



AICPA[®]

Peer Review
Program

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

**PEER REVIEW COMMITTEE CONSIDERATION AND
ACCEPTANCE**

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PEER REVIEW COMMITTEE CONSIDERATION AND ACCEPTANCE

When are the results of my peer review communicated to me?

The reviewer may have additional questions and communicate matters to the respective engagement team or quality control partner throughout a System Review as situations arise. This is to prevent any surprises at the end of the review. Expectations of such communication should be established at the beginning of the peer review. For System Reviews, the review team should communicate its conclusions at the closing meeting and exit conference. A closing meeting is a meeting to discuss the preliminary results of the peer review. The purpose of this meeting is to discuss matters, findings, deficiencies or significant deficiencies with senior members of the firm and remind your firm of its requirement to respond. This meeting will generally be held prior to the exit conference, preferably at least 30 days prior to your firm's review due date. The exit conference will be held after your firm has responded to any matters, findings, deficiencies or significant deficiencies and the team captain has assessed those responses. This applies to Engagement Reviews as well. The closing meeting and exit conference may be combined if, for example, there are no matters, findings or deficiencies to discuss or all matters have been resolved, responded to and evaluated.

Although the reviewer may communicate these preliminary results during an exit conference or closing meeting, the results are not considered final and should not be published until the peer review is accepted by a report acceptance body of the applicable Administering Entity (AE).

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Who is responsible for submitting review documents to the administering entity?

The *team captain or review captain* is responsible for submitting the peer review documentation and report to the AE within 30 days of the exit conference date or by the firm's peer review due date, whichever is earlier.

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What happens if deficiencies are found by my peer reviewer?

If deficiencies are found, your firm is expected to identify and take corrective measures to prevent the same/similar types of deficiencies from occurring in the future. Such measures could include making appropriate changes in your firm's system of quality control or having personnel take additional continuing professional education in specified areas. These measures should be described in a letter, addressed to the AE's peer review committee, responding to the deficiencies or significant deficiencies identified in the report. In reviewing your response to the deficiencies noted in the report, the peer review committee will ask your firm to agree to certain other actions (referred to as "corrective actions") it deems appropriate in the circumstances, such as the submission of a monitoring report, a revisit by the reviewer or joining an applicable audit quality center.

For any engagements associated with these deficiencies that are identified as not being performed or reported on in conformity with applicable professional standards in all material respects, your firm should take appropriate actions in accordance with the relevant professional standards. The relevant professional standards in this case would be AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*, or the relevant section of the SSARs or SSAEs, as applicable, or, if the firm's work does not support the report issued, as addressed in AU-C section 585, *Consideration of Omitted Procedures After the Report Date* (AICPA, *Professional Standards*). An AE's committee can require its reviewed firms to make appropriate considerations regarding nonconforming engagements as a condition of acceptance of the peer review and will not accept your peer review if the response is not deemed to be sufficient (genuine, comprehensive and feasible). In addition, the AE's committee can impose certain monitoring actions, such as requiring a firm to agree to have someone acceptable to the committee review the engagement remediation. Your firm's letter of response should indicate how the firm plans to remediate any nonconforming engagements, as applicable.

The main objective of a review, and these related corrective measures, is to help the firm improve the quality of its practice.

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What if I don't agree with the peer reviewer's conclusions?

Because peer review is a subjective process, there may be differences of opinion between you and the reviewer that are not resolved to your satisfaction. In such circumstances, the reviewed firm or reviewer should consult with their AE and, if necessary, request that a panel of the AE's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement.

During the disagreement panel, the AE will give the disagreeing party an opportunity to provide reasons for the disagreement in person before the panel, in a telephone conference or in writing. The peer review committee will form a panel of at least three members of the committee to discuss the disagreement. After reviewing the supporting documentation and each disagreeing party's position, the panel will discuss the matter in private. The decision of the panel is provided to all parties immediately following the panel's decision. A written communication of the panel's decision is also sent within three business days. Once the panel has reached a decision on the issues in question after considering the facts presented, even if the firm or reviewer still disagree, the matter is considered resolved by the AE.

Any of the disagreeing parties may request an appeal of this decision by writing the AICPA Peer Review Board (PRB) and explaining why he or she believes a review of the panel's decision is warranted and provide support for the request by submitting evidence. A panel formed by the PRB will review and consider the request and take further action pursuant to fair procedures that have been established.

Alternatively to requesting a panel, the firm may consult with the Issue Advisory Hotline. The Issue Advisory Hotline has been established for the primary purpose of resolving differences of opinion between a peer reviewer and a reviewed firm regarding the application of established accounting and auditing guidance. That is, if an issue arises during a peer review as to whether the reviewed firm appropriately applied authoritative guidance on a selected engagement, the peer reviewer and the reviewed firm can call the Hotline together and discuss the issue with a member of the AICPA's Accounting & Auditing team. The objective of this discussion is to determine how the standard was intended to be applied. Once the Accounting & Auditing team member has provided further explanation regarding the intended application of the standard, it will be the peer reviewer's responsibility to use their professional judgment to determine if the reviewed firm complied with the standard with respect to the selected engagement being reviewed. To contact the Issue Advisory Hotline, please call (919) 402-4502, option 4. For additional information regarding the Issue Advisory Hotline, please access the following [FAQ](#).

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Can my peer review acceptance letter be withheld until peer review administrative fees are paid?

No. If the fieldwork has begun, the review should be performed, technically reviewed, considered by a report acceptance body and then the appropriate acceptance letter should be issued. However, failure to pay fees related to the administration of the peer review program that have been authorized by the governing body of an AE can lead to the firm's enrollment in the Program being dropped.

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When are the results of my peer review available for publication?

You should not publicize the results of the review or distribute copies of the report until the committee has advised you that the report has been accepted.

Additionally, at the time you complete your firm's scheduling information, you can choose to make your firm's peer review documents open to public inspection by instructing your AE to place the documents in the AICPA's [Public File](#).

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How can I obtain a copy of my firm's latest peer review report?

Peer review results for firms enrolled in the Program are confidential. However, if asked, the reviewed firm is allowed to provide copies of its most recently accepted peer review report.

The latest accepted peer review report for a firm that is a voluntary member of one of the AICPA's audit quality centers or sections that has a membership requirement such that

certain peer review documents be open to public inspection may be obtained from the firm's [Public File](#). The Public File also contains peer review documents of firms that are PCPS members or those that voluntarily request to have their peer review documents publicly available.

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When is my peer review complete?

Generally, a peer review is complete the date the AE's peer review committee (committee) accepts your firm's peer review without any further action(s) required of your firm. However, in the event that further action(s) is required, the completion date is the date the committee decides that the reviewed firm has performed the agreed-to corrective action(s) to the committee's satisfaction and the committee requires no additional corrective action(s) by the reviewed firm.

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When would further action(s) be required?

When a firm receives a report with a rating of *pass with deficiencies* or *fail*, the committee ordinarily will require some type of further action(s) (referred to as corrective actions). The type of action required would depend on the nature of the deficiencies.

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What could cause my peer review report to be recalled and what are my responsibilities after it has been recalled?

The following situations are examples of what could cause your firm's peer review report (or other previously accepted peer review documents) to be recalled:

- The reviewed firm fails to include or properly identify any engagement(s) or level(s) of service that should have been included in the scope of the peer review. (Examples include if the firm had an engagement review performed and failed to inform the AE or reviewer of an audit performed during the period covered by the peer review; OR if the firm had a system review performed and neglected to disclose that it performed an engagement in a must-select industry during the period covered.)
- The reviewed firm failed to inform the reviewer of communications or summaries of communications from regulatory, monitoring or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, auditing or attestation engagement performed and reported on by the firm or limitations or restrictions on the firm's ability to practice public accounting related to the firm or its personnel. This includes failure to inform of such communications received through the date of the peer review report and acceptance thereof.

- The reviewed firm provided erroneous or incomplete information in response to inquiries from the AE, AICPA staff or reviewer in relation to the peer review.

Your firm has the responsibility to notify all parties that might be relying on the recalled peer review documents to discontinue reliance when those documents are recalled. This includes but is not limited to notification to the state board(s) of accountancy, current or potential clients, regulators, enforcement agencies, insurance carriers or government agencies, if applicable. Your firm is also responsible for the removal of the documents from publicly available sources, such as the firm's website.

The firm needs to be aware that firm noncompliance with peer review requirements could affect its ability to meet AICPA membership requirements, as well as licensing and other regulatory requirements. Additionally, it is ultimately the firm's responsibility to have the peer review submitted by the firm's due date. Therefore, the firm is responsible for hiring a reviewer who understands the importance of the issue and timing for the replacement review, if a replacement review is necessary.

For a more detailed discussion of the recall process, see Chapter 3 of the RAB Handbook (Section 3300 of the Peer Review Program Manual).

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What happens if it is discovered that a firm that has historically signed “no A&A” affirmations has been performing engagements subject to peer review?

If it is subsequently discovered that a firm that had historically provided its AE with affirmations that it performed no A&A engagements did in fact perform an A&A engagement, an AE could require the firm to have a peer review (typically within 90 days of discovery).

Additionally, a firm may be deemed as failing to cooperate if they omit or misrepresent information relating to its accounting and auditing practice as defined by the *Standards*. If a firm is dropped or terminated for not accurately representing information relating to its accounting and auditing practice as defined by the *Standards*, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

AICPA bylaws do not require a firm without accounting, auditing or attestation engagements to enroll in a practice monitoring program. However, an enrolled firm that no longer performs engagements defined in the *Standards* will not be required to have a peer review in accordance with AICPA bylaws if the firm confirms annually that it does not perform any of these services.

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What happens if after my firm's review is accepted, it is discovered that my firm failed to include all engagements in its engagement listing provided to the

reviewer?

A firm may be deemed as failing to cooperate if they omit or misrepresent information relating to its accounting and auditing practice as defined by the *Standards*. If a firm is dropped or terminated for not accurately representing information relating to its accounting and auditing practice as defined by the *Standards*, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

In accordance with the noncooperation guidance, if a firm omits or misrepresents information relating to its accounting and auditing practice the firm will be subject to a hearing panel to consider whether the firm's enrollment in the Program should be terminated. If the omission or misrepresentation results in a material departure (for example, must select engagements were not reviewed but could have been) the acceptance letter of the review in question will be recalled. If the hearing panel determines that the firm's enrollment in the program should not be terminated, at a minimum the hearing panel will require that the firm have a replacement review submitted to the AE by the due date which will be approximately 60 days after the hearing panel's decision. The hearing panel may also indicate other specific criteria for the replacement review.

Firms that voluntarily notify the AE of an omission or misrepresentation resulting in a material departure will not be subject to a hearing panel. This notification from the firm must be prior to the AICPA or AE being otherwise notified of or discovering the omission or misrepresentation and prior to the firm receiving notification from another regulatory or monitoring agency. The peer review acceptance letter for the impacted peer review will be recalled and the firm will be required to submit a replacement review to its AE by the due date which will be approximately 90 days after the firm's notification to the AE.

For recalled reviews that commenced on or after April 1, 2014 for which the firm's enrollment is terminated due to the firm omitting or misrepresenting information related to the firm's accounting and auditing practice, the matter will result in referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

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What is an implementation plan?

During the peer review, if a reviewer finds a matter that does not rise to the level of a deficiency, the reviewer may complete a Finding for Further Consideration (FFC) Form. The firm's response should describe:

- The firm's actions (taken or planned) to remediate findings in the firm's system of quality control
- The firm's actions (taken or planned) to remediate the engagements identified on the FFC form as nonconforming, if applicable

- The timing of the implementation

The AE's report acceptance body (RAB) will evaluate whether reviewed firm's responses to the findings appear comprehensive, genuine and feasible. The RAB will determine if a finding should require the firm to complete an implementation plan (for example, the requirement to complete additional CPE) in addition to the plan described by the firm in its response to the findings on the FFC form.

An implementation plan is not tied to the reporting process or to the acceptance or completion of the peer review. It is considered part of the working papers and administrative files. Firms are expected to agree to and complete any such implementation plans as a part of cooperating with the AE and the PRB in all matters related to the review. Failure to cooperate with the AE or the PRB may impact the firm's enrollment in the Program.

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What is a corrective action?

When a firm receives a report with a rating of *pass with deficiencies* or *fail*, the RAB ordinarily should require some type of remedial, corrective action as a condition of acceptance regardless of whether the firm appears to have an understanding of professional standards.

A corrective action is tied to the reporting process and the acceptance and completion of the peer review. It is considered part of the working papers and administrative files when a corrective action plan is required by the peer review committee. Firms are expected to agree to and complete any such corrective actions as part of cooperating with the AE and the PRB in all matters related to the review. Failure to cooperate with the AE or the PRB may impact the firm's enrollment in the Program.

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