



AICPA[®]

Peer Review
Program

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

COOPERATION WITH THE AICPA PEER REVIEW PROGRAM

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COOPERATION WITH THE AICPA PEER REVIEW PROGRAM

What if my firm chooses not to cooperate with the AICPA Peer Review Program?

Enrollment in an approved practice monitoring program is a requirement for admittance and retention of membership in the AICPA if the firm performs services within the scope of the AICPA's practice monitoring Standards (see page 2 of this Q&A). A firm enrolled in the Program is required under the *Standards* to cooperate with the peer reviewer, AE and the PRB in all matters related to the review. If an enrolled firm does not cooperate with the requirements of the Program, their enrollment may be terminated or dropped (as discussed below). A firm should carefully consider any implications of its noncooperation and impact on SBOAs or other regulatory requirements.

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*.

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Under what circumstances may a firm's enrollment be dropped?

A firm's enrollment in the Program will be dropped by the PRB, without a hearing, 30 days after the Program notifies the firm by certified mail that the firm has failed to:

1. Timely file requested information with the entity administering the firm's peer review concerning the arrangement or scheduling of that peer review, prior to the commencement of the peer review,
2. Timely submit requested information to the reviewer necessary to plan the firm's peer review, prior to the commencement of the peer review,
3. Have a peer review by the required date,
4. Accurately represent its accounting and auditing practice, as defined by the *Standards*, after notifying its AE that it does not perform engagements that require the firm to have a peer review,
5. Timely pay in full the fees and expenses of the review team formed by an AE or
6. Timely pay fees related to the administration of the program that have been authorized by the governing body of an AE.

The PRB may at its discretion decide to hold a hearing. Whether a hearing is held or not, a firm enrolled in the Program has the right to appeal to the AICPA Joint Trial Board within 30 calendar days of being notified that the firm's enrollment has been dropped.

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Under what circumstances may a firm's enrollment be terminated?

A firm is deemed as failing to cooperate once the review has commenced by:

- Not responding to inquiries once the review has commenced
- Withholding information significant to the peer review, including but not limited to:
 - failing to disclose communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing or attestation engagements from regulatory, monitoring or enforcement bodies
 - omitting or misrepresenting information relating to its accounting and auditing practice as defined by the *Standards*, including, but not limited to, engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements]
- Not providing documentation, including but not limited to, representation letters, quality control documents, engagement working papers, all aspects of functional areas
- Not responding to MFCs or FFCs timely, if applicable
- Limiting access to offices, personnel or other
- Not facilitating the arrangement for the closing meeting/exit conference on a timely basis
- Failing to timely file the report and the response thereto related to its peer review, if applicable
- Failing to cooperate during oversight
- Failing to timely acknowledge and complete required corrective actions or implementation plans
- Failing to receive a pass report after receiving a peer review report with a rating of *pass with deficiencies* or *fail* and the firm received notification through a method providing proof of receipt that a consecutive peer review report rating of *pass with deficiencies* or *fail* may be considered a failure to cooperate with the AE
- Failing to timely notify the AE that it is performing a type of engagement(s) or engagement(s) in an industry in which the firm had previously represented (in relation to a corrective action or implementation plan) that it was no longer performing and had no plans to perform in the future, and this resulted in the AE waiving the corrective action or implementation plan based on the firm's representation
- Erroneously providing or omitting information during the course of the peer review that would have resulted in a significant change in the planning, performance, or evaluation of results by the peer reviewer, or in the peer review report issued
- Failing to provide substantive responses to the AE during its evaluation of the significance of erroneous or omitted information

The firm will be advised by certified mail that the PRB will appoint a hearing panel to consider whether the firm's enrollment in the Program should be terminated. A firm

enrolled in the Program that has been notified that it is the subject of such a hearing may not resign until the matter causing the hearing has been resolved. After a hearing is held, a firm whose enrollment in the Program has been terminated has the right to appeal the panel's decision to the AICPA Joint Trial Board within 30 calendar days of the hearing.

A firm's enrollment in the Program will be terminated for failure to cooperate in any of the preceding situations, without a hearing, upon receipt of a plea of guilty from the firm. Pursuant to the *Standards*, the fact that a firm's enrollment in the Program has been terminated, whether with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe.

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Can my firm resign from the AICPA Peer Review Program at any time?

Your firm may resign from the Program as long as the peer review has not commenced, and your firm submits a request within PRIMA to resign the firm from the Program. Ordinarily, a peer review commences when the review team begins field work on a System Review or begins the review of engagements on an Engagement Review. Once a team captain, review captain or team member learns information that affects the results of the review, the review is deemed to have commenced, even if such an event occurs during planning before any engagements are reviewed. Once a peer review commences a firm would not be able to resign from the Program unless the firm submits a letter pleading guilty, acknowledging its noncooperation with the program, waiving its right to a hearing and agrees to allow the AICPA to publish in such a form and manner as the AICPA Council may prescribe, the fact the firm has resigned from the Program before completion of its peer review, evidencing noncooperation with the Program.

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If my firm is terminated from the AICPA Peer Review Program, how does the firm get reenrolled?

Ordinarily, firms may request reenrollment in the Program after the firm has sufficient opportunity to implement appropriate changes to correct the cause of the drop or termination. Reenrollment in the Program is subject to evaluation by either the AE or a hearing panel of the PRB.

The AE or a hearing panel of the PRB should be made aware of information that led to the firm's most recent drop or termination from any practice monitoring program. The AE may make the determination of whether action(s) is (are) satisfactorily completed and approve reenrollment for drops or terminations such as overdue actions and all other instances of noncooperation that do not require reenrollment consideration by a hearing panel of the PRB.

Reenrollments decisions subject to approval by a hearing panel of the PRB, include but are not limited to:

Drops for not accurately representing its accounting and auditing practice as defined by the *Standards*; and

Terminations for:

- omission or misrepresentation of information relating to its accounting and auditing practice as defined by the *Standards*;
- failure to receive a pass report rating subsequent to receiving notification via certified mail, or other delivery method providing proof of receipt, after a peer review rating of pass with deficiencies or fail; or
- failure to correct deficiencies or significant deficiencies after consecutive corrective actions required by the committee on the most recent peer review.

Reenrollment generally requires the firm to address and remediate the circumstances that caused the firm to be dropped or terminated. Common criteria for reenrollment, include but are not limited to, submitting evidence to the AE or hearing panel that demonstrates:

- Completion of the requested action
- Changes in the firm's system of quality control (such as, but not limited to, personnel changes or procedural changes, methodologies to identify the complete population of engagements performed, access to technical resources or membership in quality centers and voluntary changes in the practice or types of industries or engagements performed)
- Competency through completion of relevant CPE, training or competency assessments
- Assessment of quality in the performance of engagements through internal or external monitoring results (such as, but not limited to, pre-issuance reviews, post issuance reviews and internal inspections that reflect engagements are materially performed and reported on in conformity with applicable professional standards)

The hearing panel or AE's peer review committee may also require other actions as a condition of reenrollment. Determination of final acceptance or completion of a review is subject to the AE's report acceptance body.

If reenrollment is approved and the firm is past its next peer review due date, the firm will generally be required to complete its subsequent peer review

- within 90 days of reenrolling if the firm's most recent peer review is completed, or
- within 90 days of the AE's report acceptance body determining that actions taken are satisfactory to complete a commenced peer review or
- by a later date set by the hearing panel or the AE.

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