

REVIEWER ALERT



September 2017

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What's New in the Peer Review Program Manual (PRPM) – September 2017 Update

The following updates will be available by early October 2017 on the [peer review webpages](#), and in the Online Professional Library ([OPL](#)) to subscribers. PDF or excel documents will have a "September 2017" date on the top. The updates will be effective for reviews commencing on or after October 1, 2017.

Resulting from the [August 2017 Peer Review Board \(PRB\) meeting](#), PRPM sections:

- 3300, *Report Acceptance Body (RAB) Handbook*:
 - Chapter 2, Technical Reviewer Checklists, have been updated to conform with PRIMA and to clarify technical reviewer responsibilities for monitoring and evaluating the performance of the reviewer (agenda item 1.2).
 - Chapter 8 has been updated to (agenda item 1.2):
 - clarify guidance on the impact to the team captain when the committee issues performance feedback to a team member
 - reflect that reviewer cooperation and qualification findings will be addressed via PRIMA instead of in reviewer performance feedback forms
 - provide other clarifications, which we encourage reviewers to consider as applicable
 - Chapters 1, 2 and 8 have been updated to allow reviewers with limited restrictions to continue to perform reviews (agenda item 1.6).
- 2000, *Peer Review Standards' Interpretations* (agenda item 1.3):
 - Interpretation 7-2 has been updated due to the issuance of SSAE No. 18 to clarify existing guidance related to the types of engagements that require a firm to undergo a system review versus an engagement review.
 - Interpretation 31b-6 has been updated to clarify that reviewers should consider the specific level of service they perform within the attestation standards when they consider whether they are currently involved in supervising the same types of accounting or auditing engagements they plan on reviewing.

Other September Updates:

- Section 2000, *Peer Review Standards' Interpretations* Interpretation 11-1, has been updated to refine the criteria for a review to be administered by the National Peer Review Committee.

This update was approved at the [May 2017 PRB meeting](#) (agenda item 1.3) to be effective for reviews commencing on or after August 1, 2017. However, specific language needed to be finalized.

- Section 3300, *RAB Handbook*, Chapter 8, Section IV-B, has been updated to modify the list of reviewer performance findings that would be documented on a reviewer performance feedback form. This update was approved at the [May 2017 PRB meeting](#) (agenda item 1.9) and is now effective due to its implementation in PRIMA.
- Appendix B of PRPM Section 1000, *Peer Review Standards*, and the Representation Letter Illustration in the Practice Management Toolkit, have been updated to include a clarification to the sentence relating to remedial plans for nonconforming engagements in the “Illustration of a Representation Letter That Has Been Tailored for Significant Matters to Report to the Team Captain for a System Review.” Also see “Common Errors: Peer Review Report and Firm Representation Letter” article in the [August 2017 Reviewers Alert](#).

Approved PRPM Updates With Future Effective Dates:

Updates to the following guidance were approved at the August 2017 PRB Meeting (agenda item 1.5), and will be incorporated into the PRPM upon implementation in PRIMA:

- Interpretation 5h-1 to allow for dropping firms from the Program for failure to timely represent their A&A practices annually
- Interpretation 63-3 to remove school districts from the list of must-cover engagements, and to remove the requirement for firms to indicate the top three industries when none exceed 10% of total A&A hours, and a related conforming change to PRP 4100 *Instructions for Firms Having a System Review*
- PRP 4100, 4800 and 6100 for conforming changes to eliminate industry code lists since they will be maintained in PRIMA

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PRIMA Update and Training

This past weekend, we implemented more than 25 additional user experience changes that will further improve the PRIMA experience. We appreciate your patience as we continue to refine and improve PRIMA and welcome your additional suggestions and feedback.

A high-level summary of the enhancements impacting reviewers and firms is below.

Peer Reviewers

- PRIMA will now automatically re-run scheduling checks every hour for reviews with scheduling errors. If the issue is resolved, the case automatically moves to the next step in the scheduling process. If errors are still found, the case will remain with the individual to whom it is assigned.
- Added “Other” option under SSAEs and “Entities subject to Securities and Exchange Commission (SEC) Independence Rules: Other” under Audit Engagements of the Review Summary page for system reviews.
- Team/Review Captains are now the only user types that can update estimated commencement, closing meeting and exit conference dates in the scheduling case (SCH).
- The reviewed firm name and review number have been added to the text of emails and information only notifications.
- The date a case entered the reviewer’s worklist and review due date have been added to “My Team Reviews.”
- Added a pop-up message when trying to send open status MFCs/FFCs to the firm, explaining that the firm can’t see the MFC/FFC if it is in open status.
- Added a pop-up message asking you to confirm deletion of the MFC/FFC, explaining that once deleted, you can’t retrieve it.
- Added a new section called “My Open Scheduling” to the “My Reviews” page to show all scheduling (SCH) cases to which team members have been added.
- Name changes to multiple buttons to help clarify next steps, including:
 - **Review (RVW) case:** “Submit Working Paper button” was changed to “Submit Working Papers to Administering Entity”
 - **MFC form:** “Approve” button was changed to “Sign-off – Ready for Firm”
 - **FFC form:** “Approve” button was changed to “Sign-off – Ready for Firm”

- Added pop-up message when Team Captain submits the working papers to the administering entity (AE). The message reminds reviewers to confirm the peer review dates (i.e. commencement date, closing meeting date and exit conference date). Once the review is submitted, the review dates are no longer editable without sending the case back to the reviewer.
- Added the ability to upload multiple documents at one time.

Firms

- Name changes to multiple buttons to help clarify next steps, including:
 - **Manage my Firm:** “Change Request Extension” button was changed to “Request Extension or Peer Review Year End Change”
- The firm will acknowledge its independence from the Team/Review Captain prior to sending the Scheduling form to the Captain. If the Captain submits additional team members, the firm will be required to acknowledge its independence from the additional team members before the scheduling case can be sent to the AE. If no additional team members are added, the Captain will send the scheduling case directly to the AE.

Training

We’ve scheduled additional training sessions for reviewers and CPA firms, during which staff will review recent enhancements. If you are unable to attend, the archives will be available approximately 24 hours after each session concludes, using the same links as below.

[Reviewer training](#) - October 12, 2017 2:00–3:30pm EDT

[Firm training](#) - October 17, 2017 3:30–5:00pm EDT

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Upcoming A&A Standard Pronouncements

Peer reviewers often find that their peer review clients have not adopted or fully implemented recent accounting or auditing standard pronouncements. As such, to the extent possible, reviewers should remind their peer review clients of upcoming A&A pronouncements to assist firms in staying up-to-date. With that in mind, Peer Review staff would like to highlight two upcoming pronouncements that reviewers should begin discussing with their peer review clients:

- 1) Accounting Standards Update (ASU) 2014-09 – Issued by the FASB in 2014, this ASU eliminates the transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replaces it with a principles based approach for determining revenue recognition. This ASU could impact most, if not all, accounting and auditing engagements performed by your peer review clients.

Other than public business entities, certain not-for-profit entities and certain employee benefit plans, all entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Additionally, all entities may apply this guidance as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period.

Even though the effective date is several years away, given the significance of the

changes, reviewers should begin discussing this ASU with their peer review clients now. Resources related to revenue recognition can be found [here](#).

- 2) Accounting Standards Update (ASU) 2016-14 – Issued by the FASB in 2016, this ASU contains changes to the financial reporting model for not-for-profit entities that are designed, in part, to provide better information to users of financial statements of those entities.

ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018 (with early application permitted).

These changes will be effective soon, so reviewers of not-for-profit entities should discuss these changes with their peer review clients if they have not done so already. Resources related to these changes can be found [here](#).

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Final 2017 Compliance Supplement

On August 17, 2017, the Office of Management and Budget (OMB) released the final 2017 OMB Audit Requirements, Appendix XI – Compliance Supplement (the Supplement), effective for fiscal years beginning after June 30, 2016. Reviewers can access the Supplement in one large PDF file at <https://www.whitehouse.gov/omb/offices/offm>. Additionally, the GAQC has posted a PDF version, broken down by Supplement section, on the [GAQC Web site](#), which is open to the public.

The 2017 Supplement adds four new programs, included one added to an existing cluster; adds two new clusters; and deletes three programs. The Supplement is also updated to reflect program changes and technical corrections, including the extension of the grace period for compliance with the procurement requirements from two to three years. Part 3 of the Supplement continues to be divided into two subparts, Subpart 3.1 is applicable to awards issued prior to December 26, 2014, and Subpart 3.2 is applicable to awards issued on or after December 26, 2014.

Reviewers are encouraged to review [Appendix 5, List of Changes for the 2017 Compliance Supplement](#), to learn more about the types of changes made. Additionally, a no-CPE archive of the GAQC Web event, [2017 Compliance Supplement and Single Audit Update](#), is now available to GAQC members related to this topic.

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Updated Uniform Guidance Frequently Asked Questions Document

OMB, via the Chief Finance Officers Council (CFOC), has recently released an update to the Frequently Asked Questions (FAQs) document of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The complete FAQs can be found on the “Grants Initiatives” section of the CFOC Web site at <https://cfo.gov>.

There are 24 new FAQs that were added to the document, along with revisions to four previously issued FAQs. Several areas relate to the audit requirements of the Uniform Guidance and should be considered when using PRP sections 22,100 Part A-UG and Part

B-UG, *Supplemental Checklists for Review of OMB Single Audit Engagements*, such as:

- Concluding that an entity may organize the SEFA in an alternative way such as by state agency or departments of an organization and still be compliant with the requirement to list individual federal programs by federal agency
- Indicating that an entity may include subtotals of expenditures by federal agency on the SEFA; however, it is not required in the Uniform Guidance, but rather a best practice
- Clarifying that the name of the cluster of programs is required on the SEFA, regardless of whether the expenditures were incurred under only one program or multiple programs within the cluster of programs
- Reiterating auditee responsibilities related to the Summary Schedule of Prior Audit Findings and the Corrective Action Plan. Refer to the [July 2017 Governmental Reviewer Alert](#) related to this FAQ
- Reiterating that auditors may “smooth” the timing of auditing low-risk Type A programs during the first three years of Uniform Guidance implementation

Reviewers are encouraged to review the FAQs in their entirety and to share, where appropriate, with firms for consideration in their single audits.

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Technical Reviewer Revisions Requests Process

If a technical reviewer requests revisions to a review case within PRIMA, the peer review team will receive an email from PRIMA and the review case will move to their My Team Reviews. Any member of the peer review team can make revisions but the team or review captain will need to submit it back to the technical reviewer. Within the RVW case, the document upload tab will show the technical reviewer comments, the due date and documents identified that need to be revised. The due date defaults as the date of the revision request and may be updated by the technical reviewer.

If revisions are not submitted by the due date:

- **First Overdue Letter:**
 - the first overdue letter is sent automatically through PRIMA 14 days after the due date
- **Reminder:**
 - the technical reviewer will be notified five days after the first letter is sent to contact the team or review captain to discuss the status of the review and due date
- **Second Overdue Letter:**
 - if the due date is not extended, the second overdue letter is generated five days after the outreach
 - if a new due date is agreed upon, the second overdue letter will generate the day after the new due date
 - the second overdue letter is sent via certified mail and suspends the reviewer from scheduling future reviews

Throughout the overdue process, the RVW case remains with the peer review team to complete and submit within PRIMA. After the RVW case is submitted, the overdue process stops and the suspension (if applicable) is lifted.

If the firm is the reason for the delay, please contact the administering entity or the technical

reviewer to commence non-cooperation procedures against the firm and to avoid suspension. The overdue process described above is applicable to the following actions in PRIMA:

- Overdue working papers for a review
- Reviews that were delayed accepted subject to by the RAB
- Reviews that were deferred by the RAB
- Revisions to a review as requested by a technical reviewer (as described in this article)

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Peer Review Conference Special Reviewer Alert

The special edition of the Reviewer Alert below, originally sent in August, contained behind-the-scenes interviews live from the AICPA Peer Review Conference in Nashville, TN.

Behind-the-scenes Interviews



[Audit Documentation](#)

Tom Parry, Chair of the AICPA Peer Review Board, talks about the most common audit quality issue: a lack of proper documentation. In this video, he covers:

- Why audit documentation has become a prominent focus for the AICPA
- Common misconceptions related to audit documentation
- Where firms can go for more information and resources to help them document appropriately

For more information on audit documentation, including free tools and resources, visit aicpa.org/documentation.



[Enhancing Audit Quality](#)

Jim Brackens, AICPA Vice President—Ethics & Practice Quality, discusses the AICPA's Enhancing Audit Quality (EAQ) initiative, including:

- Why the AICPA started the EAQ initiative
- The approach the AICPA is taking to tackling audit quality challenges through EAQ
- The progress EAQ has made so far in supporting firms' quality improvement

For more information on EAQ, visit aicpa.org/EAQ.



[PRIMA](#)

Dawn Brenner, a member of the AICPA Peer Review Board, addresses concerns with the Peer Review Integrated Management Application (PRIMA) system, providing viewers with:

- Information on new enhancements
- What to do in the event of system delays
- Tools and resources available to firms, peer reviewers and administering entities

For more information on PRIMA, visit aicpa.org/PRIMA.



[Professional Issues Update](#)

Eric Hansen, Vice Chair of the AICPA Board of Directors, shares his insights on:

- The top challenges impacting the accounting profession
- How the profession is responding to those challenges and how CPAs can prepare for changes
- Opportunities for the profession to innovate in an evolving business environment

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