



## May 2024

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### May Peer Review Board meeting update

On May 15, the Peer Review Board (PRB) met and discussed various topics including:

- A reminder for interested parties to submit comment letters to PRSU No. 2 by May 31,
- The [Annual Report on Oversight](#) was approved,
- Proposed changes to oversights of administering entities by the PRB,
- A reminder for reviewers to update their reviewer resume to indicate if they are accepting new clients,
- The continued coordination between the PRB and the Auditing Standards Board, and
- The importance of all peer review stakeholders working collaboratively on any potential changes being considered to Facilitated State Board Access state laws or regulations.

### 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](#).

### What's new in the Peer Review Program Manual (PRPM) – May 2024 update

The May 2024 PRPM update will be available on the [peer review web pages](#) and in the Online Professional Library (OPL)<sup>1</sup> to subscribers by the end of May. The update is effective for reviews commencing on or after June 1, 2024. Updated practice aids will have a "May 2024" date at the top.

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<sup>1</sup> To access OPL, visit the purchases tab under your profile when you log in to [www.aicpa-cima.com](http://www.aicpa-cima.com).

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The update consists of PRP Section:

- [20,400 General Audit Engagement Checklist](#) revised to reflect the AICPA Audit Guide *Risk Assessment in a Financial Statement Audit* (new guide as of January 1, 2023); and to integrate requirements of SAS 143 *Auditing Accounting Estimates and Related Disclosures*; SAS 145 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, and other recent professional standards.
- [22,100 - Part A and B - UG Supplemental Checklists for Review of Single Audit Engagements](#) revised to reflect the AICPA Audit Guide *Government Auditing Standards and Single Audits* (with conforming changes as of April 1, 2023) and the *2023 OMB Compliance Supplement*.
- [20,800 Supplemental Checklist for Review of Prospective Financial Statement Engagements](#) revised to reflect the AICPA Guide *Prospective Financial Information* (as of July 15, 2021) and other conforming changes.
- [24,130 List of A&A Engagements & Review Summary - Population & Reviewed Statistics](#) excel schedule in the planning tools section of the System Review Practice Management Toolkit revised to reflect the most current PRIMA codes and related information.

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 2024.

### **Register for the 2024 Peer Review Conference or Become a Reviewer Course**

Please join us in Denver for the 2024 Peer Review Conference to be held from August 5 – August 7, 2024 at the [Grand Hyatt Denver](#) in Denver, Colorado.

You'll have access to curated content, developed by Peer Review Board members, staff and experienced reviewers. As in prior years, we are offering in-person and online attendance options, both in MDT.

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!

#### *[Becoming an AICPA Team or Review Captain: Case Study Application | LIVE](#)*

We are pleased to announce that we will offer a live version of the course on Monday, August 5, 2024, in conjunction with the 2024 Peer Review Conference. If you know someone interested in peer review, invite them to join us in Denver! Registration for the course is on the conference registration website.

[REGISTER](#) for the conference.

[RESERVE](#) your room.

**Don't forget the following deadlines!**

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Hotel reservations cut-off: **Friday, July 12, 2024**

In-person and online conference registration cut-off: **Thursday, August 1, 2024**

If you have any questions, please email [Gloria.Harewood@aicpa-cima.com](mailto:Gloria.Harewood@aicpa-cima.com).

### **New! Uniform Guidance updates**

On April 4, 2024, the U.S. Office of Management and Budget (OMB) issued revisions to [2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (Uniform Guidance), effective for all federal awards issued on or after October 1, 2024. Federal agencies may elect to apply the final guidance to federal awards issued prior to October 1, 2024, but they are not required to do so. OMB has indicated that these revisions will improve stewardship of federal funds, promote equitable access to programs and services, reduce administrative burden for agencies, applicants, and recipients, and facilitate streamlined and effective oversight and implementation of federal programs.

Key changes include, but are not limited to:

- Increasing the threshold for a single or program-specific audit from \$750,000 to \$1 million.
- Increasing the Type A threshold to \$1 million and the amount of awards expended for which it applies has been increased from \$25 million to \$34 million.
- Revising the questioned costs definition and providing examples for further clarification.
- Adding new audit finding language if questioned costs are “undetermined” or “not reported” an explanation would need to be provided as to why.
- Increasing the de minimis indirect cost rate percentage to 15% from 10%.
- Generally using the term “recipient” and/or “subrecipient” rather than “non-federal entity.” “Non-federal entity” is now only used to maintain alignment with the requirements of the Single Audit Act.

Stay tuned to the *2024 OMB Compliance Supplement* for information on when changes in Subpart F, *Audit Requirements*, including the increased audit threshold, take effect.

Be sure to check out these resources on the Uniform Guidance revision:

- For a redline document showing the 2024 revisions, [2 CFR Revisions 2024: Unofficial Comparison Version](#)
- For an implementation memorandum to heads of executive departments and agencies, [Reducing Burden in the Administration of Federal Financial Assistance](#)
- For a brief on the Federal Uniform Grants Guidance, [Uniform Grants Guidance 2024 Revision: Evaluation](#)

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

### **GAO publishes report on single audits**

On April 22, 2024, the U.S. Government Accountability Office (GAO) released a report about its review of the Federal Audit Clearinghouse (FAC) maintained by the U.S. General Services Administration. GAO found some issues with FAC processes that affect the reliability and

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usefulness of single audit information. For example, the FAC currently cannot identify recipients that should have submitted a single audit but did not. Additionally, GAO has found that the U.S. Office of Management and Budget (OMB) has not designated an entity to initiate a government-wide single audit quality review since 2007 and recommended that the OMB conduct such a review at a regular interval.

Refer to the GAO report entitled, [Single Audits: Improving Federal Audit Clearinghouse Information and Usability Could Strengthen Federal Award Oversight](#).

### **Digital Assets: Considerations for existence, rights & obligations, and valuation**

The practice aid, [Accounting for and Auditing of Digital Assets](#), will be updated soon to include two new auditing chapters covering key assertions for consideration when reviewing engagements involving digital assets:

- **Considerations for existence, rights & obligations**

This chapter not only provides audit procedures that may be performed for digital assets that are both self-custodied and held by third parties, but it also includes guidance related to evaluating the reliability of information obtained from a blockchain. In addition, guidance includes three approaches that auditors might take to obtain information from a blockchain, and considerations for digital asset confirmations.

- **Considerations for valuation**

This chapter provides considerations for procedures that an auditor may consider when measuring digital assets using prices in active or thinly traded markets. For those digital assets that are accounted for as indefinite-lived intangible assets, considerations are included to evaluate the entity's impairment analysis. In addition, there are a number of procedures included that may be considered to be performed when an entity sells or exchanges its digital assets and recognizes realized gains or losses.

To provide more pointed guidance, these chapters are in Q&A format. In addition to the new chapters, Appendix B, *Staff Accounting Bulletin No. 121*, was expanded to include an auditing Q&A that contains procedures that may be performed in response to identified risks of material misstatement associated with safeguarding liabilities and safeguarding assets recorded in accordance with Staff Accounting Bulletin No. 121.

See the [November 2023 and May 2021 Reviewer Alerts](#) for more background on the practice aid, and additional AICPA resources specific to both blockchain and digital assets.

### **Checklist Questions with specific references**

Anecdotally, as it relates to the financial reporting and disclosure checklist, Staff often see a significant amount of MFC forms completed for checklist questions that list specific disclosure requirements versus those questions that do not and are presented more generally. For example, peer reviewers have completed many MFC forms for FD 305

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As it relates to contract balances, consider the following: [Paragraph 8 of FASB ASC 606-10-50]

FD305

- Did the entity disclose the opening and closing balances of receivables, contract assets, and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed?

However, less MFCs are noted for questions written more generally, such as:

### **Going Concern**

Is the accounting appropriate and the disclosures sufficient when there is substantial doubt about an entity's ability to continue as a going concern? [FASB ASC 205-40]

FD561

Reviewers are reminded that:

- Checklists are highly summarized,
- It is expected that all audit areas will be evaluated, and
- Reviewers may wish to consult the professional standards cited for detailed information about the requirements.

Staff welcome feedback from users on questions that could be condensed or questions that should be expanded (for example, to include specific references to disclosure requirements currently not listed) to assist reviewers in identifying potential instances of noncompliance with a standard.

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

As a reminder, 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 implications 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
    - These would be classified as code 16 Attest Engagements under PCAOB Standards, not covered by PCAOB permanent inspection and code 63 Agreed-upon Procedures Engagements (SSAE).
- 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-Upon 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 any SIPC AUP engagements in the row for code 16 Attest Engagements under PCAOB Standards, not covered by PCAOB permanent inspection on the RVW Summary
  - Select the AUP with the report date in the peer review period
- Include “applicable to engagements not subject to PCAOB permanent inspection” language in the first and last paragraphs in the peer review report and firm representation letter

### **PRB Nominations Opening Soon!**

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 six openings on the PRB for the 2025-2026 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 recommended candidates will be selected by the AICPA Nominations Committee and approved at the 2025 Spring Council meeting. Members selected will serve for one year, beginning in May of 2025, with reappointment for up to three years. We expect most contributing members will be reappointed and will serve for the maximum period.

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.



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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 later in the fall and develop recommendations for the Nominations Committee. The online application will be available on June 1, 2024 at [volunteers.aicpa.org](https://volunteers.aicpa.org), and all applications should be completed no later than **October 1, 2024**.

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](mailto:AICPAVolunteerservices@aicpa-cima.com).

If you have any questions, please contact the Peer Review Team at [prsupport@aicpa.org](mailto:prsupport@aicpa.org) or 919.402.4502.

### Quick hits

Reminder #1: Risk Assessment is still important!

With SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, in effect, reviewers are reminded of information included in the [April 2022 Special Edition Reviewer Alert](#).

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 and
- 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.

However, the examples provided in that alert of items that had not historically caused peer reviewers to assess an engagement as non-conforming, but likely should have remained valid.

These include, but are certainly not limited to:

- 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)

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- Failure to assess or document the assessment of risk at both the relevant assertion level and financial statement level
  - Failure to evaluate the design and implementation of controls relevant to the audit

**Reminder #2: Update your resume to attract potential Peer Review clients!**

If you haven't already done so, please update your reviewer resume soon so we can have a sufficient number of reviewers that have answered the new resume question related to availability. Once enough reviewers have updated their resumes, 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 that this information will direct calls away from peer reviewers who can't accept new clients to those who can. The sooner you update your resume, the sooner we can make that happen!