients’ eligibility for the alternative compliance examination engagement may cause confusion
- Some practitioners may not be familiar with the attestation standards of the AICPA or the Yellow Book requirements for an examination attestation engagement

Provider Relief Fund (PRF)

- Auditors may miss the AICPA guidance recommending a revenue-based schedule for the for-profit GAGAS engagement and erroneously opine that it is GAAP or special-purpose framework when out-of-period expenses and lost revenue are reported
- Even though an opinion on compliance is not issued, the auditor is required to consider noncompliance with laws and regulations that could result in material misstatements of the schedule
- Many small recipients and the potential for practitioners that are not used to working with engagements associated with federal funds

Shuttered Venue Operators Grant (SVOG)

- Audit threshold trigger for all audit options based on SVOG award revenue recognized during the entity's fiscal year may cause confusion
- Some practitioners may not be familiar with the attestation standards of the AICPA or the Yellow Book requirements for an examination attestation engagement
- Many small recipients and the potential for practitioners that are not used to working with engagements associated with federal funds

For reference, Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, states, "Peer reviewers should also consider audit firm experience, such as how many governmental audits the firm performs, the number of years' experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on GAS engagements."

For more information on pandemic programs offering alternatives to single audit, consider the following resources:

- Watch this recording as the speakers discuss new pandemic funding that will fall outside of a single audit and answer questions from peer reviewers: [Impact of COVID-19 Federal Funding Update for Peer Reviewers](#)
- Watch this recording as the speakers delve into important and highly relevant topics related to audits of pandemic funding: [Hot Topics in Auditing Pandemic Funding](#)
- 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

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

Additional resources and tools for Reviewers and Auditors

The Governmental Audit Quality Center (GAQC) has developed resources that can assist you in reviewing and performing alternative engagements related to pandemic funding under *Government Auditing Standards*, and to share with auditors, as applicable. These resources include, but are not limited to:

- Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)
 - A practice aid, [CSLFRF Alternative Compliance Examination Engagement Practice Aid](#)
 - A set of illustrative reports, [CSLFRF compliance examination engagement illustrative reports](#)

- An archived web event, [Auditor Considerations: The Coronavirus State and Local Fiscal Recovery Funds Program](#)
- Provider Relief Fund (PRF)
 - A practice aid, [HHS Audit Requirements for For-Profit Entities with Awards from the Provider Relief Fund Program and Other HHS Programs](#)
 - A practice aid, [Audit Scope Considerations for Provider Relief Fund General and Targeted Distributions in Parent-Subsidiary Relationships](#)
 - An article titled, [Governmental Audits of Single Financial Statements or Elements](#)
 - An archived web event, [Auditing For-Profit Entities Receiving Provider Relief Funds and Other HHS Awards](#)
- Shuttered Venue Operators Grant (SVOG)
 - A set of illustrative reports, [Illustrative Practitioner's Reports for the SVOG Compliance Examination](#)
 - Coming soon! An archived web event, [Auditing For-Profit Recipients of the Shuttered Venue Operators Grant Program](#)

We also encourage you to regularly check the [GAQC Resources](#) page for any new resources.

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Quick Hits

Update Your Resume for Quality Management

In our ongoing efforts to help firms implement the quality management standards, you can now indicate in your reviewer resume that you are willing to provide consulting related to a firm's system of quality management!

An additional bullet related to quality management was added to the "Are you willing to serve as an outside consultant for another firm" question. Firms and others can use the [reviewer search functionality](#) to find peer reviewers, including new peer reviewers, that have answered 'Yes' to that question to help find a valuable resource in any quality management implementation efforts.

You can also further expand on your ability (for example, availability) to provide these services in the open-ended question "Is there any other information relevant to your qualifications as a peer reviewer or outside consultant that you would like to include?" which also is accessible via the reviewer search.

Register for the March 1 Reviewer Forum!

It's not too late to register for the March 1 Reviewer Forum! Join us to hear periodic updates and learn about key recent developments in the AICPA Peer Review Program.

Register for the [free \(no CPE\) webcast](#) or [paid \(CPE\) webcast](#).

Additionally, below are links to save the dates for the remaining forums. Click, open, save and close to add them to your calendar. Once live, we will post the registration link to our [home page](#). Interested in a deeper dive on a topic? Email prsupport@aicpa.org to suggest content.

[May 11, 2023](#)

[September 12, 2023](#)

[November 29, 2023](#)

Updated On-Demand Peer Reviewer Training Courses

As mentioned in our special edition February Reviewer alert, the following courses, which meet various peer review related training requirements, are now available on the AICPA store:

- [Peer Review Update Session](#) (team/review captain ongoing training requirement)
- [Committee Member Breakout Session](#) (CPA on staff training requirement)
- [Employee Benefit Plan Optional Session](#) (must-select training requirement)

Practice Aid on Analytical Procedures in a Review of Financial Statements

Do your peer review clients have issues related to analytical procedures in their review engagements? Consider recommending a new practice aid developed by AICPA staff with input from the AICPA's Accounting and Review Services Committee. The [Analytical Review Procedures in a Review of Financial Statements practice aid](#) is designed to illustrate and demonstrate the importance of forming expectations and considering the precision of the expectation, two of the most misunderstood concepts when applying analytical procedures in a review engagement.

New Risk Assessment in a Financial Statement Audit Guide

If your peer review clients struggle with complying with audit requirements related to risk assessment, consider recommending the new [Risk Assessment in a Financial Statement Audit](#) guide! The guide will help your peer review clients understand how to fulfill their responsibilities for identifying and assessing risks of material misstatement in a financial statement audit. It also would help your peer review clients focus on how to apply SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, to audits of financial statements of less complex entities.

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Reviewer alert

March 2023

This special edition of the Reviewer alert contains the following articles:

- [Upcoming aicpa.org website maintenance](#)
- [Peer Review Conference Planning Survey – We want to hear from you!](#)

Upcoming aicpa.org website maintenance

On **March 25 and 26**, the AICPA® membership website will be temporarily unavailable due to system maintenance. As such, you will not be able to access us.aicpa.org, www.aicpa.org or [PRIMA](#) during all or parts of the weekend. We understand the timing is not ideal and sincerely apologize for the inconvenience.

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Peer Review Conference Planning Survey – We want to hear from you!

We are currently preparing for the 2023 Peer Review Conference to be held from July 31, 2023 – August 2, 2023 in Philadelphia, PA. Virtual attendance will also be offered.

Please take a few minutes and complete the survey linked below to assist us in providing you with a meaningful and informative Conference. This survey will take less than five minutes and your response may remain anonymous, if desired.

As always, your continuous feedback is important in helping us understand your preferences and where we can enhance content quality, thus driving improvements in audit quality.

Please click [here](#) to complete the survey by May 3, 2023.

Please let us know if you have questions about the website or survey.

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Reviewer alert

May 2023

This edition of the Reviewer alert contains the following articles:

- [May Peer Review Board Meeting Update](#)
- [What's New in the Peer Review Program Manual \(PRPM\)](#)
- [Get Ready for Your Upcoming Peer Reviews](#)
- [2018 Yellow Book Q&A for Peer Reviewers](#)
- [SOC 2 Peer Review Checklist Updated](#)
- [Quick Hits](#)

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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Reviewer alert

June 2023

This special edition of the Reviewer alert contains the following articles:

- [Help firms with resources to set up their new quality management system](#)
- [Reminder: Register for the 2023 Peer Review Conference!](#)
- [2024-2025 AICPA Peer Review Board application window](#)

Help firms with resources to set up their new quality management system

Through your relationship and connection to firms, peer reviewers can support efforts to raise visibility and educate CPAs on important A&A issues. You've been provided with information on the new quality management standards since they were issued in June 2022, and now new resources are available to help guide firms' implementation as they head toward the Dec. 2025 effective date. These resources would benefit peer reviewers, too.

A **four-part webinar series** will be held on select days from July 11 to July 24. It includes a new, two-hour live event on [a practical approach to QM's risk assessment and response](#) on July 24 (the focus is SQMS No. 1). Rebroadcasts are scheduled for October and December. The other webcasts, each one hour, will be rebroadcasted in October and December as well. Registrations for the webinars are available from the [QM Standards Webinar Series](#) page.

In addition, a **new self-study on-demand course**, [Understanding and Implementing the New Quality Management Standards](#), has been released. It provides firms with a roadmap to guide their development of a new system of quality management. CPE credit: 5.5.

Coming this summer will be an extensive practice aid, designed to assist CPA firms with implementation and compliance with SQMS No. 1. The downloadable, interactive resource delves into practical examples, helping firms to apply a risk-based approach to their A&A practice. SQMS No. 1 enables firms to create policies and processes tailored to their firms' needs and circumstances. Two versions of the practice aid will be produced: one for sole practitioners and one for small- to medium-sized practices.

Visit aicpa-cima.com/auditqm for additional information and resources.

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Reminder: Register for the 2023 Peer Review Conference!

Please join us in Philadelphia for the 2023 Peer Review Conference to be held from **July 31 – August 2, 2023** at the [Sheraton Philadelphia Downtown](#) in Philadelphia, Pennsylvania and virtually.

You'll have access to curated content, developed by Peer Review Board members, staff and experienced reviewers. This year, we are offering a dual online track for general sessions so attendees from later time zones do not have to participate at 8:00am ET.

For Monday's optional sessions, we delayed the start time so the "Pacific online track" will attend in sync with the "Eastern on-site and online tracks." For Tuesday's and Wednesday's general sessions, the "Pacific online track" will join the "Eastern on-site and online tracks" at the beginning of your day and will transition to rebroadcasts during your afternoons (when the Eastern attendees have already ended their day).

The ECTF has planned an exciting agenda with essential topics to keep you current, sessions with standard setters to answer your questions, and the ever-popular conference cases!

[REGISTER](#) for the conference.

[RESERVE](#) your room.

Don't forget the following deadlines!

Hotel reservations cut-off: July 9, 2023

Online conference registration cut-off: July 17, 2023

If you have any questions, please email Gloria.Harewood@aicpa-cima.com.

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2024-2025 AICPA Peer Review Board application window

As you know, the AICPA Peer Review Board (PRB) is the senior technical committee that governs the AICPA Peer Review Program. The primary activities of the PRB are to establish and conduct, in cooperation with State CPA Societies, practice-monitoring programs for AICPA and State Society members engaged in the practice of public accounting. The PRB is composed of 20 members, 17 of whom represent the various sizes of public accounting firms, along with one regulator and two State CPA Society CEOs.

We anticipate filling two openings on the PRB for the 2024-2025 committee year. As a part of the annual PRB appointment process, we would like to ask you to recommend candidates for service on the PRB. We are specifically looking for candidates who:

- Have extensive peer review experience with limited feedback
- Can think and act in terms of the AICPA vision and mission
- Will carry out responsibilities delegated and follow through on assignments
- Will share his or her views so that issues are fully deliberated and seek clarification on issues and points not fully understood
- Preferably have experience serving on a state CPA society's peer review committee or other relevant volunteer experience

The AICPA is focused on ensuring our volunteer groups are representative of our diverse membership and are seeking to identify potential volunteers from various backgrounds and age groups including women, ethnic minorities and members under 40, who meet the minimum requirements.

The recommended candidates will be selected by the AICPA Nominations Committee and approved at the 2024 Spring Council meeting. Members selected will serve for one year, beginning in May of 2024, with reappointment for up to three years. We expect most contributing members will be reappointed and will serve for the maximum period.

Serving on the PRB is a great way to contribute to and shape the future of our profession and add to the strength and success of our profession's practice monitoring program.

The PRB will consider the candidates in later in the fall and develop recommendations for the Nominations Committee. The online application is available at <https://volunteers.aicpa.org>, and all applications should be completed no later than **October 1, 2023**.

Instructions for individuals applying:

After logging in, please follow these steps:

1. Select **Apply** located towards the top of the screen.
2. Select **Applications**
3. Select **Peer Review** from the categories on the left of screen.
4. Click the check box next to Peer Review Board and then select **Apply** in the lower right of the screen

Also, we urge you to provide additional information, particularly your resume, if available, by selecting **Resume** located on the same screen as Applications (refer to # 2 above). Your Skills can also be indicated by selecting **Skills** from the same screen.

Although the Resume and Skills are optional, they will assist the PRB members in reaching a final decision in recommending applicants to the Nominations Committee. If you have any questions or need assistance with this process, please contact the AICPA Volunteer Services Team via email at AICPAVolunteerservices@aicpa-cima.com.

Thank you for your assistance. If you have any questions, please contact the Peer Review Team at prsupport@aicpa.org or 919.402.4502.

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Reviewer alert

September 2023

The September 2023 edition contains the following articles:

[September Peer Review Board Meeting Update](#)
[Next Update of the Peer Review Program Manual \(PRPM\) Expected in Late October](#)
[Change to Technical Hotline](#)
[GAQC Yellow Book Independence Practice Aid – Available now!](#)
[Quick Hits](#)

September Peer Review Board Meeting Update

Originally scheduled for September 7, the most recent Peer Review Board (PRB) meeting was cancelled to allow Staff more time to work on existing projects. However, summaries of updates that would have been provided as part of the [meeting materials](#) are available on the AICPA's peer review web site. [Register](#) for the PRB's next open session meeting on November 16. Any questions about the PRB's meeting schedule can be directed to [Peer Review Staff](#).

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Next Update of the Peer Review Program Manual (PRPM) Expected in Late October

The next PRPM update will be available by late October 2023 on the [peer review web pages](#) and in the Online Professional Library (OPL)* to subscribers. The updates will be effective for reviews commencing on or after November 1, 2023. Monitor PRIMA announcements for when and where more details will be available.

* To access OPL, visit the purchases tab under your profile when you log in to [aicpa-cima.com](#).

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Change to Technical Hotline

Beginning October 1, calls to the technical hotline will no longer be answered directly by technical managers due to staffing and other challenges. However, you will still be able to email technical staff via prptechnical@aicpa.org or leave a voicemail via 919.402.4502, option 3. Additionally, you can complete the [new Peer Review Technical Hotline Submission Form](#) to, in part, schedule a time for a call back from one of our technical managers. While this change will take time to adapt, we believe it will allow technical staff to provide more efficient and effective support to those with peer review related technical questions.

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GAQC Yellow Book Independence Practice Aid – Available now!

The Governmental Audit Quality Center (GAQC) recently released a nonauthoritative practice aid, [Evaluating and Documenting Independence Threats of Nonaudit Services in Government Auditing Standards Engagements](#), that can help firms understand the Yellow Book's independence-related documentation requirements. It illustrates one methodology a firm could use to evaluate and document threats to independence and the application of safeguards. It may also assist you when reviewing a firm's documentation of Yellow Book independence considerations related to the performance of nonaudit services.

Key topics include:

- Identifying nonaudit services and determining whether the nonaudit services are otherwise prohibited
- Determining whether certain preconditions are met before agreeing to perform nonaudit services
- Evaluating threats to independence and the application of safeguards for nonaudit services involving preparing accounting records and financial statements, as well as other nonaudit services and threats in the aggregate and
- Documenting the firm's conclusions regarding independence and nonaudit services provided, both individually and in the aggregate.

We encourage you to regularly check the [GAQC Resources](#) page for any new resources and share with your peer review clients, where appropriate, to enhance audit quality within the profession.

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Quick Hits

There's Still Time to Apply for the Peer Review Board (PRB)

As noted in the June Reviewer Alert, the application window for the PRB opened for the 2024-2025 committee year. However, the window closes on October 1, so if you or someone you know would be a good fit for the PRB, access [Volunteer Central](#) and apply now! If you have any questions, please contact Staff or read more in the [June Reviewer Alert](#).

Deficiency Writing Guide Now Available

Check out the [System Review](#) and [Engagement Review](#) deficiency writing guides. Modeled after the former PRP Section 4250, Guidance for Writing Deficiencies and Significant Deficiencies Included in System Review [Reports](#) (and the related PRP Section 6250 for Engagement Reviews), the guides are designed to help you write deficiencies and significant deficiencies by providing examples and other helpful information.

Register for Upcoming Reviewer Forums

Click below to register for the remaining 2023 Reviewer Forum. Are you interested in a deeper dive on a specific topic? Email prsupport@aicpa.org to suggest content for future Reviewer Forums.

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

A New Resource for Preparation Engagements

In June, an interactive decision tree was issued to help you determine whether the standard on performing preparation engagements applies. This tool, developed by AICPA Staff with input

from the Accounting and Review Services Committee, may be a great resource for your peer review clients, or even your own firm. [Download](#) the decision tree.

New Statements on Standards for Attestation Engagements Exposure Draft

The exposure draft, *Proposed SSAE Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management* was issued on August 25 with comments requested by December 1. Objectives of the proposed changes include:

- Amending the SSAEs such that practitioners comply with the existing requirements of SQMS No. 1 as applicable to an attestation engagement
- Aligning certain concepts related to quality management, where appropriate, between the SAs, SSARs, and SSAEs

[Download](#) the exposure draft to learn more.

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Reviewer alert

November 2023

The November 2023 edition contains the following articles:

[November Peer Review Board Meeting Update](#)

[What's new in the Peer Review Program Manual \(PRPM\) – October 2023 update](#)

[Update on the December 2022 Assessing Non-Compliance – Critical Elements: Reviewer Alert Update Your Reviewer Resume!](#)

[Can an auditor perform an ERISA section 103\(a\)\(3\)\(C\) audit if the Plan does not have an audit requirement?](#)

[SOC 2® Examination Engagements](#)

[Digital Assets: Reviewing engagements involving use of service organizations](#)

[REMINDER: Peer Review wants to hear from you!](#)

[Quick Hits](#)

November Peer Review Board Meeting Update

On November 16, the Peer Review Board (PRB) met and discussed various topics including:

- The exposure draft for PRSU No. 2, *Reviewing A Firm's System of Quality Management and Omnibus Technical Enhancements*
 - The [final version of the exposure draft](#) has been approved and is available to view on the peer review website.
 - Templates for comments and suggestions have been made available to assist with responses:
 - [Template for Comments and Suggestions \(PDF Version\)](#)
 - [Template for Comments and Suggestions \(Word Version\)](#)
 - The PRB requests responses to the exposure draft be sent to PR_expdraft@aicpa.org by May 31, 2024.

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) – October 2023 update

The October 2023 PRPM update was available on the [PRPM web page](#) and in the Online Professional Library (OPL)¹ to subscribers at the end of October. The update was effective for reviews commencing on or after November 1, 2023. Updated practice aids have an “October 2023” date at the top.

The update consists of:

- [PRP Section 20,700 Employee Benefit Plan Audit Engagement Checklist revised](#) to reflect the AICPA Audit and Accounting Guide Employee Benefit Plans updated as of August 1, 2022 and to integrate requirements of SAS 142, *Audit Evidence* and other recent professional standards.
- [Conforming changes](#) to the 4950 and 6950 *Technical Reviewer’s Checklists* for System Reviews and Engagement Reviews, to clarify the technical reviewer's responsibilities to support the RAB when the current report rating will cause the reviewed firm to receive consecutive non-pass reports.

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 Spring 2024.

11/10/23 update: The October 2023 version of the PRP Section 20,700 Employee Benefit Plan Audit Engagement Checklist was reposted to the PRPM web page on 11/10/23. In the original version, Yes and No responses reverted to N/A upon reopening the file. We apologize for the inconvenience.

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Update on the December 2022 Assessing Non-Compliance – Critical Elements: Reviewer Alert

The PRB wanted to provide an update on the December 2022 Reviewer alert based on feedback received during the 2023 Peer Review Conference suggested it provided conflicting information related to the assessment of noncompliance with reporting requirements contained in the SSARs. After discussion, the PRB did not feel that the December 2022 Reviewer alert provided the nuance necessary in the circumstances and wanted to emphasize:

- While a reviewer could determine that an engagement is nonconforming if the phrase, “and for determining that the XYZ basis of accounting is an acceptable reporting framework” is omitted from the accountant’s report, the reviewer is not obligated to do so.
- While this situation on its own, could cause the engagement to be non-conforming, the PRB felt the engagement would be more likely to be non-conforming if other compounding factors existed, for example, if the engagement letter references a different basis of accounting, such as GAAP, than the accountant’s report.
- Ultimately the decision is based on the reviewer’s judgment, a crucial element in the peer review process, of the specific facts and circumstances of the peer review.

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

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- Information contained in Reviewer alert articles is not authoritative, but rather is intended to provide information that reviewers may find helpful during the performance of peer reviews.
 - While consistency amongst peer reviews is important, it does not necessarily outweigh reviewer judgment.

Peer reviewers and those involved in the peer review report acceptance process are reminded that no two peer reviews are the same, and no two instances of noncompliance are the same. Peer reviewers may also have different, but still reasonable, opinions regarding the significance of similar issues. Ultimately, peer reviewers should use the questions included at the end of each engagement checklist to help form the conclusion of whether an engagement is nonconforming and provide those involved with the report acceptance process documentation that provides the rationale behind any key conclusions reached.

Finally, the PRB understands the information included in the December 2022 alert influenced decisions reached by peer reviewers and those involved in the report acceptance process. However, the information contained herein should be applied prospectively and not to peer reviews that have already been accepted or completed.

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Update Your Reviewer Resume!

Beginning in early December, you will be able to indicate on your reviewer resume whether or not you are willing to take on new peer review clients. Once a sufficient amount of reviewers have answered the question, we will update the reviewer search to give firms and others the ability to filter the search results for those reviewers that have responded affirmatively to that question. We are hopeful this will make it easier for firms to find peer reviewers when needed and will help end the barrage of requests some peer reviewers get from firms in need of a peer reviewer.

For those that are willing to take on new peer review clients, we also ask that you provide additional information about your availability in the following resume question:

- “Is there any information relevant to your qualifications as a peer reviewer or outside consultant that you would like to include? Examples of other relevant information could include availability and types of peer reviews you are willing to perform, service on committees, certificates earned, travel restrictions, etc.”

For example, you could indicate you are only willing to accept engagement reviews or that you are only available in March and April. Any information that firms (or team captains) may find useful when trying to find a qualified peer reviewer is encouraged and will be included in the search results of any query submitted in the reviewer search.

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Can an auditor perform an ERISA section 103(a)(3)(C) audit if the Plan does not have an audit requirement?

The Department of Labor’s (DOL) recent changes to Form 5500 redefined large plans by the number of participants with account balances on the first day of the plan year. Per Form 5500, a plan with at least 100 participants with active accounts is considered a large plan and an audit is required. This provision applies to defined contribution plans and is effective for plan years that

begin on or after January 1, 2023. Previously large plans with at least 100 **eligible** participants required an audit. The DOL estimates that nearly 20,000 plans previously considered large plans will no longer be subject to the annual audit requirement due to this change.

This change has led to situations in which plan sponsors have a plan that no longer requires an audit but would like to have the plan audited as part of fulfilling its own fiduciary duties or for other reasons (e.g., the plan has an auto-enrollment feature and the plan sponsor believes the plan will soon require an audit). Auditors have inquired as to whether an ERISA section 103(a)(3)(C) audit can be performed if the plan does not have an audit requirement.

In most cases, there does not appear to be anything in the professional standards, laws, or regulations that would preclude an auditor from accepting such an engagement. An auditor may accept an ERISA section 103(a)(3)(C) audit engagement when no requirement for such audit exists, provided there is no management-imposed scope limitation on the engagement, except as permitted by the DOL's Field Assistance Bulletin No. 2009-02, Annual Reporting Requirements for 403(b) Plans.

Under the professional standards, an auditor is precluded from accepting an audit engagement if management imposes a limitation on the scope of the auditor's work, such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements, and the entity is not required by law or regulation to have an audit.

AU-C Section 210, *Terms of an Engagement*, paragraph .07 states:

If management or those charged with governance of an entity that it is not required by law or regulation to have an audit impose a limitation on the scope of the auditor's work in the terms of a proposed audit engagement, such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements as a whole, the auditor should not accept such a limited engagement as an audit engagement.

As explained in paragraph .A141-.A142 of AU-C section 703, an ERISA section 103(a)(3)(C) audit is unique to employee benefit plans and **is not considered a scope limitation** under AU-C section 705. As such, an ERISA section 103(a)(3)(C) audit may be performed, unless there is another reason the auditor may know in advance that there will be a limitation on the scope of the auditor's work that will result in a disclaimer of opinion. For example, if the plan has not maintained sufficient accounting records and supporting documentation and the auditor is unable to apply certain auditing procedures, the auditor may need to disclaim an opinion on the ERISA plan financial statements and ERISA-required supplemental schedules.

While the Department of Labor (DOL) has not issued formal, authoritative guidance, Michael Auerbach, Office of the Chief Accountant, did address the subject early in the [May 10, 2023, Employee Benefit Plan Town Hall](#) session. Mr. Auerbach states that he does not see anything in the regulations that would preclude a plan from having a section 103(a)(3)(C) audit because such an audit is not required.

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SOC 2® Examination Engagements

The December 2022 Reviewer alert discussed unique risks to consider when selecting SOC engagements for review. Similarly, those risks impact review of the engagements themselves.

The following discusses how the new SOC 2 peer review checklist (the checklist) can be used to consider the risks identified in the December 2022 Reviewer alert at the engagement level.

Risk: Service auditors may over rely on the information provided by the SOC 2 tools without adequately testing whether the tool operates as intended and the information is complete and accurate for their purposes.

Response: This risk is specifically addressed in the checklist by step AT227: Did the service auditor evaluate procedures performed by the service organization to determine whether information produced or generated by third-party applications and/or tools (including software automation tools) is accurate and complete? [SG 3.140–.143];

This may be relevant, for example, if management relies upon the SOC 2 tool for designing and maintaining monitoring controls. The peer reviewer may consider whether the service auditor evaluated management’s validation of the monitoring tool configurations.

Risk: Service auditors whose clients (service organizations) use SOC 2 tools appear to believe that the use of such tools somehow eliminates or reduces their performance and reporting responsibilities under professional standards. This is especially a concern when the fees quoted are well below market rates for a SOC 2 audit performed in conformity with standards.

Response: The checklist enables the peer reviewer to verify that the service auditor has performed the examination in accordance with professional standards. For example:

- AT128 includes consideration of the appropriateness of the service commitments and system requirements identified by management;
- AT202 presents procedures that are typically performed to obtain evidence about the system description (the service auditor is expected to perform a combination of the listed procedures) and AT312-328 present factors that should be considered when evaluating whether the description is in accordance with the description criteria;
- AT136 addresses the service auditor’s risk assessment (this is separate from management’s risk assessment which is considered in AT209) and AT210 presents procedures that are typically performed to obtain evidence about the design of controls;
- AT229 requires more than inquiry alone to provide sufficient appropriate evidence of the operating effectiveness of controls, AT223 discusses timing of tests of controls and AT228 discuss the method for selecting items to be sampled.

The peer reviewer should consider whether the CPA has been engaged solely for the purpose of signing the report without adequate involvement in the engagement. This may become apparent when documenting CPA and non-CPA hours in the engagement profile and relevant attestation experience of the team. Additionally, this should be considered when completing:

- AT115 addressing the engagement partner’s responsibility for ensuring the engagement team has the appropriate capabilities and competence; and
- AT267 addressing appropriate involvement by the engagement partner as the job progressed.

Risk: SOC 2 tools are often marketed to start up organizations led by managements that do not have expertise in IT security. Among other concerns, management may lack the

requisite knowledge and skills to make decisions about the organization’s risks and control activities necessary to mitigate those risks – those decisions are often made by consultants that work for the tool providers.

Response: Multiple steps in the checklist prompt the peer reviewer to evaluate whether the service auditor has considered whether management has the requisite skills and knowledge to make decisions about the organization’s risk and control activities necessary to mitigate those risks. This includes:

- AT119-120 discuss management’s having a reasonable basis for its assertion;
- AT209 and 211 discuss management’s risk assessment and controls in place to address those risks.

This may be relevant, for example, if the automation vendor defined the control activities. The peer reviewer may expect the service auditor to document their consideration of whether management has a reasonable basis for its assertion related to control design.

In some situations, the peer reviewer may conclude that the vendor is operating as a management’s specialist and would expect the service auditor to have documented the procedures performed to evaluate the specialist (AT122). This may be relevant, for example, if the automation vendor drafted the system description.

Risk: Some SOC 2 tool providers have a “related” CPA firm that provides the audit based on the SOC 2 information generated by the SOC 2 tool. Depending on how the tool is used by the service organization (e.g., whether the tool becomes part of the service organization’s internal controls), there may be a self-review threat that cannot be mitigated to an acceptable level.²

Response: In the discussion of nonattest services in AT 109, the checklist specifically notes the importance of determining whether the service auditor assisted the service organization with the design, implementation, or integration of any governance, risk, and compliance (GRC) or automation tool(s). If so, the service auditor should assess whether self-review and management participation threats to the service auditor’s independence exist.

If any of the following conditions are met regarding the SOC 2 tool provider and the “related” CPA firm, the tool provider’s work with respect to the SOC tool would be evaluated as if done by the CPA firm:³ 1) the CPA firm or any of its members individually or acting together have a controlling interest in the SOC 2 tool provider⁴; 2) the CPA Firm and the SOC 2 tool provider are considered network firms;⁵ or 3) the SOC 2 tool provider’s operating, financial, or accounting policies can be controlled by any covered member or more than one covered member acting together⁶. This means that the SOC 2 tool provider would need to comply with ethical requirements such as independence, commissions, and referral fees. These considerations would be documented as part of ATT109.

² The AICPA Code of Professional Conduct *interpretation Information Systems Design, Implementation or Integration* (ET Section 1.295.145) provides additional information regarding information system services that cannot be provided without impairing independence.

³ [Information Systems Services \(1.295.145\)](#)

⁴ [Ownership of a Separate Business \(1.810.010\)](#)

⁵ [Network and Network Firms \(1.220.010\)](#)

⁶ [Covered member \(0.400.14\)](#)

In addition, independence may be required when the CPA Firm and the SOC 2 tool provider are in an alternative practice structure⁷.

Even when individuals in a firm, either individually or collectively, do *not* have a controlling interest in the SOC 2 tool provider, independence would be impaired if the member provided prohibited nonattest services to the attest client through the SOC 2 tool provider⁸.

If a relationship exists between the CPA firm and the SOC 2 tool provider that is not enumerated above, a member should apply the conceptual framework approach keeping in mind that independence should be in fact and in appearance⁹.

Risk: Some SOC 2 tool providers enter into business relationships with CPA firms that will provide the SOC 2 audit. This raises concerns about whether such firms are meeting ethical requirements around marketing and advertising.

Response: The checklist contains a section on ethical requirements. The peer reviewer should be familiar with specific requirements within the code of conduct related to marketing and advertising. This can be documented as part of ATT108.

Risk: Some audit organizations identified on SOC 2 tool providers' websites do not appear to be licensed CPA firms. Most state boards of accountancy require attestation engagements, including SOC 2 examinations, to be performed by licensed CPA firms.

Response: Although non-CPA firms are not subject to peer review, there have been situations where SOC 2 tool providers enter into business relationships where an engagement is performed by a non-CPA firm and a CPA is engaged solely for the purpose of signing the report without other participation in the engagement. The peer reviewer should be aware of this possibility when reviewing individual SOC engagements, particularly when completing the engagement profile and documenting AT115 (engagement partner responsibilities) and AT267 (involvement of the engagement partner as the job progresses).

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Digital Assets: Reviewing engagements involving use of service organizations

Over the past several years, the types of digital assets and use cases for them have increased significantly, and both firms and peer reviewers have encountered new issues to consider in performing A&A engagements (see the [May 2021 Reviewer alert](#) for more background). In many cases, entities that transact in or invest in digital assets engage third parties with the technological capabilities and competencies to support their involvement in digital assets. When reviewing engagements involving digital assets and the use of service organizations, consider if the firm:

- Obtained an understanding of the nature of the services provided by the service organization (for example, to store its digital assets or execute and report trades)

⁷ [Alternative Practice Structures \(1.220.020\)](#)

⁸ [Ownership of a Separate Business \(1.810.010.03\)](#)

⁹ [Conceptual Framework for Independence \(1.210.010\)](#)

- Evaluated the design and implementation of relevant controls at the user entity that relate to the services provided by the service organization (for example, controls relating to safeguarding of private keys)
- Gained an understanding of the procedures related to safeguarding and transferring digital assets (for example, private key management)
- Performed audit procedures that are appropriately responsive to the identified risks of material misstatement (for example, reconciliation of the entity’s financial statements to the blockchain on an appropriate basis, which may be necessary more frequently than monthly)

PRIMA:

When you plan a firm’s peer review and perform the risk assessment, consider the firm’s PRI responses to questions asking if the firm performed audit or attest (A&A) engagements for entities that had 1) significant roles in the digital assets ecosystem (Code 904¹⁰) and/or 2) holdings in digital assets that were considered material to the underlying engagements.

Resources:

The AICPA has many resources specific to both blockchain and digital assets, ranging from certificate courses, webcasts, self-study courses, and thought leadership papers. For additional resources see the [Digital Assets, Virtual Currency Tax Guidance, and Blockchain](#) page.

Digital Asset Practice Aid:

In order to address financial reporting and auditing challenges, the AICPA’s Digital Assets Working Group has developed nonauthoritative accounting and auditing guidance to help financial statement preparers and auditors who are operating in the digital asset space. The AICPA Practice Aid [Accounting for and Auditing of Digital Assets](#), includes the following topics:

Accounting	Auditing
<ul style="list-style-type: none"> • Classification, measurement, recognition, and derecognition when an entity purchases or sells digital assets • Specialized accounting for investment companies and broker-dealers when engaging in digital asset activities • Considerations for crypto assets that require fair value measurement • Accounting for stablecoin holdings • Derivatives and embedded derivatives • Crypto asset lending and borrowing • Mining 	<ul style="list-style-type: none"> • Client acceptance and continuance • Risk assessment and processes and controls • Laws and regulations and related parties • Consideration of an entity’s use of a service organization

The Practice Aid is intended for those with a fundamental knowledge of blockchain technology and is based on existing professional literature and the experience of members of the Digital Assets Working Group. The Digital Assets Working Group continues to develop new content that will be added to the practice aid in the future.

¹⁰ Update your reviewer resume with your experience with entities with significant roles in the digital assets ecosystem (Code 904) in order for firms to find peer reviewers with experience in this complex industry.

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REMINDER - Peer Review wants to hear from you!

As our primary stakeholders, it is important to us to find out how well we meet your needs. As such, we wanted to remind you to take our annual survey that gauges your satisfaction with AICPA Peer Review responsiveness, services, products and materials. Please respond to the [survey](#) before the end of the year!

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Quick Hits

New Quality Management (QM) Standards Practice Aid Now Available!

[Our free, robust practice aid](#) will guide your peer review clients in moving their firm to a QM system as required by the AICPA's new standards. The interactive guide and accompanying Example Risk Assessment template enable them to tailor their QM system to meet their firm's needs and circumstances for its A&A practice. Download these tools and send them to your peer review clients so they can start their implementation today.

Visit aicpa-cima.com/auditqm to find the latest resources and [webcasts](#) that will help firms move from a quality control system to a quality management system.

Tell us what else would be helpful!

We want to know where firms are in the QM implementation process and if there are any additional tools we could provide to help. By answering this short [survey](#), you will give us the information we need to see how we can continue to support your progress.

Peer Review Event: Identifying and Writing Systemic Causes

Registration information is now available for an upcoming Peer Review live webcast, *Peer Review Identifying and Writing Systemic Causes*, to be held on **Thursday, December 14, 2023**, from 1:00 PM – 3:00 PM (Eastern Time).

Join us as we walk through the root cause analysis process within a peer review setting and learn what you can do to prepare for your next peer review. You will learn about the most common challenges when writing findings and deficiencies with a systemic orientation and how you can avoid them. Also, find out about effective interviewing techniques for determining the systemic cause of matters identified. Featuring detail-rich examples and scenarios to assist you in applying proven techniques to identify the systemic cause during your peer reviews.

Refer to [Peer Review Identifying and Writing Systemic Causes](#) for further information.

Update on Peer Review Courses

The following Peer Review training courses have been updated and are now available on the AICPA Store:

- [AICPA Peer Review RAB Update Course](#)
- [AICPA Peer Review Technical Reviewer Update Course](#)
- [AICPA Peer Review Must-Select Industry Update: Government Auditing Standards](#)
- [AICPA Peer Review Must-Select Industry Update: Employee Benefit Plans](#)
- [AICPA Peer Review Update Course](#)

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January 2024

This special edition of the Reviewer alert contains the following articles:

[Department of Labor Audit Quality Study Issued](#)
[Save the Dates for 2024 Reviewer Forums and PRB Open Session Meetings](#)
[Reminders for 2023 Customer Satisfaction Survey and Clarified Standards Exposure Draft](#)

U.S. Department of Labor (DOL) study issued

As you've probably heard, the U.S. Department of Labor (DOL) Employee Benefits Security Administration (EBSA) issued its report, [Audit Quality Study, November 2023](#), which found deficiencies in the quality of audit work performed by independent CPAs with respect to financial statement audits of ERISA employee benefit plans for the 2020 filing year. The 2020 form year was chosen because it was the last year before auditors were required to comply with the new audit standard SAS 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*, as amended, which allowed for the development of an audit quality baseline prior to the implementation of the new standard.

EBSA's assessment of audit quality included a statistical review of 307 plan audits performed by 222 CPA firms. EBSA found that 70% of the audits fully complied with professional auditing standards or had minor deficiencies, while 30% of the audits had one or more major deficiencies with respect to one or more relevant GAAS requirements. While the deficiency rate remains high, it is a statistically significant improvement over the 2015 results which showed a 39% deficiency rate. The results also show considerable improvement in the percentage of plans audits with multiple deficiencies (from 48% down to 8%). In addition, deficiency rates identified by peer review are comparable, so the issues are being detected and remediated.

EBSA found a clear link between the number of EBP audits performed by a CPA and the quality of the work performed. Specifically, firms that perform five or fewer EBP audits a year had a significantly higher deficiency rate than other auditors in the study. The number of firms in this category has shrunk from 5,207 in 2011 to 2,585 in 2020, driven in part by the AICPA through its Enhancing Audit Quality (EAQ) initiative and AICPA Peer Review Program. Another positive result noted in the report is that EBPAQC firm members had a significantly lower deficiency rate than non-member firms.

As in past studies, the audit areas with more frequent deficiencies were in areas unique to EBP auditing, including testing contributions, benefit payments, participant data, and party-in-interest/prohibited transactions.

The report noted that while the issuance of SAS No. 136, as amended, was not particularly relevant to this study, the DOL believes it is a pivotal change in auditing standards, and the DOL plans to assess its impact on audit quality in a future project.

In addition to the legislative recommendations that the DOL Office of Inspector General made in its 2004, 2012, and 2014 reports, EBSA's report contained seven recommendations focused on enforcement and outreach. These recommendations include:

- EBSA continuing to focus targeting strategies on CPAs with smaller EBP audit practices that audit plans with large amounts of plan assets and increasing the number of large benefit plan practice CPA firms that are reviewed,
- Working with state licensing boards to enhance the investigation and sanctioning process for CPAs performing significantly deficient work and encouraging them to accept the results of investigations performed by the AICPA's Professional Ethics team and use those results in disciplining CPAs,
- Encouraging changes to the AICPA's Peer Review program to make its reporting model more transparent to users with respect to the quality of a firm's EBP practice as well as to ensure a completeness of population of firms in the program,
- Working with the National Association of State Boards of Accountancy (NASBA) to encourage state licensing boards to require specific licensing requirements for CPAs who perform EBP audits, to include specific training and experience in auditing employee benefit plans,
- Expanding its outreach activities to include plan administrator organizations in order to explain the importance of hiring competent CPAs to plan administrators and those with responsibility for hiring plan auditors,
- Communicating with each of the state licensing boards regarding the audit study results and the need to ensure that only competent CPAs are performing employee benefit plan audits, and
- Encouraging state CPA societies to create EBP audit training programs.

SAVE THE DATES for 2024 Reviewer Forums and PRB Open Session Meetings

2024 Reviewer Forums

We've scheduled our Reviewer Forums through the end of calendar 2024. Join us to hear periodic updates and key recent developments in the AICPA Peer Review Program.

February 14, 2-3pm ET

May 22, 3-4pm ET

September 18, 2-3pm ET

November 13, 2-3pm ET

Once registration is available, we will post the link to the Peer Review [CPE and Events page](#). Interested in a deeper dive on a specific topic? Email prsupport@aicpa.org to suggest content.

2024 PRB Open Sessions

We've also scheduled our PRB open session meetings through the end of calendar 2024.

February 7, 11am-1pm ET

May 15, 11am-1pm ET
September 11, 11am-1pm ET
November 6, 11am-1pm ET

We're redesigning our registration form. Once it's complete, we will post the link to the PRB Meeting Observer Registration form [web page](#).

REMINDERS: Peer Review wants to hear from you!

Last call to respond to the 2023 Customer Satisfaction Survey

As our primary stakeholders, it is important to us to find out how well we meet your needs. As such, we wanted to remind you to take our annual survey that gauges your satisfaction with AICPA Peer Review responsiveness, services, products and materials. Please respond to the [survey](#) before the end of January!

Comment on the *Clarified Standards Exposure Draft*

The final version of the PRSU No. 2, *Reviewing A Firm's System of Quality Management and Omnibus Technical Enhancements* [exposure draft](#) has been approved and is available to view on the peer review website.

Templates for comments and suggestions have been made available to assist with responses:

- [Template for Comments and Suggestions \(PDF Version\)](#)
- [Template for Comments and Suggestions \(Word Version\)](#)

The PRB requests responses to the exposure draft be sent to PR_expdraft@aicpa.org by May 31, 2024.