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## PRP Section 7100

### *Guidance for Association Involvement*

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#### Introduction

- .01** Associations of CPA firms (for peer review purposes) include any groups, affiliations, or alliances of accounting firms. The term also applies to two or more firms or a group of firms (whether a formal or informal group, and whether or not a common name is used) that jointly market or sell services. Firms and other entities in the association cooperate with one another to enhance their capabilities to provide professional services (See Interpretation No. 26-1, “Organizing the System or Engagement Review Team,” of paragraph .26 of section 1000, *Standards for Performing and Reporting on Peer Reviews* [sec. 2000, *Peer Review Standards Interpretations*, question 26-1]).
- .02** Interpretation Nos. 26-1 and 26-2 to the Standards address associations of CPA firms and association formed teams. Interpretations Nos. 21-14 through 21-17, “Independence, Integrity, and Objectivity,” of paragraph .21 of section 1000, *Standards for Performing and Reporting on Peer Reviews* (sec. 2000, *Peer Review Standards Interpretations*, questions 21-14–21-17), address some independence concerns related to association marketing materials. Paragraphs .154–.205 of the Standards address performing and reporting on reviews of quality control materials (QCM).

#### Level of Involvement

- .03** A member firm of an association may conduct a peer review of another association member firm enrolled in the AICPA Peer Review Program, provided that the firm is not a member of a *network* as defined by Interpretation No. 26-2 and the association receives annual approval of its Association Information Form (AIF) from the AICPA Peer Review Board (board).
- .04** An association has the ability to assist its members in forming review teams (association formed review teams) and provide technical assistance to such review teams, provided that the association requests and receives approval from the board. In order for an association to be approved to assist in forming review teams, the association should answer the specific questions related to making such a request in the annual AIF.
- .05** A majority of the reviewers on an association formed review team, including the team captain in a System Review and the entire team in an engagement review, must be from association member firms.
- .06** An association formed review team may only perform peer reviews of association member firms.
- .07** The reviewed firm and administering entity (not the association) ultimately are responsible for ensuring that the firm’s peer review is scheduled, performed, and completed in a timely manner.

- .08** If the association has requested permission to assist its members in the formation of review teams or provide technical assistance to the review team, and has been approved to do so by the board, the association agrees to
- a. comply with the *Standards for Performing and Reporting on Peer Reviews* established by the board, as applicable, and related administrative procedures.
  - b. verify that all reviewer resumes are entered into the online reviewer database, which should be updated on an annual basis for each individual that it recommends to the administering entity to assign to a peer review team.
  - c. verify that the peer reviewers possess the appropriate qualifications for service on the peer review team for which they are being recommended.
  - d. ensure that the applicable administering entity is advised of any arrangements made for peer reviews prior to the commencement of the peer reviews, including the names of the peer reviewers and the dates the peer reviews will take place, and not change those arrangements unless authorized by the administering entity.
  - e. promptly report any unresolved disagreements arising from the peer review to the entity administering the peer review.
  - f. retain the records on peer reviews that must be maintained by the association, including the peer review working papers, per the document retention policy in Interpretation 25-1, "Peer Review Documentation and Retention Policy," of paragraph .25 of section 1000, *Standards for Performing and Reporting on Peer Reviews* (sec. 2000, *Peer Review Standards Interpretations*, question 25-1).
  - g. monitor the peer reviews to make sure the peer review working papers and peer review documents are submitted to the administering entities in accordance with the established time frames.

**.09** The association understands the following:

- a. Annual approval of an AIF specifically relates to and is required for the members of an association having the ability to perform peer reviews of other members in the same association enrolled in the AICPA Peer Review Program for an AICPA approved administering entity.
- b. Annual approval of an AIF also is required for an association requesting to provide technical assistance to review teams and assist its members in forming review teams (known as an association formed review team) to conduct reviews of association member firms enrolled in the AICPA Peer Review Program.
- c. The reviewed firm and administering entity (not the association) ultimately are responsible for ensuring that the firm's peer review is scheduled, performed, and completed in a timely manner.
- d. Approval of an AIF does NOT grant the association the authority to administer the AICPA Peer Review Program and, therefore, the association is not deemed an approved administering entity.

- e. Approval of the AIF is not an endorsement or approval of, and has no applicability to, a separate peer review program that an association may own, conduct, or administer.
- f. If the association makes *any* representations (in brochures, directories, pamphlets, Web pages, or any marketing or selling materials) regarding its member firms to assist the firms in obtaining engagements, such representations are “objective and quantifiable.”

## Requirements for Involvement

- .10** An association of CPA firms and its member firms must meet certain specified independence criteria, including the following:
- a. The association, as distinct from its member firms, does not perform any professional services other than those it provides to its member firms or affiliates.
  - b. The association does not make representations regarding the quality of professional services performed by its member firms unless the representations are objective or quantifiable.
  - c. The association does not arrange for referrals or participating work among member firms.
  - d. The association does not have any direct or material indirect financial interest or involvement in its member firms in sharing fees generated by members through the sale of products or services.
  - e. The association does not exercise any direct or indirect management control over the professional or administrative functions of its member firms.
  - f. The association does not meet any of the characteristics of a *network* as defined by Interpretation No. 26-2.
- .11** Annually, the association must submit an AIF, which is a questionnaire requesting general information about the association, independence matters, and whether the association requests to be approved to assist its members in forming review teams or provide technical assistance to such review teams. The National Peer Review Committee (National PRC) administers this process on behalf of the board and its Association Task Force. The AIF must be approved by the Joint Association Task Force prior to the review being planned, formally scheduled, or performed.

## Participating Associations for CPA Firms

- .12** Administering entities can obtain a listing of associations from the AICPA Peer Review Team.
- .13** If an administering entity receives inquiries concerning the ability of an association to assist in forming review teams or an association member firm’s ability to review another member firm under the AICPA Peer Review Program, the caller should be instructed to contact the AICPA Peer Review Team at 919.402.4502.

## Document Retention

- .14** Associations that assist in forming peer review teams should retain the peer review documentation prepared by those teams during system and engagement reviews until 120 days after the peer review is completed (See Interpretation 25-1).
- .15** Additional documentation requirements are similar to those for firm-on-firm reviews; please refer to the Standards and related Interpretations for those requirements.

### **Independence With Respect to Shared Materials, Services, Networks and Marketing**

- .16** An independent review of the system for the development and maintenance of QCM and the resultant materials (the *QCM review*) is required for an association of CPA firms when a user firm in the association will perform a peer review of another user firm in the association (See paragraph .159 of the Standards). This independent review is performed triennially and administered by the National PRC (See paragraph .160 of the Standards).
- .17** The review of the QCM materials must take place before any association member firms can perform peer reviews of any other association member firms.
- .18** Independence is impaired for CPA firms belonging to an association that makes representations regarding its member firms in advertisements or marketing materials (brochures, directories, pamphlets, Web pages, or any other form of marketing or selling materials), unless the representations in the advertisement are *objective* or *quantifiable*, the association has submitted the AIF to the board, and the association has received notification that the AIF was accepted (See Interpretations 21-14–21-16).
- .19** Independence is impaired (for the purpose of performing peer reviews) amongst firms that belong to a subassociation. A subassociation comprises members of an association (parent association) that form a group or partnership within the association for the purpose of cooperating to enhance the firm's capabilities to provide professional services (subassociation). However, members of a subassociation may perform peer reviews of nonaffiliated member firms of the parent association, so long as the parent association and subassociation do not belong to the same *network* as defined by Interpretation No. 26-2 (see Interpretation No. 21-17).
- .20** If a firm is a member of a network, the firm is not considered to be independent with respect to other firms within the same network. The owners and employees of network firms are also not considered to be independent with respect to other firms within the same network (see Interpretation No. 26-2).