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**AICPA<sup>®</sup>**

Peer Review  
Program

**QUESTIONS AND ANSWERS ABOUT  
THE AICPA PEER REVIEW PROGRAM**

**INFORMATION FOR FIRMS ENROLLED IN THE AICPA PEER  
REVIEW PROGRAM**

**January 2021**

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## **INFORMATION FOR FIRMS ENROLLED IN THE AICPA PEER REVIEW PROGRAM**

### **How do I schedule my peer review?**

If your firm enrolls in peer review and indicates that it performs services and issues reports that are within the scope of the AICPA's practice monitoring program, the firm's peer review contact will be notified of the firm's due date for its peer review.

This notification will occur approximately seven months prior to your review's due date. At that time, each firm will be asked to complete their peer review information and scheduling forms within PRIMA. These forms ask for certain background information of the firm, such as, but not limited to:

1. Whether the firm has an accounting, auditing or attestation practice as defined in the *Standards*.
2. The areas in which the firm practices and any industries in which over ten percent of the firm's auditing practice hours are concentrated.
3. Whether the firm performs any audits through a joint venture or partnership arrangement.
4. The anticipated timing of the review.
5. The team captain/review captain selected to perform the review, if your firm chooses to select its own review team formed by qualifying firms.

The firm will be asked to provide this information in PRIMA.

During the scheduling process, the team captain will be asked to provide information regarding the rest of the review team, if applicable. This information should be provided as soon as reasonably possible, to ensure that the chosen reviewers are qualified and are approved by the AE so that the scheduling process can be completed. If modifications to the review team are necessary, they should be communicated to the AE as soon as they are known.

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### **Can I have an Engagement Review if my firm has only one audit?**

No. You must have a System Review even if your firm only performs one audit. The purpose of an audit is to give assurance to third parties. Because of that third-party reliance, state regulators allow these services to be performed by CPAs only. As such, the profession has a responsibility to ensure that a CPA firm that performs even one audit has an adequate system of quality control over its accounting and auditing practice. Such assurance can only be obtained by reviewing the system of quality control, your firm's compliance with that system, and by reviewing engagement working papers along with the report and financial statements. Refer to [Appendix A](#) for a chart that illustrates the engagements that require firms to have a System Review instead of an Engagement Review. Performance of even one of these services would subject your firm to the applicable type of peer review.

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### **What happens when there is a change in my firm's practice regarding the types of engagements performed?**

You should update the firm's enrollment information within PRIMA so that the appropriate type (System or Engagement Review) and the timing of your next peer review can be determined. See [GENERAL INFORMATION](#) for the types of engagements or services applicable to System or Engagement Reviews. If your firm has been engaged to perform one or more audit engagements or other engagements that might prompt a System Review, you should include the number of engagements it has been engaged to perform. If your firm ceases to perform audit engagements, you should also update the firm's enrollment within PRIMA.

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### **What is the impact on my firm's peer review when my firm completes its first audit engagement after the completion of my Engagement Review?**

When a firm, subsequent to the year-end of its Engagement Review, performs an engagement that would have required the firm to have a System Review, the firm should (a) immediately notify the AE by updating its enrollment information within PRIMA and (b) undergo a System Review. Refer to [Appendix A](#) for a chart that illustrates which engagements require firms to have a System Review instead of an Engagement Review. Performance of even one of these services would subject your firm to the applicable type of peer review. In this situation, the System Review will ordinarily be due 18 months from the year-end of the engagement (for financial forecasts, projections and agreed upon procedures 18 months from the date of report) requiring a System Review or by the firm's next scheduled due date, whichever is earlier. However, the AE will consider the firm's practice, the year-ends of engagements and when the procedures were performed, and the number of engagements to be encompassed in the review, as well its judgment, to determine the appropriate year-end and due date. Firms that fail to immediately inform the AE of the performance of such an engagement will be required to participate in a System Review with a peer review year-end that covers the engagement. A firm's subsequent peer review ordinarily will be due three years and six months from this peer review year-end.

The firm should consult with its AE or AICPA staff in the following situation to determine if the firm will be required to undergo a System Review:

- If the firm is scheduled for an Engagement Review that has not yet commenced and will issue a report that will make the firm subject to a System Review

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## **How much will my peer review cost?**

The direct cost of a System Review will vary depending on firm size/region, number of engagements/partners/offices and nature of your firm's accounting and auditing practice. Firms with audits in various specialized, complex or high-risk industries, such as banking, governmental, and employee benefit plans will normally pay more than a firm with the same number of audits that are all in one industry or in lower risk areas. There may be other factors that influence the cost of a System Review including the design of and compliance with the firm's quality control system.

There are also the indirect costs of getting ready for a review that vary based on the condition of your firm's existing system of quality control. Many firms are concerned about these non-chargeable hours. However, if the system of quality control is suitable for your firm's practice, the preparation cost should be minimal. If, on the other hand, your firm finds the opposite is true, it should consider the time well spent since making needed changes should result in your firm providing better services to its clients, and, in most cases, providing those services more efficiently.

The estimated cost of an Engagement Review will vary based on the size of the practice and the number of owners responsible for the issuance of review, compilation and attestation engagement reports as well as preparation engagements.

The cost also varies based on the type of peer review and peer review team selected to perform the review. In addition to the review costs that will be incurred every three years, firms may also pay an annual administrative fee to the AE to cover the costs of running the program and, in some states, in the review year, fees for scheduling the review and evaluating the results of the review. For additional cost information, contact your AE.

Finally, firms that are enrolled in the Program and perform engagements requiring the firm to undergo a System Review are required to pay a national peer review administrative fee to the AICPA for each year in which they perform such engagements. The fee varies based on the number of CPAs employed by a firm and will be used to support the Program's new and ongoing initiatives to drive audit quality.

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## **How can I reduce the costs of my peer review?**

The best way to reduce costs is to provide complete, accurate information to the reviewer(s) early enough, such as 30 to 40 days before the review is set to begin, so it can be completed by the review due date. Firms that are committed to establishing, maintaining, and improving the quality of their accounting and audit practice tend to have a more efficient peer review. Prepare for the review early by making sure everyone in your firm understands the importance of performing engagements in accordance with professional standards, and properly documenting engagement planning issues, key procedures and conclusions. If procedures are properly documented and effectively organized, it will improve the reviewer's ability to evaluate what was done without waiting

for engagement staff to recall what they did from memory and should result in less time to complete the review. In addition, a properly designed environment of quality control and adherence thereto also results in less time devoted to discussing and responding to matters, findings and deficiencies.

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### **Can my review be performed somewhere besides my firm's office?**

Paragraph .08 of the *Standards* states that the majority of procedures in a System Review should be performed at the reviewed firm's office. However, given the ongoing pandemic, the board has suspended this requirement for peer reviews commencing on or before June 30, 2021. Therefore, your peer reviewer may perform your System Review remotely. The board will revisit this suspension at its meeting in May 2021

Engagement Reviews are normally performed at a location other than the reviewed firm's office.

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### **Is my firm required to have a quality control document?**

In accordance with Statements on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control*, all firms are required to document their policies and procedures related to their system of quality control for their accounting and auditing practice. The extent of the documentation will depend on the size, structure, and nature of the firm's practice. Documentation may be as simple as a checklist of the firm's policies and procedures or as extensive as practice manuals.

The quality control document that is in effect during the peer review year should be provided to the peer review team.

When establishing and maintaining its system of quality control, sole practitioners and small to medium-sized firms can also download the practice aids: [aicpa.org/qc4me](http://aicpa.org/qc4me).

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### **Is my firm required to provide copies of individual or firm licenses or registrations to the peer reviewer?**

Yes. As a part of a System or Engagement Review, reviewers will make inquiries of your firm to determine if your firm and its personnel are appropriately licensed as required by the SBOAs in the state(s) in which your firm and its personnel practice. Your firm should also submit written representations from the firm's management indicating compliance with such required rules and regulations. If your firm is aware of any situation whereby you are not in compliance with the rules and regulations of the SBOAs or other regulatory bodies, they should tailor the representation letter to provide information on the areas of

noncompliance.

To support these responses and representations, a reviewer is required to verify:

- The practice unit license (firm license) in the state in which the practice unit is domiciled (main office is located)
- Individual (personnel) licenses in the state in which the individual primarily practices public accounting
  - For System Reviews, for a sample of appropriate personnel
  - For Engagement Reviews, for appropriate personnel on engagements selected

The reviewer will verify the license by requiring your firm to provide documentation from the licensing authority that the license is appropriate and active during the peer review year, and through the earlier of reviewed engagements' issuance dates or the date of peer review fieldwork. Acceptable documentation includes an original/copy of the license, print-out from an online license verification system, correspondence from the licensing authority or other reasonable alternative documentation. The reviewer's judgment may be needed to determine what alternative documentation is reasonable.

It is your firm's responsibility to have understood and complied with its licensing requirements. Therefore, you should be prepared to respond to the reviewer's inquiries and requests for documentation. This is also important for out-of-state firms and individual licenses when licensing requirements may be more difficult to identify and understand. When the reviewer deems it appropriate to test out-of-state licenses, your firm is expected to provide documentation supporting its compliance with, or approach to, out-of-state licensing requirements. AICPA online CPA mobility provisions may be used to assist the reviewer in evaluating the firm's approach to firm and individual out-of-state licensing.

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### **What is a written representation letter?**

The team captain or review captain obtains written representations from management of the reviewed firm to describe matters significant to the peer review in order to assist in the planning and performance of and the reporting on the peer review.

The firm is required to make specific representations (included in paragraph .208 of the PRP Section 1000) but is not prohibited from making additional representations. It also may tailor the representation letter as it deems appropriate, as long as the minimum applicable representations are made to the team captain or review captain.

The written representations should be addressed to the team captain or review captain performing the review and be dated the same date as the peer review report which is usually the date of the exit conference.

The written representations should be signed by individual members of management

whom the team captain, review captain or the AE believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner in charge of the firm's system of quality control.

The reviewing firm and the AE will retain the representation letter until your firm's subsequent peer review has been completed. Your firm will be required to submit the representation letter from the prior review to your peer reviewer in the subsequent peer review.

Additionally, with the firm's explicit permission, a firm's written representation letter may be provided to the AICPA Professional Ethics Division, when there is evidence of an open ethics investigation.

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**If my firm will undergo a change in firm structure due to a firm name change, dissolution, merger, or purchase/sale, who do I notify about this change and how does it affect my peer review?**

Your firm should contact your AE immediately upon such change. The firm should obtain a [Firm Structure Change Form](#), complete the applicable section and return the form to your AE. The AE will submit this form to the AICPA Peer Review Team once all pertinent information has been received and the form is complete. AICPA staff will determine how this change will affect your firm's peer review based on the information provided on the form and notify your firm of the status.

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**What if my firm has received communications relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies?**

The reviewed firm should inform the reviewer of communications or summary of communications from regulatory, monitoring or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within the three years preceding the firm's current peer review year-end and through the date of the exit conference. The information should be in sufficient detail to consider its effect on the scope of the peer review. In addition, the firm should be able to submit the actual documentation to the reviewer in those circumstances that the reviewer deems appropriate. The reviewed firm is not required to submit confidential documents to the reviewer but should be able to discuss the relevant matters and answer the reviewer's questions.

AICPA Peer Review Staff are frequently copied on communications relating to allegations



or investigations from regulatory bodies, such as the Department of Labor or Federal or State Inspector General's Offices, sent to or by the AICPA Professional Ethics Division. Staff will provide copies of these communications to a firm's peer reviewer if the firm named in the referral is currently undergoing a peer review. Additionally, a copy will be provided to a firm's managing partner and peer review contact. Recipients of required corrective action letters from the AICPA Professional Ethics Division will be required to submit evidence that the letter was provided to their firm's managing partner.

It is also expected that the reviewer and the firm will discuss notifications of restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring or enforcement bodies within three years preceding the current peer review year-end.

The reviewed firm should tailor its representation letter to the team/review captain to reflect these situations as it deems appropriate.

The peer reviewer and reviewing firm should also notify the relevant AE of any of these communications relating to allegations or investigations from regulatory, monitoring or enforcement bodies in the conduct of accounting, audit, or attestation engagements performed by the reviewer. The notifications should occur prior to the peer reviewer or reviewing firm's being engaged to perform a peer review, or immediately (if after engaged). The objective of the reviewer or reviewing firm informing the relevant AE or AICPA technical staff (as applicable) of such allegations or investigations, limitations or restrictions, or both, is to enhance the program's oversight process, which includes ensuring that peer reviewers and reviewing firms are appropriately qualified to perform reviews.

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### **How do I determine whether my firm is part of a network?**

Refer to the [Frequently Asked Questions and Sample Case Studies for Implementing Network Firm Guidance](#) which was developed by the AICPA Professional Ethics group or contact them directly at [ethics@aicpa.org](mailto:ethics@aicpa.org).

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## APPENDIX A

### System Review or Engagement Review Determination

(Applies to engagements that are not subject to PCAOB permanent inspection)

If an enrolled firm performs these types of engagements as its highest level of service, the firm would be required to have:	System Review	Engagement Review
<b>Statements on Auditing Standards (SAS)</b>		
Engagements	X	
<b>Government Auditing Standards (GAS)</b>		
Financial Audits	X	
Attestation Engagements (Examination, Review, or Agreed-upon procedures under GAS)	X	
Performance Audits	X	
<b>Statements on Standards for Attestation Engagements (SSAEs)</b>		
Examination Engagements	X	
Reviews		X
Agreed-upon procedures Engagements		X
<b>Public Company Accounting Oversight Board (PCAOB) Standards</b>		
Audits of non-SEC issuers	X	
Attestation of non-SEC issuers	X	
<b>Statements on Standards for Accounting and Review Services (SSARSs)</b>		
Reviews of financial statements		X
Compilations of financial statements		X
Preparation of financial statements		X

If a firm is required to have a System Review, all the engagements listed above would be subject to selection for review, ordinarily based on periods ending during the year under review, except for financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection.

For enrollment information for firms that only perform preparation of financial statement engagements in accordance with AR-C Section 70, please see the [Peer Review Enrollment Requirements](#).

If a firm performs or reports on engagements under International Standards, refer to Interpretations 6-7 and 6-8

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