



AICPA[®]

Peer Review
Program

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

IMPLEMENTATION PLANS AND CORRECTIVE ACTIONS

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IMPLEMENTATION PLANS AND CORRECTIVE ACTIONS

How do I know whether the letter I received from the administering entity is an implementation plan or a corrective action?

The letter communicating the corrective action(s) will contain the following language:

“The Committee accepted the aforementioned documents with the understanding that the firm will...”

The letter communicating the implementation plan(s) will contain the following language:

“...the action(s) outlined in the following implementation plan are required of your firm...”

After the prescribed action(s) or plan the letters differ as follows:

Corrective Action wording

“Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us at the address noted on this letterhead.”

Implementation Plan wording

“Your firm's agreement to complete this implementation plan demonstrates its commitment to the objectives of the profession's practice monitoring program. As noted in the Standards for Performing and Reporting on Peer Reviews, although not a condition of acceptance of your firm's peer review, agreeing to and completing implementation plans are required as a condition of cooperating with the administering entity, the AICPA Peer Review Board and continued enrollment in the AICPA Peer Review Program. Please acknowledge your firm's agreement by returning a signed copy of this letter to us at the address noted on this letterhead.”

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What happens if I don't complete the implementation plan?

Although agreeing to and completing an implementation plan is not tied to the acceptance of the peer review, if a firm fails to cooperate (by not agreeing to or by not performing), the firm's enrollment in the program may be terminated.

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What happens if I don't complete the corrective action(s)?

The reviewed firm is required to evidence its agreement to perform the prescribed

corrective action(s) in writing before the peer review report can be accepted. The completion of the required corrective action(s) is a condition of cooperation with the Administering Entity (AE) and the Peer Review Board. If a firm fails to cooperate, the firm's enrollment in the program may be terminated.

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Can my firm receive both a corrective action and an implementation plan related to the same peer review?

Yes, the peer review committee of the AE can require corrective action(s) related to receiving a peer review report rating of pass with deficiencies or fail and also require an implementation plan related to Findings for Further Consideration (FFCs) received on the same peer review.

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What are some suggested actions that may be required related to a pass with deficiency(ies) or fail peer review report?

Actions required by the RAB differ depending on if the peer review was a System Review or an Engagement Review. The charts at the end of this section provide some common suggested actions. The peer review committee could recommend other actions or a combination of one or more actions.

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What are allowable plans that may be required related to a Finding for Further Consideration?

The charts at the end of this section provide the allowable implementation plans. The peer review committee could recommend a combination of one or more plans in response to the findings noted on a peer review.

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How do the corrective action and implementation plan affect my ability to publicize the results of my peer review?

A firm may not publicize the results of its peer review until it is notified that the report has been accepted by the AE. A corrective action affects the acceptance of the peer review report. A peer review report is not considered accepted until the reviewed firm signs the written letter from the AE evidencing the firm's agreement to the corrective action. An implementation plan does not affect the acceptance of the peer review report, and thus does not affect the firm's ability to publicize peer review results.

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Should my firm expect an implementation plan for every FFC?

No. The decision of whether to require an implementation plan and deciding on what actions or procedures are appropriate is a matter of professional judgment that each RAB makes based on the applicable facts and circumstances. Generally, if the finding is not a repeat finding or associated with a must-select engagement that was not performed or reported on in conformity with professional standards in all material respects (System Reviews only), no implementation plan is suggested by the RAB.

However, when a finding is a repeat finding or associated with a must-select engagement that was not performed or reported on in conformity with professional standards in all material respects, the firm will often be required to complete an implementation plan.

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System Review Peer Review Rating—Pass with Deficiencies or Fail

Deficiency	Suggested action(s) to be performed as soon as reasonably possible
Deficiency related to engagement performance (including documentation)	<ul style="list-style-type: none">• Require the firm to hire an outside party acceptable to the RAB to perform a team captain revisit ¹• Require members of the firm to take specified types and amounts of CPE ²• Allow firm members responsible for the applicable type of engagement(s) not performed or reported on in accordance with professional standards to pass the related AICPA Advanced Certificate Exam, if applicable, in lieu of CPE• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report quarterly to the RAB on the firm's progress• Require post-issuance review of a

¹ RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

² If the deficiency or significant deficiency relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative, then specific CPE to address the common areas of noncompliance should be required by the RAB. The AICPA courses located on the Peer Review page of the AICPA website provide the content intended to meet this requirement. Either the AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB.

	<p>subsequent engagement by an outside party ³</p> <ul style="list-style-type: none"> • Require the firm to hire an outside party acceptable to the RAB to review the firm's remediation of an engagement not performed or reported on in conformity with professional standards in all material respects • Require the firm to hire an outside party acceptable to the RAB to review the firm's completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions • Require the firm to join an AICPA audit quality center applicable to the type of engagement(s) not performed or reported on in conformity with professional standards in all material respects ⁴
Deficiency related to design or noncompliance of another element of the quality control system	<p>Tailor corrective action accordingly, such as the following:</p> <ul style="list-style-type: none"> • Require submission of monitoring or inspection report • Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm's progress

Finding for Further Consideration Form(s) ⁵

Finding	Allowable plans to be performed as soon as reasonably possible
Engagements not performed or reported	<ul style="list-style-type: none"> • Require the firm to hire an outside

³ RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

⁴ This option is only allowable for firms who have governmental and employee benefit plan engagements that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects. In addition, the firm must be eligible to enroll in the respective audit quality center. This action may not be in lieu of any other corrective action deemed appropriate by the committee and must be used in conjunction with other corrective actions.

⁵ These are the only situations in which implementation plans are appropriate. Further, these are the only plans allowable. If the RAB believes a different implementation plan is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report.

<p>on in conformity with professional standards in all material respects and there are:</p> <ul style="list-style-type: none"> • Initial finding(s) on must select industry, or • Repeat finding(s) for any industry 	<p>party acceptable to the RAB to perform pre-issuance or post-issuance reviews of certain types or portions of engagements focusing on the areas identified in the finding</p> <ul style="list-style-type: none"> • Require the firm to hire an outside party acceptable to the RAB to review the firm’s internal monitoring or inspection report • Require members of the firm to take specified types and amounts of CPE ⁶ • Require firm to submit monitoring or inspection report to the RAB • Require the firm to hire an outside party acceptable to the RAB to review the firm’s remediation of an engagement not performed or reported on in conformity with professional standards in all material respects • Require the firm to hire an outside party acceptable to the RAB to review the firm’s completion of its intended remedial actions outlined in its response on the FFC form or evaluate the appropriateness of alternative actions
<p>Engagement(s) indicate repeat findings ⁷</p>	<ul style="list-style-type: none"> • Require members of the firm to take specified types of and amounts of CPE • Require firm to submit monitoring or inspection report to the RAB
<p>Failure to possess applicable firm license(s)</p>	<ul style="list-style-type: none"> • Submit proof of valid firm license(s)

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Engagement Review Peer Review Rating—Pass with Deficiencies or

⁶ If the deficiency or significant deficiency relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative, then specific CPE to address the common areas of noncompliance should be required by the RAB. The AICPA courses located on the Peer Review page of the AICPA website provide the content intended to meet this requirement. Either the AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB.

⁷ The guidance for allowable plans as discussed above must be followed, even in instances where the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required CPE. For example, the RAB may determine that more than 8 hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm’s monitoring report to the RAB.

Fail

Suggested action(s) to be performed as soon as reasonably possible
<ul style="list-style-type: none"> • Require firm to submit a copy of a subsequent report and accompanying financial statements to review captain ⁸ • Require members of the firm to take specified types and amounts of CPE • Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm's progress • Require the firm to hire an outside party acceptable to the RAB to review the firm's remediation of an engagement not performed or reported on in conformity with professional standards in all material respects • Require the firm to hire an outside party acceptable to the RAB to review the firm's completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions

Finding for Further Consideration Form(s) ⁹

Finding	Allowable plans to be performed as soon as reasonably possible
Engagement(s) indicate repeat findings ¹⁰	<ul style="list-style-type: none"> • Require members of the firm to take specified types and amounts of CPE • Require firm to submit monitoring or inspection report to the RAB
Failure to possess applicable firm license(s)	<ul style="list-style-type: none"> • Submit proof of valid firm license(s)

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⁸ RAB should allow flexibility and allow the firm to elect to have an accelerated review.

⁹ These are the only situations in which implementation plans are appropriate. Further, these are the only plans allowable. If the RAB believes a different implementation plan is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report.

¹⁰ The guidance for allowable plans as discussed above must be followed, even in instances where the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required CPE. For example, the RAB may determine that more than 8 hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm's monitoring report to the RAB.