

From: [Dennis CARSON](#)
To: [PR_expdraft](#)
Subject: Changes in Peer Reviews
Date: Monday, September 20, 2021 12:48:06 PM

I was one of the four CPAs that wrote the Peer Review requirements for the firms. I agree with the changes set forth in the article, that is performing reviews offsite.

Dennis Carson
715-607-8849

Education is the Foundation for a Better Future

From: [Lambalot, Roland](#)
To: [PR_expdraft](#)
Subject: peer review
Date: Monday, September 27, 2021 12:39:42 PM

whatever you do is just another attempt to drive small firms out of business

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September 27, 2021

COMMENTS ON PROPOSED CHANGES TO AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS

I would like to comment on the proposed removal of the requirement that peer review documents for Single Audit engagements be included in materials for RAB meetings.

Initially this requirement was imposed due to concerns by regulators. I believe that concern still exists. During the recent Open Session call it was noted that this process has evolved and the requirement for the information to go to a RAB is no longer necessary, other than in rare cases or if requested by a RAB.

As a member of the Oversight Task Force, I performed a RAB Observation of an Administering Entity last year. With respect to a review of a Single Audit, the Engagement Profile was not included in the information provided to the RAB after being reviewed by technical reviewers. I noted that the peer reviewer had not identified this Single Audit engagement as a non-conforming engagement due to incomplete documentation of non-attest services. Based upon my comments, there were additional questions raised about whether the FFC should have included the documentation of threats and safeguards for the non-attest services. Also, responses to questions on the Single Audit engagement profile indicated that all safeguards for the non-attest services identified as a significant threat to independence were at the client level, and it further indicated that a high-risk A program was not audited as major. These issues were not identified by the technical reviewers as inconsistencies that needed to be resolved before the review could be presented to the RAB. After I noted these matters, the RAB was unable to determine if the engagement had been performed in accordance with professional standards and deferred the review.

The Single Audit Profile Sheet contains complicated subject matter that can be challenging when determining that all has been handled in accordance with current requirements. Technical Reviewers often review these documents prior to submission to the RAB, and while they must have 8 hours of Single Audit CPE in each 2-year period, there is no substitute for actual experience in auditing this type of engagement. That is the reason that each RAB must have at least one person with Single Audit experience included in the RAB. Recently a course for Technical Reviewers specific to reviewing this Single Audit information was created. While I believe this will help Technical Reviewers in their evaluation of Single Audit materials, it is still important to submit at least the Engagement Profile to the RAB for their consideration. This is extremely complex material and a RAB should be taking responsibility by reviewing the Profile Sheet. I agree it is unnecessary to submit the entire engagement checklist and the Part A checklist.

Suzanne Heidenreich

Suzanne Heidenreich, CPA
Heidenreich & Heidenreich, CPAs, PLLC

October 22, 2021
Mr. Brad Coffey
AICPA

Dear Mr. Coffey,

This letter is written in response to the request for comments on *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews, Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*. I appreciate the opportunity to provide comments.

I am currently an accounting professor at Case Western Reserve University (CWRU) in Cleveland, Ohio. Prior to joining the faculty at CWRU in 2015, I was a partner and National Director of Assurance Services at RSM US LLP. I have twenty years of public accounting experience and have experience as a reviewer for internal firm inspections and as a reviewee in internal inspections, peer reviews, and PCAOB inspections. My comments are informed by those experiences as well as my experience as an accounting researcher and teacher. The ideas expressed in this letter are my own and do not necessarily reflect the views of CWRU or the faculty in the CWRU Department of Accountancy.

I have two general comments that may be beyond the scope of the clarification project, but nonetheless are set forth for your consideration. First, if I understand the definitions of “pass with deficiencies” and “fail,” the peer review standards set a very high bar for failure. In order to fail a peer review, every engagement submitted for review must be nonconforming. In other words, if 100 engagements are reviewed and 99 of them are nonconforming, the peer review will be classified as “pass with deficiencies” rather than “fail.” I believe that if a majority of engagements are nonconforming, a “fail” rating should be assigned. I believe it would be in the public interest to make this amendment to the peer review standards.

Second, I am concerned with the use of the term “significant deficiency” in place of the term “material weakness.” The Board’s use of the term “significant deficiency” when a firm’s system of quality controls does not provide reasonable assurance is more consistent with the term “material weakness” as defined in the COSO framework.

More specific comments are included in the attached appendix. If you have any questions regarding my comments, please do not hesitate to contact me at john.keyser@case.edu or 216-368-8895.

Sincerely,

John D. Keyser, PhD, CPA, CFE
Assistant Professor
Case Western Reserve University

Appendix

1. Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.

I support the board's proposal to allow procedures to be performed at a location other than the reviewed firm's office. The advantage of this approach is that it provides flexibility for the performance of inspections. It might also reduce the overall cost of peer review since travel costs may be reduced. A concern is that a reviewee may resist a reviewer's risk assessment conclusion that it is necessary to perform review procedures at the reviewee's office. Moreover, remote performance of review procedures may be less effective than in-person interactions, a consideration that should be factored into the reviewer's risk assessment.

2. Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more offices of the reviewed firm.

It seems likely that reviewers will have more frequent informal interactions with the reviewed firm's staff when they are onsite compared to remote. These informal interactions may provide useful information as to the culture of the reviewed firm and the acceptance of firm policies throughout the organization. Virtual visits provide the opportunity to "filter" the information provided to reviewers. For this reason, I oppose the elimination of the requirement. I don't think that the peer reviewer should be required to perform the majority of the procedures onsite, but at least some minimum amount should be performed at the reviewed firm's location.

3. Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant selecting a surprise engagement.

I oppose the Board's decision to eliminate the surprise engagement. In 2017, KPMG disclosed that a few of its partners had obtained PCAOB inspection selections and made modifications to the workpapers in advance of PCAOB inspections. This incident provides sufficient basis for retaining the surprise engagement requirement.

4. Please provide your views on the changes described.

I agree that it is misleading for the term "significant deficiencies" to refer to the quantity of deficiencies without regard to the severity of the deficiencies. If the reviewer concludes that a particular engagement "failed" inspection, the severity of the deficiencies can be inferred without the need for an additional term or adjective.

5. Please provide your views on the changes described.

I agree that it is not necessary to provide these documents to the RAB.

6. Are the requirements in the proposed peer review standards clear and understandable?

The requirements in the proposed standards are generally clear and understandable. I did not the following areas where clarity could be improved:

- PR-C 100.10 refers to international standards, but does not clarify whether it is referring specifically to auditing standards issued by the IAASB or standards promulgated by any foreign standard setter.
- PR-C 100.24 lists factors to be considered when determining the peer review year, but does not explain how those factors would influence this decision. It is not obvious how it would serve the public interest to permit a delay between the initial engagement and the peer review that exceeds twelve months.
- PR-C 100.40 requires reviewers not to retain documentation “for an extended period.” This requirement could benefit as to what would be considered an “extended period.” Alternatively, the standards could specify a document retention date after which the documentation is required to be discarded or destroyed. Also, PR-C 200.30 requires the retention of peer review documentation until 120 days after the specified time. These two requirements should be aligned.
- PR-C 200.15 could be more clear if it was edited as follows: “The reviewer resume should describe any communications relating to allegations, investigations, or restrictions related to the reviewer, the reviewer’s firm, or a firm from which the reviewer has obtained industry experience.”
- PR-C 200.26 makes reference to paragraph.26, which seems to be circular (i.e. the paragraph appears to reference itself).
- PRC 210.51c – should clarify, if true, that a pattern is a matter that is repeated from one or more prior peer reviews.
- PR-C 210.55 – this paragraph uses the term “significant deficiency” to describe a situation where the firm’s system of quality control does not provide reasonable assurance. The appropriate term is “material weakness” to be consistent with the auditing standards and the COSO framework.
- PR-C 210.62 requires the firm’s response to include discussion of additional procedures the firm will implement to “ensure” there will be no repeat findings. According to Webster’s dictionary, the word ensure “may imply a virtual guarantee.” It seems unlikely that a firm can assert with certainty that a finding will not be repeated. It seems that a better word choice here would be “assure.”

7. Is the application and other explanatory material helpful to support the application of the requirements?

- PR-C 210.42 requires the reviewer, after concluding one or more engagements are nonconforming, to document the consideration of whether an expansion of scope is necessary.

Paragraphs A34 lists reasons why the reviewer might expand the scope, but does not describe how those factors should be considered. It seems that the scope should be expanded unless the reviewer has sufficient evidence to conclude the nonconformance is pervasive and further evidence would not change that conclusion.

- PR-C 210.A23 does not differentiate between intentional and unintentional failures to provide a complete population. It seems like there should be a distinction between these two situations when the consequence is to recall the peer review acceptance.
- PR-C 210.A56 is not clear regarding whether an acceptable firm action would include concluding that no one is relying on the report and thus, no additional procedures or communications are necessary.

8. *Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards.*

- The definition of “highest-risk areas” is based solely on the reviewer’s judgment and experience without regard to other factors such as materiality. It is unclear, from this definition, whether the reviewer’s judgment is final or whether, for example, such a conclusion could be appealed by the engagement team or overturned by the captain.
- The definition of “initial engagement” could be read multiple ways. For example, does this refer to the first time a specific type of engagement (e.g., audit of an airline industry client) is performed for any client by the firm, or the first time an engagement is performed for a specific client? In other words, is every first-year client audit considered to be an “initial engagement?”
- The definition of “must-cover” is confusing. What is the difference between a “must-cover” and a “must-cover industry”? The standards may explain this concept, but the definition does not provide clarity. Note that the definition of “must-select” is much more clear and understandable. If the “must-cover” term refers to a type of industry that must be included in the sample of engagements selected for review, that would be more clear.
- The definition of “personnel” could be clarified to indicate, if true, that it is referring to the partners and staff of the reviewed firm as opposed to the peer review firm.
- The term “significant deficiency” is defined in a manner inconsistent with the auditing standards. The definition in the exposure draft seems to be more consistent with the term “material weakness.”

9. *Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?*

I believe the requirements reflect considerations for both system and engagement reviews. I believe that an engagement letter should be required for all peer reviews.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating?

I do not believe I have a basis to respond to this question.

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

The effective date for this standard is for peer reviews commencing on or after May 1, 2022. I support this effective date since there are no significant changes to the requirements and the purpose is simply to make the requirements easier to read and understand. For this reason, it is unclear to me why any additional resources or training would be necessary to implement these standards. Obviously, any existing training needs to be edited to the extent it refers to specific paragraphs or language in the extant standards.



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November 19, 2021

Brad Coffey
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8875

Via email: PR_expdraft@aicpa.org

RE: Proposed Changes to the Standards for Performing and Reporting on Peer Reviews (September 2021)

Dear Brad Coffey:

On behalf of the California Board of Accountancy (CBA), I am pleased to submit our comments on the American Institute of Certified Public Accountants' (AICPA) Proposed Changes to the Standards for Performing and Reporting on Peer Reviews (*Standards*).

The CBA supports efforts to revise the *Standards* to promote readability and increased comprehension. The CBA has conducted its review of the proposed revisions to determine whether the changes would have an impact on the regulatory framework developed by the CBA for administration of the peer review program. The CBA has determined that the proposed changes to the *Standards* will not impact California's rules and regulations for the administration of peer reviews.

The CBA appreciates the opportunity to comment on the proposed changes to the *Standards*.

Sincerely,

A handwritten signature in black ink that reads 'Nancy J. Corrigan'. The signature is written in a cursive, flowing style.

Nancy J. Corrigan, CPA, President

From: [Daniel Sandstrom](#)
To: [PR_expdraft](#)
Cc: [Jim Brackens](#)
Subject: PRP Standards ED
Date: Saturday, November 20, 2021 2:44:40 PM
Attachments: [image005.png](#)
[image006.png](#)

Hi Brad,

I have not had the opportunity to read and consider all aspects of ED but wanted to provide comment on one important piece as follows.

The notion of a “nonconforming” engagement is pervasive throughout current standards and ED. Prior to ED, there was no definition in standards of the term “material” in this context notwithstanding its widespread use. This has resulted in peer reviewers and subject matter “experts” (SMEs) crafting their own definition – often w/o giving much thought to if the matter was in fact material (I say this as someone actively involved in the peer review process for over 23 years).

I applaud the attempt to address this weakness in the standards. Unfortunately, the definition is not really workable or even relevant. The term “nonconforming” is in context of performing or reporting for a given engagement. And the term “material” is defined in context of “substantial likelihood that a misstatement or omission . . . would influence the judgment of a reasonable user made **based on the financial statements.**” [emphasis added][basically using definition found in SAS 138] The first obvious weakness w/ this definition is that peer review encompasses much more than financial statement engagements (e.g., compliance or agreed-upon procedures engagements as just two examples). However, more fundamental is the issue that the term “nonconforming” is focused on the performance of procedures and the issuance of a proper report. The connection between an omitted procedure and a reasonable user is not addressed. Many nonconforming determinations by peer reviewers and SMEs are based on the absence of one or more procedures. As one example, it is doubtful that a banker would have much concern if the auditor assessed RMM at the audit area vs the assertion level as long as sufficient and appropriate audit evidence was obtained. Peer review is becoming an exercise of completing steps on a checklist rather than evaluating the sufficiency and appropriateness of audit evidence obtained (for financial statement audits). And for reporting, the connection between some missing wording (e.g., a missing emphasis of matter paragraph) and a reasonable user is not addressed. It is well documented that users tend to focus on whether or not there is a clean opinion.

These issues of performance and reporting need more thought in how to define “materiality”. One partial answer may be to borrow the concept of the “prudent official” notion in AU-C 265. I would also suggest that the final standard include the definition of “in all material respects”

be removed from application guidance and made part of the standard (consistent w/ SAS 138 where the definition of “materiality” is housed is the standard and not application guidance). Also, there needs to be a recognition (in standards) that the performance and reporting evaluation in terms of making the “nonconforming” assessment in light of a undetected GAAP departure does not necessarily mean the engagement was not performed and reported on in all material respects (AU-C 210.10d). This notion should also be repeated on all relevant PRP checklists – some peer reviewers and SMEs are developing a myopic view in making these assessments that appears to be caused by a checklist mentality w/o actually reading and applying professional standards to a particular set of facts (i.e., these reviewers and SMEs are treating these checklists as de-facto standards (which is really dangerous – but that is a separate discussion)).

Thank you.

Daniel R. Sandstrom, CPA

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December 1, 2021

Mr. Brad Coffey
AICPA Peer Review
Via email @ PR_expdraft@aicpa.org

Re: Proposed Changes to AICPA Standards for Performing and Reporting on Peer Review –
Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Dear Mr. Coffey

The Peer Review Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the above referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed Peer Review Standards. The FICPA has more than 19,600 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 22 members consisting of different size firms throughout the state. The response below reflects only the views of the Committee. The Committee has the following comments related to the questions requested for comment numbered below:

1. Removal of requirement for the majority of procedures in a System Review be performed at the reviewed firm's office. The Committee agrees with this proposed change. In today's environment where most firms are providing services in a paperless process it only makes sense that a peer review can be effectively performed in a remote environment. If the recent COVID pandemic has taught us anything it is how to work remotely whether that be performing audits or other assurance or attest engagements or peer reviews. Most peer reviews performed during COVID were performed remotely during the temporary removal of the above requirement. Those peer reviews were performed effectively, and peer review risk was not increased during this process. In addition, the recommended change still allows for the review to be performed at the firm's office if the reviewer determines that given the risks associated with the firm that it would be more appropriate to do so.
2. Change to the Requirements for Onsite Office Visits in System Reviews. Similar to the same reasons stated above for performing peer reviews remotely, the requirement to consider visiting offices is no longer necessary when determining the appropriate procedures to be performed as part of the peer review risk assessment. Engagements between offices can easily be submitted via a paperless environment and any necessary discussions or inquiries can be made virtually as easily as onsite.

3. Removal of requirement for surprise engagements in system reviews. The committee agrees with the removal of the requirement. If number 1 above is approved to allow system reviews to be conducted remotely, the selection of a surprise engagement is really not possible in the sense as when performed at the firm's office. In addition, given current technology if the reviewer felt based on risk that such an engagement should be selected, one can easily be selected to be uploaded in a remote setting. The committee also noted that during Florida RAB meetings there has been no empirical evidence that the selection of the surprise engagement has yielded any different results during the peer review process.
4. Removal of the term "Significant Deficiency" in Engagement Reviews. The committee agrees that the term "significant deficiencies" should be removed from the standards and only reference to "deficiencies" is necessary since the report concludes on whether "deficiencies" were noted in one or more but not all engagements reviewed or in all engagements reviewed. The determination of whether deficiencies occurred in one or more, but not all or in all engagements has nothing to do the severity of the deficiencies noted.
5. Removal of the requirement that peer review documents for single audit engagements be included in materials for RAB meetings. The committee agrees that this requirement should be removed. Technical reviewers, who review all of these documents are required to go through specific training related these forms and how it relates to peer review conclusions. Providing these materials to the RAB becomes a duplicative effort and adds extra time required for volunteers. There are no other specific working papers the reviewer completes that are provided to RAB members so why is this held out differently. The committee fully understands the risk, but each AE should determine the experience and oversight results of the technical reviewers of their related AE to determine whether the RAB needs these materials or not.
6. Are the requirements in the proposed peer review standards clear and understandable? The Committee believes the requirements are clear and understandable. We appreciate the Standards Task Force and Peer Review Board's effort to get all of the peer review requirements into one clarified set of standards. Although the extant standards were sufficient, there were too many other places where guidance and various other materials such as the RAB Handbook were actually requirements not in standards. We feel the proposed standards also point the users (reviewers, firms, and administering entities) right to the place where they need to go for their related involvement in the peer review process. This will become immensely helpful for intended parties.
7. Is the application and other explanatory material helpful to support the application of the requirement. The Committee believes that the application material and other

explanatory material does support the requirements. The committee likes how the Appendices support the application and other explanatory material in the proposed standards.

8. Are the definitions easy to understand and apply? The committee believes the definitions are accurate for the most part. We would like to call attention to the following in the definitions:
 - a. Closing meeting - The definition makes it sound like that meeting will always be held in advance of the exit conference. However, standards indicate that the closing meeting and exit conference could be held in advance or concurrently with the exit conference date in certain situations. We believe this should be added to the definition.
 - b. Commencement date – it is always difficult to determine when the reviewer learns information that effects the results of the current review. The explanatory reference does provide additional guidance, but this is still a difficult term to understand but is acceptable as presented.
 - c. The committee believes the master glossary is helpful to all users by having all definitions in one place rather than in each section.

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? As noted above in the definitions the Commencement Date can be confusing, especially on a system review. The committee had a lot of discussion on this issue including what would be the appropriate definition. The committee considered at the time the engagement letter is signed; the date the review is fully scheduled in PRIMA; and the current definition. In order to provide the best scenario for due process to the firm, the Committee believed the current definition is the best at this time. The commencement date has no impact on the reviewer but does for the firm as that is when non-compliance switches from a drop to a termination.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating? The committee believes the application and other explanatory material is appropriate and understandable regarding members who are not team captain qualified but are associated with a firm not receiving a pass report. That committee member may or may not have had anything to do with why or how the firm received a non-pass peer review report and may be amply qualified to perform the duties as a committee member with the limitations noted in the requirements and application and other explanatory material. In addition, requirements to be a RAB member are different and require a RAB member to be associated with a firm that has received a Pass report on its most recent peer review.

11. Provide views on the proposed effective date. The committee believes the effective date of the proposed standards is appropriate. There are few changes to the extant standards in the proposal and the few changes being made are less restrictive for reviewers, firms, and AEs so it should be easy to implement those changes. We also do not believe there needs to be any training or resources to begin using the proposed standards. Again, there is little change to the extant standards that have been in place for some time.

The Committee appreciates this opportunity to respond to the exposure draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Ron Weinbaum, CPA
Chair, Florida Institute of CPAs Peer Review Committee

Committee members coordinating this response:

Steve Bierbrunner, CPA
Edward Cranford, CPA
Froment Gonzalez, CPA
David Holland, CPA
Marci Reutimann, CPA

From: [Mary Beth Halpern](#)
To: [PR_expdraft](#)
Cc: mmanspeaker@sek.com
Subject: Clarity Standards exposure draft | Coastal Peer Review's Comment Letter
Date: Thursday, December 2, 2021 11:22:10 AM
Attachments: [Proposed Clarity Standards Comment Ltr _FINAL \(3\).pdf](#)

Good morning -

The Coastal Peer Review committee is pleased to provide these comments in response to the *Clarification of AICPA Standards for Performing and Reporting on Peer Reviews* exposure draft.

Please feel free to contact me if you have any questions or wish to discuss further.

Thank you,

--

Mary Beth Halpern
Coastal Peer Review
443-632-2330

Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. *Do you agree with the proposed change?*

We agree. We also believe that peer review risk assessment is the best way to determine if an onsite review is appropriate. We suggest offering opportunities, such as the next peer review conference, for team captains to share how and when they determine a peer review must be performed onsite. Having a clear understanding of the types of risk assessment characteristics which indicate onsite is necessary would be very helpful for peer reviewers in making this change.

Change to the Requirements for Onsite Office Visits in System Reviews

2. *Please provide your views on the changes described. Do you agree with the proposed change?*

We agree with the change related to onsite office visits for system reviews.

Removal of the Requirement for Surprise Engagements in System Reviews

3. *Please provide your views on the changes described. Do you agree with the proposed change?*

We agree with removal of surprise engagement requirements.

We suggest adding a Reviewer Alert or a session at the next peer review conference on the types of situations that would lead a peer reviewer in their risk assessment to elect to have a surprise engagement.

Removal of the Term "Significant Deficiency" in Engagement Reviews

4. *Please provide your views on the changes described. Do you agree with the proposed change?*

Yes, the suggestion makes sense, and we agree with the change.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. *Please provide your views on the changes described. Do you agree with the proposed change?*

Agree, since training for technical reviewers must focus on this area. Not all RAB members have strong single audit experience. Therefore, it would be better to rely on experienced technical reviewers. For this reason, their training in this area should be robust and continual.

Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

Issues for Consideration, Written Comments, or Suggestions

6. *Are the requirements in the proposed peer review standards clear and understandable?*

Overall, we are supportive and have no recommendations for changes in the format of the new Standards. We think the changes proposed in the exposure draft represent a significant improvement in clarity and understandability in both the Standards and application material.

7. *Is the application and other explanatory material helpful to support the application of the requirements?*

We think the exposure draft represents a significant improvement in clarity and understandability in both the Standards and application material.

8. *Are the definitions easy to understand and apply?*

We think the definitions are both understandable and helpful.

9. *Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?*

We agree the requirements for commencing reviews are appropriate.

9.a *Do you think an engagement letter should be required for all peer reviews?*

We appreciate the provided templates and strongly urge firms to use them, however we don't think an engagement letter should be mandated. We suggest section 300.A2 could be modified to say it is "recommended" or "highly advisable" that terms and conditions of peer review should be summarized in an engagement letter.

10. *Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?*

Yes, it is understandable and appropriate.

11. *Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response.*

We support the proposed effective date. The changes are very limited and make it easier to use, so no real reason for a significantly delayed date.

Do you agree with the proposed effective date? Yes

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

Please see our previous comments regarding specific considerations with respect to risk assessments. Emphasis in Reviewer's Alerts, Team Captain and RAB training and the peer review conference should be sufficient.

Removal of guidance on performing and reporting on reviews of quality control materials

We agree it is appropriate to remove, however we believe attestation reports should be linked on AICPA's peer review page (much like QCM review reports have been) to allow easier access for reviewers and firms.



December 2, 2021

Brad Coffey
Peer Review Team
AICPA
220 Leigh Farm Road
Durham, NC 27707

Re: Exposure Draft: Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Dear Mr. Coffey:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. Our comments in relation to this exposure draft follow the specific requests for comments outlined within the exposure draft and use the formatting you have provided in the response template in order to facilitate an easier review and tracking of responses.

1. Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

Do you agree with the proposed change? Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

TIC agrees technology provides the ability to perform effective reviews in a remote environment in many cases. However, TIC believes that not all reviews would necessarily be able to be performed remotely and agrees with risk being the driver as to when an on-site visit should be performed. In discussing the exposure draft and the need for on-site reviews, TIC noted that allowing for more remote procedures could result in a difference of opinion between the peer reviewer and the firm being peer-reviewed wherein one believes that on-site procedures are necessary, and one does not. To preemptively address such disagreements TIC suggests that additional guidance be added which indicates that the team captain is ultimately responsible for risk assessment, which would include the extent of procedures to be performed on-site versus remotely.

Advantages to allowing for additional remote procedures include greater flexibility to firms in selecting a peer reviewer that meets the firm's needs without incurring costs for travel time and travel expense, additional flexibility benefiting both firms and peer reviewers on the timing of when peer review work is performed, the ability for team captains to expand the number of team members with different specialties in various industries or engagement types, and reduced time spent traveling for peer reviewers.

Disadvantages identified could include reviews extending over longer periods of time, additional time spent in completing the peer review due to reduced focus and delays in receiving responses, less discussion regarding issues and root causes if technology is not used properly, and less discussion amongst team members while doing the review. Finally, TIC also notes that as with any engagement being performed remotely there is a greater risk of cyber threats which must be considered.

2. Change to the Requirements for Onsite Office Visits in System Reviews

Do you agree with the proposed change? Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

TIC supports the proposed change to remove the requirement to visit "a sufficient number" of the firm's offices and the firm's executive office. Due to engagement selection considerations and personnel interviews selection considerations, representatives, and engagements from a cross section of the firm's offices can provide sufficient information of differences between offices. We agree the determination of the need to visit offices should be based on risk. Please see our response to question 1 above for advantages and disadvantages of remote engagements.

3. Removal of the Requirement for Surprise Engagements in System Reviews

Do you agree with the proposed change? Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

TIC agrees with the proposal to remove the requirement to select a surprise engagement and instead include the potential need for a surprise engagement review as a consideration based on the peer reviewer's risk assessment. Specific risks TIC believes may warrant the selection of a surprise engagement might include situations where there are delays in obtaining files for a peer review, results of team member interviews, or evidence of changes in files after selection during the peer review.

4. Removal of the Term "Significant Deficiency" in Engagement Reviews

Do you agree with the proposed change? Please explain your reasoning.

TIC agrees with the change to remove the term significant deficiencies in a report with a peer review rating of fail as we agree the term significant deficiency is generally associated with the severity of a deficiency or deficiencies, not solely the number of deficiencies.

5. Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

Do you agree with the proposed change? Please explain your reasoning.

TIC agrees with the proposal to remove the requirement to provide the engagement profile and the supplemental peer review checklist for single audit engagements, including the no answers and other comments. We agree that training/qualification required of technical reviewers should be sufficient to address risks. We believe the RAB in its discretion should be able to request these documents when necessary.

6. Issues for Consideration, Written Comments, or Suggestions

Are the requirements in the proposed peer review standards clear and understandable? Please explain your reasoning and indicate any specific proposed revisions.

TIC commends the improvements made in this area which include:

- Inclusion of definitions to assist in understanding both terminology and content,
- Reduction of duplicative content and verbiage, and
- Improved organization of content

Taken together these improvements represent a marked and welcome improvement over legacy guidance.

Is the application and other explanatory material helpful to support the application of the requirements? Please explain your reasoning and indicate any specific proposed revisions.

The revisions in the application and other explanatory material are helpful and support the application of the relevant requirements. TIC recognizes the effort to reorganize this guidance to make it more accessible for users and believes it is much clearer as a result. While the guidance is an improvement, TIC suggests the consideration of an ongoing project to continue to further refine and link references in the most efficient manner possible to further improve usability. This is most apparent in situations where the guidance references a footnote, which in turn references another footnote. Simplifying these types of references to just point directly towards the relevant application or explanatory material would further improve useability.

Are the definitions easy to understand and apply? Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100), and indicate any specific proposed revisions.

TIC appreciates the inclusion of the master glossary as it helps promote the use of consistent terminology between all parties involved in the peer review process. The glossary also allows for easy look-up of terms for parties who are not as familiar with peer review terminology to help them determine when terms being used are synonyms or have different meanings (for example closing conference and exit conference).

In reviewing the proposed glossary two terms identified which could be considered for inclusion are 'piggybacking' and 'reciprocal peer review'.

Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

Yes, TIC believes that the requirements are appropriate for both system and engagement reviews.

Do you think an engagement letter should be required for all peer reviews? Please explain your reasoning and indicate any specific proposed revisions.

TIC believes that an engagement letter should be required for all peer reviews. As outlined in other professional literature, an engagement letter ensures that there is a clear understanding between both parties on various matters including responsibilities of the parties to the engagement, timing, deliverables, dispute resolution, fees, expenses, and other matters. As TIC suggests that an engagement letter should be required for all peer reviews the application guidance in 300.A2 could be modified as follows:

. A2 The terms and conditions of the peer review should ~~may~~ be summarized in an engagement letter between the reviewed firm and the reviewing firm.

Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain—qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17–.19 of PR-C section 400)? Please explain your reasoning and indicate any specific proposed revisions.

TIC finds the wording included within the standard (paragraphs 400.17-.19) as well as the associated application material (paragraphs 400.A19-.A21) to be clear.

Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. Do you agree with the proposed effective date? If no, please provide reasons for your response.

TIC agrees with the proposed effective date.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

As a result of the degree of changes being made in this exposure draft, TIC believes that the most effective resource to make interested parties aware of the guidance would be a special edition of the peer review prompt communication. Such a communication could then be supplemented with typical awareness and training resources including webinars, reviewer alerts, inclusion in annual team captain training, and including an overview as part of must-select training for reviewers.

TIC appreciates the opportunity to present these comments on behalf of PCPS Member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Bryan Bodnar

Chair, On Behalf of the PCPS Technical Issues Committee



Administering peer reviews for the following:

Illinois CPA Society | Indiana CPA Society | Iowa Society of CPAs | Kentucky Society of CPAs
South Carolina Association of CPAs | West Virginia Society of CPAs | Wisconsin Institute of CPAs

December 8, 2021

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

RE: Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews: *Clarification of AICPA Standards for Performing and Reporting on Peer Review*

Dear Board Members:

The Peer Review Alliance (PRA) is an approved peer review administrator of the AICPA Peer Review Program and one of the largest administrators in the United States. With approximately 2,400 CPA firms under its administration, PRA assists firms ranging in size from sole practitioner to over 300 professionals in meeting their peer review needs.

The PRA Report Acceptance Committee (the “Committee” or “we”) is pleased to comment on the proposed changes listed above. The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the positions of the Committee rather than any individual members of the Committee, the organizations with which such members are associated, or the partner state CPA societies.

The Committee acknowledges that the following response may include divergent views. The intent in presenting these views is to ensure that the response adequately illustrates the Committee’s support for and concerns with the proposed standard and provides suggested alternative approaches where disagreement may be present.

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm’s Office

1. *Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.*

We agree with the proposed change and believe that this will significantly increase the pool of reviewers available to firms when scheduling their reviews. However, our experience during the recent temporary guidance showed that the risks of inefficiency and delays increase substantially with reviews performed entirely offsite.

Change to the Requirements for Onsite Office Visits in System Reviews

2. *Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more office of the reviewed firm.*

We agree with the proposed change.

Removal of the Requirement for Surprise Engagements in System Reviews

3. *Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant a surprise engagement.*

We agree with the proposed change.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. *Please provide your views on the changes described.*

We agree with the proposed change.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. *Please provide your views on the changes described.*

We agree with PR-C section 410, paragraph .A5 that the engagement profile and supplemental checklist for single audits should be available upon request by the RAB. However, we also believe that technical reviewers and administering entities (AEs) should be permitted to include these documents in RAB meeting materials at their discretion.

We further believe that if single audit documents are not included in the RAB materials, a secondary evaluation process be undertaken to evaluate whether the technical reviewer(s) is/are identifying issues. In other words, if the administering entity (AE) includes the single audit documents in its RAB materials, no additional oversight procedures will be required. However, if the AE chooses to exclude the single audit documents from its RAB materials, some type of oversight procedure would be required.

Removal of Guidance on Performing and Reporting on Reviews of Quality Control Materials

We agree with the proposed change.

Issues for Consideration, Written Comments, or Suggestions

6. *Are the requirements in the proposed peer review standards clear and understandable?*

7. *Is the application and other explanatory material helpful to support the application of the requirements?*

Except as noted below, we agree with the requirements in the proposed peer review standards, application materials, and other explanatory materials with the following suggested revisions or clarifications:

PR-C section 100, paragraph .A30 indicates that, “*The board may, at its discretion, modify the standards and related guidance without an exposure period if the circumstances warrant such actions. In these circumstances, the board will discuss such modifications during meetings open to the public and will communicate any recommended courses of action to firms, reviewers, and AEs on a timely basis.*” We believe that all revisions to professional standards, including peer review standards, should follow a formal and robust due process procedure where broad public participation is encouraged, and all points of view and expressions of opinion are welcomed throughout the entire deliberative and exposure process. Discussing proposed changes only in a meeting open to the public does not provide stakeholder groups such as state boards of accountancy, administering entity peer

review committees, and regulators an opportunity to discuss the matter as a group and provide their collective viewpoints. As a result, we **do not support** this proposed change.

For PR-C section 100, paragraphs .24(b) and .31(b), we suggest replacing “year-ends” with “period-ends” to incorporate interim engagements.

PRC section 200, paragraph .16 indicates that, “*The reviewer must be independent from the reviewed firm. The reviewer’s independence would be considered impaired in the following circumstances...f. The reviewing firm performed the monitoring of the reviewed firm’s accounting and auditing practice, consulting review, quality control document review, preliminary quality control procedures reviews, or pre- or post-issuance engagement reviews for the year immediately preceding or during the peer review year.*” Because reviewers are often confused as to whether this pertains to the inspection or engagement period-ends versus when such procedures are performed, we suggest that an additional sentence be added to this bullet point to add clarity.

PR-C section 210, paragraph .21 indicates that, “*The reviewer should document in the risk assessment key decisions made when the engagement selections do not include...c. an engagement type within an industry.*” We believe that this could be interpreted very broadly and as a result, suggest that clarification be added in the application material to discuss narrowing this to industry concentration coverage.

PR-C section 210, paragraph .37 discusses the evaluation of “significant risk areas” in the review of an audit. We are unclear as to whether this represents a change from the current “key area” approach? In addition, we believe clarification is needed regarding the frame of reference used to determine “significant risk areas.” For instance, does the firm’s risk assessment determine the “significant risk areas”? And if the firm does not identify any “significant risk areas” or the reviewer disagrees with the areas determined significant by the firm, whose determination should guide the selection of areas for review?

PR-C section 210, paragraph .39 discusses informing the firm when an engagement is not performed or reporting on in conformity with applicable professional standards. While such discussion is located under the heading for “Evaluation of Engagements” for system reviews, the similar paragraph for engagement reviews is located under the heading for “Identifying, Evaluating, and Aggregating Matters, Findings, and Deficiencies” in PR-C section 220, paragraph .23. We suggest they be located under the same headings in the standards.

Similarly, while the paragraph reminding team captains and AEs to not require firms to perform omitted procedures, reissue accounting or auditing reports, or have previously issued financial statements revised and reissued is located under the heading of “Evaluation of Engagements” in the standards for system reviews (PR-C section 210, paragraph .40), the similar paragraph for engagement reviews is in the application guidance (PR-C section 220, paragraph .A8). **Note:** Similar paragraphs reminding reviewed firms that captains and AEs should not dictate specific remediation for nonconforming engagements for both system and engagement reviews are in the application guidance (PR-C section 310, paragraph .A16 and PR-C section 320, paragraph .A10, respectively). We recommend they appear in a consistent location in either the standards or the application guidance.

For the following standards and application material sections (PR-C section 210, paragraph .59(a); PR-C section 210, paragraph .67; PR-C section 220, paragraph .24(a); PR-C section 220, paragraph .32; PR-C section 220, paragraph .A13(a); PR-C section 320, paragraph .A9(a); and PR-C section 410, paragraph .15(a)(ii)), we suggest that the phrase “type of report” be replaced with “report rating”.

PR-C section 210, paragraph .68 lists the elements to be included in a system review report, including item (h) with a URL reference to the AICPA website where the standards are located. However, the list of report elements required for an engagement review in PR-C section 220, paragraph .33 does not include a similar item even

though the illustrative engagement review report includes the applicable URL reference. We suggest that a URL bullet point be added to paragraph .33.

For PR-C section 210, paragraph .A53, “exit conference” should be replaced with “closing meeting”.

For PR-C section 220, paragraph .07, the reference to (Ref: par. .A2) does not appear to be applicable and should be deleted.

PR-C section 220, paragraph .22 discusses the DMFC on an engagement review. The discussion appears to provide only two paths of disposition for MFCs (either FFC or deficiency). Does this language imply that all MFCs on an engagement review must be elevated in some manner?

PR-C section 300, paragraph .11 specifically references the need for firm letterhead on representation letters. However, the extant standards/guidance do not necessarily require this.

PR-C section 300, paragraph .A14 describes a specific reenrollment situation which appears to be different than the extant interpretation 5h-2 and would now require hearing panel consideration for reenrollment. We suggest striking item (ii).

“.A14 Reenrollment decisions subject to approval by a hearing panel of the board include, but are not limited to, the following...ii. failing to submit the reviewed firm’s peer review by a required due date after being dropped for the preceding reason and subsequently being allowed to reenroll.”

PR-C section 400, paragraph .23 indicates that, *“A minimum of three RAB members who are independent and free from any conflicts of interest should evaluate each peer review that requires RAB consideration. To accept any motions related to a peer review, a majority of the RAB members, **but no fewer than three** {emphasis added}, should agree to carry the motion.”* This appears to be more restrictive than the current RAB Handbook guidance and appears to disallow a 2-1 vote in a three-person RAB. We suggest striking “no fewer than three” from the last sentence.

PR-C section 400, paragraph .32 appears to be raising the bar from what is required to replace or waive an action in the current RAB Handbook. We suggest striking letter (b).

“.32 If the reviewed firm requests a replacement or waiver of an action because it will no longer perform engagements in the industry or level of service related to the action, the RAB should replace or waive the action and require the firm to provide a written representation that:

- a. states the firm is no longer performing or has plans to perform engagements in that industry or level of service.*
- b. includes a listing of such engagements that were issued since the last peer review year-end.*
- c. is signed by the appropriate member of management.*
- d. is included in the letter of response if the firm represents it will no longer perform certain types of engagements or engagements in a specific industry prior to the review being submitted for acceptance.”*

PR-C section 410, paragraph .08j appears to add a new requirement regarding the scope of CART engagement review technical reviews in comparison to current RAB Handbook guidance – *“For reviews with a committee-appointed review team, all peer review working papers.”* This implies that for CART reviews, technical reviewers need to review all engagement checklists. We suggest striking letter (j) from the list.

Exhibits

PR-C section 310, paragraph .A26 includes an exhibit of an illustrative representation letter for a system review that does not include a footnote or sample language for restrictions that a firm may need to describe in the second to last paragraph whereas the illustrative representation letter in the current guidance does include sample language. We suggest that a footnote be added to the proposed exhibit with sample language for the types of restrictions a firm may need to describe in the second to last paragraph.

In addition, there appear to be several minor wording changes to the illustrative reports and representation letters (for both system and engagement reviews) that have little to no impact on the meaning of the documents and will only serve to confuse reviewers and require revision for insignificant points. As an example, below are the unnecessary wording revisions in the system review version of the report and representation letter:

- PR-C section 210 (pg. 92) – Illustration 1 – A Reviewer’s Report on the Firm’s System of Quality Control With a Peer Review Rating of Pass
 - Firm Responsibility section - Addition of the phrase “the requirements of” in the first sentence of paragraph unnecessary. We suggest the phrase be deleted.
 - Peer Reviewer’s Responsibility section – Rephrased paragraph. We suggest that the language be reverted back to the current template language - “*Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review.*”
- PR-C section 310 (pg. 159) – Exhibit A – Illustrative Representation Letter
 - 2nd Paragraph - Revisions to licensure language. We suggest that the language be reverted back to the current template language.
 - Must Select Paragraph - Addition of “and issued their respective reports.” We suggest the phrase be deleted.
 - Remediation Paragraph – Revised phrasing. We suggest that the language be reverted back to the current template language (though new language is likely a bit better).
- Currently, the AICPA *Peer Review Program Manual* includes *Guidance for Writing Deficiencies and Significant Deficiencies Included in System Review Reports* (Section 4250), which provides illustrations and assistance when drafting System Review report deficiencies and significant deficiencies. Will this guidance continue to be available outside of the clarified standards or in some other form?

8. *Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100).*

The definitions are generally easy to understand and apply. However, the following items may require additional clarification or revision:

For the definition of “Acceptance Date”, we suggest that the word “on” be added following the word “reported”; the second and third occurrence of the word “and” be replaced with “or”; and the phrase “if any” be added following the words “corrective actions”. The sentence would then read, “*A peer review is accepted on the date the peer review committee (the committee) or report acceptance body (RAB) concludes a peer review was performed and reported **on** in accordance with standards **or**, for pass with deficiencies **or** fail reports, when the reviewed firm has agreed to perform required corrective actions, **if any**, as a condition of acceptance.*”

For the definition of “Administering entity (AE)”, we suggest that it be expanded to include “other entity(ies)” approved by the board to administer peer reviews (e.g., New England Peer Review, Inc.) similar to how it appears in PR-C section 100, paragraph .34.

For the definitions of “Closing Meeting” and “Exit Conference”, we suggest that the phrase “type of report” be replaced with “report rating”. In addition, we suggest that the word “reviewed” be added preceding the word “firm” in the definition for “exit conference” to be consistent with a similar phrase in the definition for “closing meeting”.

For the definition of “Completion date”, we suggest that the word “and” be replaced with “or” between “*pass with deficiencies*” and “*fail*” similar to our suggestion above for “Acceptance date”.

For the definition of “Corrective actions”, we suggest that the word “RAB” be inserted between the words “committee” and “or board” in the bullet point for “Reviewed firms”. In addition, the words “or actions required of a reviewer due to deficiencies in the reviewer’s performance” appear to be out of place and should be removed from the same bullet point for “Reviewed firms”.

For the definition of “Deficiency (system reviews)”, we suggest that the word “reviewer” be replaced with “Team Captain” to be consistent with the definition of “Deficiency (Engagement reviews)”.

For the definition of “Due date”, we suggest that an additional sentence or phrase be added for corrective action or implementation plan due dates.

For the definition of “Matter”, we suggest that a sentence or two be added that read something like, “Matters can be disposed through *one* of three methods – through an FFC, through a deficiency/significant deficiency, or through disposition at the MFC level (via isolation or insignificance). Matters that are disposed via one method should not also be covered/discussed through another form of disposal” similar to the verbiage appearing in PR-C section 210, paragraph .56.

For the definition of “Consent agenda”, we suggest that the Board reconsider the threshold for inclusion of system and engagement reviews on the consent agenda to include *pass* reports with MFCs and FFCs provided there are no repeat findings or nonconforming engagements, which might indicate the need to consider an implementation plan, additional findings (e.g., tone at the top) or in rare instances, a different report rating.

All of the same peer review documents would still be available to the RAB and could be pulled off the consent agenda by any RAB member upon request. However, the overall time savings for our volunteer committee members would far outweigh the risks and at the same time, help focus RAB discussions on the reviews requiring the most attention.

Statistics for reviews administered by the Peer Review Alliance for the three years preceding and one year following adoption of the current definition of consent agenda are as follows:

Report Rating	CY2017		CY2016		CY2015		CY2014	
	Consent Agenda	Total Reviews						
Pass w/o FFCs	47	198	95	153	61	128	58	94
Pass with FFCs	0	149	98	144	120	179	84	115
Subtotal	47	347	193	297	181	307	142	209
PWD or fail	0	134	0	132	0	101	0	90
Total	47	481	193	429	181	408	142	299
% To Total	9.8%		45.0%		44.4%		47.5%	

If an additional 35% of the reviews presented to RAB in 2017 had been permitted to be placed on a consent agenda and saved even 10 minutes per review, each of the 4 or 5 (or more) RAB members would have saved an average of 28 hours over the course of the year (481 reviews x 35% x 10 minutes / 60 minutes = 28 hours). Therefore, we strongly encourage the Board to reconsider the definition of Consent agenda.

9. *Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?*

We believe that engagement letters should be strongly encouraged rather than strictly required. Engagement letters are a contract between the peer reviewer and the reviewed firm and should not be a required submission or subject to review or oversight by the administering entity.

10. *Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?*

Yes.

11. *Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to being using the proposed standards?*

While the Peer Review Alliance is generally a champion of releasing standards changes only at the beginning of the review season (generally April or May), the proposed effective date of May 1, 2022 appears to be overly ambitious. Even though the clarified standards do not include a large number of significant changes, there are a few key changes (some of which were highlighted in our comments above) and for which the proposed timeline does not allow for effective training of peer reviewers who will be in the midst of tax season during the final approval and release of the proposed standards. We suggest that the effective date be delayed until after the 2022 Annual Peer Review Conference to November 1, 2022.

The Committee appreciates the opportunity to express its opinion on these matters and would be pleased to discuss our comments in greater detail if requested.

Randall L. Miller, CPA

Chair, Peer Review Alliance Report Acceptance Committee

Kim Meyer, CPA

Vice Chair, Peer Review Alliance Report Acceptance Committee

APPENDIX A

PEER REVIEW ALLIANCE REPORT ACCEPTANCE COMMITTEE ORGANIZATION AND OPERATING PROCEDURES

2021 – 2022

The Peer Review Alliance Report Acceptance Committee (Committee) is composed of the following technically qualified, experienced members. These members have peer review experience and Committee service ranging from newly appointed to over 30 years. The Committee is an appointed senior technical committee of the Illinois CPA Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of peer review and quality control standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of peer review or quality control standards. The Subcommittee develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Cary Drazner, CPA
James Gibson, CPA
Jennifer Goettler, CPA
John Guido, CPA
James Javorcic, CPA
Steven Kessler, CPA

Marcum LLP
CliftonLarsonAllen LLP
Sikich LLP
Baker Tilly US, LLP
Mayer Hoffman McCann P.C.
Wipfli LLP

Local:

Richard Atterbury, CPA
Joseph Beck, CPA
Sarah Beckman, CPA
Matthew Brown, CPA
Lori Dearfield, CPA
Steven Dearien, CPA
Timothy DeVries, CPA
Jonathon Eade, CPA
Hugh Elliott, CPA
Myron Fisher, CPA
Mary Fleece, CPA
Janice Forgue, CPA
Joseph Galarowicz, CPA
Robert Giblichman, CPA
Steven Grohne, CPA
Arthur Gunn, CPA
David Hicks, CPA
Kimberly Hunsaker, CPA
Paul Inserra, CPA
Rob Jordan, CPA
Christina Kelly, CPA
Karen Kerber, CPA

Martens and Company, CPA, LLP
Jones, Pounder & Associates, P.C.
CPA Associates, P.C.
Brown CPA LLC
Kelley Galloway Smith Goolsby, PSC
Dearien & Company AC
Denman & Company, LLP
Jones, Nale & Mattingly, PLC
Dugan & Lopatka CPAs, P.C.
Baldwin CPAs, PLLC
Tetrick & Bartlett, PLLC
ECS Financial Services, Inc.
KerberRose S.C.
Warady & Davis LLP
MCK CPAs & Advisors
Arthur S. Gunn, Ltd.
Hicks & Associates CPAs, PLLC
CPA Associates, P.C.
ATA Group, LLP
Hill & Jordan CPA's, LLC
The Hobbs Group
KerberRose SC

Mark Klesman, CPA
Rebecca Lee, CPA
David Lewis, CPA
Jerome McDade, CPA
Kim Meyer, CPA
Randall Miller, CPA
Kevin Modrich, CPA
Liza Newbanks, CPA
Gregory Pierce, CPA
Brian Powers, CPA
Amie Pranaitis, CPA
Gilda Priebe, CPA
Stella Santos, CPA
Terrence Schmoyer, CPA
Neil Schraeder, CPA
William Sherry, CPA
Russell Wilson, CPA
Tobey Wilson, CPA
Anthony Workman, CPA

Staff Liaison:

Paul Pierson, CPA

Klesman & Company, P.C.
McCreless & Associates, P.C.
Estep, Doctor & Company, P.C.
Briscoe, Burke & Grigsby LLP
Hudgens & Meyer, LLC
Hawkins Ash CPAs, LLP
DeMarco Sciacotta Wilkens & Dunleavy LLP
Deming, Malone, Livesay & Ostroff, P.S.C.
Demarco Sciacotta Wilkens & Dunleavy LLP
Honkamp Krueger & Co., P.C.
Hughes, Cameron & Company, LLC
Adelfia LLC
Adelfia LLC
Schmoyer and Company, LLC
Hacker, Nelson & Co., P.C.
Engelson & Associates, Ltd.
Porte Brown LLC
ECS Financial Services, Inc.
Kelley Galloway Smith Goolsby, PSC

Illinois CPA Society

DONALD E JUMP, CPA

COMMENTS ON PROPOSED CHANGES TO PEER REVIEW GUIDANCE

1. REMOVAL OF REQUIREMENT FOR SYSTEM REVIEW PROCEDURES TO BE PERFORMED AT REVIEWED FIRM'S OFFICE

Covid has provided some unexpected benefits. One of them is that a System review can frequently be performed remotely due to today's technology. I am in favor of the change.

2. MULTI OFFICE FIRM ON SITE VISITS

See explanation above. I agree with proposed change

3. REMOVAL OF SURPRISE ENGAGEMENT REQUIREMENT

I agree

4. REMOVAL OF THE TERM SIGNIFICANT DEFICIENCY

I agree

5. REMOVAL OF THE MATERIALS TO RAB MEETINGS FOR SINGLE AUDIT ENGAGEMENTS

I agree

6. ARE REQUIREMENTS IN PROPOSED PR STANDARDS CLEAR AND UNDERSTANDABLE

The requirements are very clear and easy to understand

7. IS THE APPLICATION AND OTHER MATERIAL HELPFUL

Yes, this material is clear and helpful

8. DEFINITIONS

The definitions in the master glossary are great. The best aspect of this entire document is the Table of Contents. Having easy access to peer review areas is something that has been much needed and largely unavailable in the past

9. REQUIREMENTS FOR PR COMMENCEMENT & ENGAGEMENT LETTERS

The requirements for peer review commencement are reasonable. I do think that all peer review should include an engagement letter between the Team Captain and the Firm to be reviewed. Based on prior experience, I think that there should be some revision of the policy regarding late letters to peer reviewers when the peer review Firm-not the reviewer is solely responsible. For example, if a Firm fails to timely engage a reviewer and the peer review deadline is past, it has been the practice of the AICPA to send a late letter to the reviewer immediately upon the reviewer accepting the engagement. This practice is a disincentive to reviewers to take on reviews.

10. APPROPRIATE APPLICATION OF MATERIAL RELATED TO COMMITTEE MEMBERS

PR-C paragraphs .19 to .19 are very clear and appropriate

11. EFFECTIVE DATE AND TRAINING AND RESOURCES

The proposed effective date is very reasonable. I believe the resources are there for stakeholders. In addition, Training for reviewers should continue in the format that has been used in the past. A training program for Firms being reviewed should be updated and available on an annual basis, either in self- study or inter-active format.



Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

MICPA's Respondent Comment Letter

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

Most files are electronic, which allows the reviews to be performed off-site. Audit firms are performing a larger portion of their client work off-site, and this practice should extend to peer reviews also. The increased risks mostly relate to the poorer quality of in-person staff interviews and lack of "getting a feel for" the firm and its culture by being in-person. It seems these risks are minimal and can be dealt with if thought through (the peer reviewer can visit the firm if deemed appropriate or necessary to deal with identified risks).

Change to the Requirements for Onsite Office Visits in System Reviews

2. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views about the advantages and disadvantages of visiting one or more offices of the reviewed firm.

The past two decades of technology advances has caused firms with multiple offices to no longer act as individual silos; different offices tend to work together. It seems more appropriate to evaluate each firm as a whole and ensure there is adequate coverage of the various types of risk (specialized industries, engagement types, individual partners).

Removal of the Requirement for Surprise Engagements in System Reviews

3. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

If a peer review risk is detected during a review, it would always be appropriate for a peer reviewer to select a surprise engagement during the course of the review (including for a partial review).

Many small firms are still hard copy only so once again it would still be appropriate to make a surprise engagement for this review.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

The term is misleading, since it refers to the number of errors, not the severity of those errors.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning.

Yes, as long as the documents continue to be reviewed by the technical reviewer (Per 210.70 these will continue to be provided).

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Yes
No

Please explain your reasoning and indicate any specific proposed revisions.

210.20 & .21 do not seem to address whether the cross-selection address individual partners. The standards should not require each partner to be selected; but it seems there should be some consideration of individual partner risk. Perhaps A13 could address this?

210.51, last sentence, says that if you can't determine a systemic cause, document why on the MFC form. Did it mean to say FFC form (since the MFC normally does not document systemic cause; then again, perhaps the MFC form is expected to change?)

We are interpreting 210.53 as a change – it tells us to use an FFC for all Findings (even if they end up as Deficiencies). Is that the intent?

210.64h: The technical reviewer quarterly phone call has identified that firms are tailoring this sentence inappropriately. We think firms would find this clearer (and would stop tailoring it) if it was worded as follows: "i. All engagements applicable to the peer review year under review. Engagements applicable to this year include financial forecasts or projections and agreed upon procedures with report dates within this year; for all other engagements, it includes those engagements with periods ending during the year."

210.68k: Can we eliminate the need to pluralize and singularize the must-select engagements? We spend a lot of time changing these reports for what seems like an insignificant matter to the reader. It seems that we could change the standard to always pluralize? (identify the engagement types that existed and were required to be selected, period)

210.68 r (i): To clarify the requirements, The first bullet point (i) should be broken into five bullets (bullets ii through v would be re-numbered):

- "r. in a report with a peer review rating of *pass with deficiencies or fail*,
- i. Number each deficiency or significant deficiency (if more than one).
 - ii. Refer to the applicable requirements of the Statements on Quality Control Standards.
 - iii. Describe each deficiency (normally expressed as the systemic cause, the condition that led to the deficiency or significant deficiency).
 - iv. Describe the specific error(s) identified only to the extent necessary to understand the issue (see PRP 4250 for guidance)
 - v. If applicable, state that this resulted in nonconforming engagements

310.13: Will there be a new MFC form asking the firm to identify the systemic cause? (That would be fully supported! Systemic cause is currently not on our MFC forms)

310.14: can we separate letter (a) into 2 different items (one for remediating the QC system, and one for remediation of nonconforming engagements)? Too often I see the firms conflating these two concepts and it would be helpful to separate them in the standards.

310.14: items *c, d & e* should relate only to a deficiency or significant deficiency (when a LOR is required), and not to a finding.

310.A16: It would be helpful to add language to encourage the firm's remediation of their QC system to be responsive to the systemic cause(s).

7. Is the application and other explanatory material helpful to support the application of the requirements?

Yes
No

Please explain your reasoning and indicate any specific proposed revisions.

100.A11 – the last line of the matrix says if Prep is highest level of service, you would need an Engagement Review. We thought they needed no peer review.

210.A35, Exhibit A: I find the graphic (a) hard to use; and (b) it doesn't seem to get at the crux of what people are missing out on (primarily systemic causes). See the suggestion below, at the end of these comments.

8. Are the definitions easy to understand and apply?

Yes
No

Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100) and indicate any specific proposed revisions.

Corrective actions – Reviewed firms: At the end of the first sentence, Should delete the phrase “or actions required of a reviewer due to deficiencies in the reviewer’s performance.” That phrase belongs in the previous paragraph, for Peer reviewers. Deficiency (system reviews) starts with “One or more matters”. But since we build from Matter to Finding to Deficiency, would it be clearer if this read “One or more findings that, considering the nature, systemic cause, pattern & pervasiveness, could result in a situation in which...” (this wording change also tends to put the emphasis back on systemic cause, which is the driver for FFCs, and is missing from MFCs)

Finding (system reviews) – It would help clarify things if the following was added after the first sentence: “The condition is normally expressed as the systemic cause of the matter(s).” My reasoning is to emphasize that the “condition” is referring to the systemic condition, not the specific error that occurred on an engagement.

Also, for both Finding definitions, the last sentence should say “A finding should

be documented... on an FFC form *unless included in the report as a deficiency (or significant deficiency)*" – unless this is an intentional change to the form; as noted above, it is repeated at 210.53

Systemic cause (system reviews) – This is a critical concept, and it is often misunderstood in practice. Need to codify the discussion that occurred at this year's Peer Review Conference. Perhaps a second sentence is added that says: Identifying the appropriate root cause often requires several iterations of inquiry (asking " why did that happen?").

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

Yes No

Do you think an engagement letter should be required for all peer reviews?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain–qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .16–.18 of PR-C section 400)?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response.

Do you agree with the proposed effective date?

Yes

No

If no, please provide reasons for your response.

Overall, there are not that many changes to the standards and the codification is very helpful therefore we don't think the effective date is too ambitious.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

The training would need to focus on the changes that are occurring (as identified in the first 5 questions above: but also any changes in MFC or FFC forms)

Regarding item 7, above: In paragraph 210.A35, Exhibit A, the graphic is difficult to use. It is trying to do too much in one flowchart – it is showing the entire process, including how to evaluate a matter, and how to document the matter on the forms. That is too much info to present in a single graphic. It would bring clarity if the graphic was narrower in its focus. The reason to improve this is that this AE is currently seeing the following 3 problems in practice that could be improved if the standards offered more clarity on:

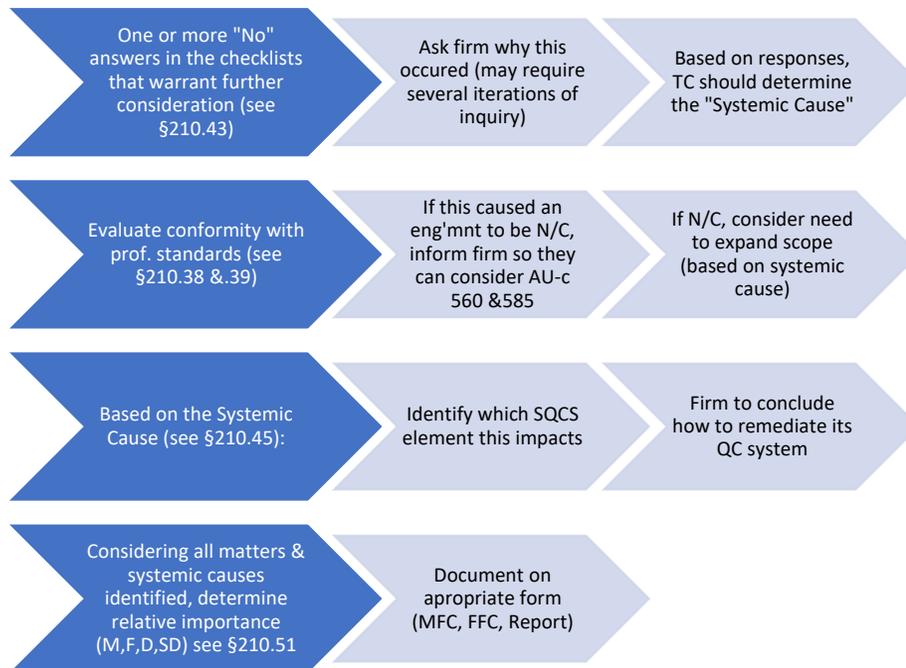
- Equating SQCS with Systemic Cause (e.g., “the systemic cause is engagement performance”)

- Going straight from a Matter to a SQCS (often calling it a Systemic Cause) without considering the root cause (for example: “the firm omitted some required footnote disclosures; the systemic cause is engagement performance”)
 - Often when the reasons why a condition occurred is asked, the team captain talks through a proper root cause, which ends up being a different SQCS.
 - Using an analogy with a medical condition, many would understand better if they could see the Condition as a “symptom”, with the Systemic Cause as the “illness”
- There is a disconnect between the systemic cause and the firm’s remediation of its QC system (many don’t see that the Systemic Cause should determine the SQCS element and should drive the firm’s remediation of its QC system).

The section is called “Identifying, Aggregating, and Evaluating Matters, Findings, Deficiencies, and Significant Deficiencies” – we believe that’s all the section should deal with. Dealing with the overview of the process is not necessary. To deal with the above practice issues, a graphic is needed to assist thinking through the evaluation of a matter. Separate this into two graphs, one to visualize the thought process and one to visualize how to document, to present a clearer picture.

Here is our proposed first graphic, to explain how to think about a Matter and its elevation to a Finding, Deficiency, or Significant deficiency:

Process for Evaluating a Matter



Here is our proposed second chart to address documentation:

Documentation of Matters Identified

An MFC form should be created for every matter identified

- More than one issue may be aggregated onto a single MFC form. Generally this would occur for related issues that have the same systemic cause; although MFC forms should normally be separated for different levels of service (helps with statistics).
- The matter should be written with sufficient specificity to allow a RAB to understand what the firm did and didn't do wrong.
- If the matter is isolated, or remote that it would impact the firm's QC system, the issue may stop at a Matter.
- Note, however, that if it resulted in a nonconforming engagement, the firm should still consider AU-c 560 & 585, and include its conclusion in the representations letter.

An FFC form should be created for matters that do not rise to deficiency or significant deficiency

- The FFC forms should normally be aggregated by systemic cause;
- Description should include a summary of the MFC description(s), plus systemic cause and the impacted SQCS element (see PRP secn. 4250 for guidance)
 - if applicable, should include level of service, must-select industry, and nonconforming engagements.
- Based on the systemic cause, the FFC should document:
 - the firm's remediation of its QC system;
 - the firm's conclusions under AU-c 560 & 585 to remediate the specific engagement(s).

Findings that rise to a deficiency or significant deficiency should be included as such in the Peer Review Report

- Should be numbered for each Deficiency/ significant deficiency;
- The discussion in the report should start with a reference to the applicable requirement from the SQCS and the systemic cause (i.e., the scenario that led to the deficiency/ significant deficiency). It does not need to include the details of specific engagement errors, unless necessary to understand the issue. See PRP 4250 for guidance.
- if applicable, should include level of service, must-select industry, and nonconforming engagements.
- identify any repeat deficiencies/ significant deficiencies from the prior peer review

Making the change above would likely necessitate a similar change to §220.A6, Exhibit A.



RSM US LLP

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December 14, 2021

Mr. Brad Coffey
Peer Review Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Re: Exposure Draft, *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews – Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*

RSM US LLP appreciates the opportunity to offer our comments in response to the Exposure Draft, *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews – Clarification of AICPA Standards for Performing and Reporting on Peer Reviews* (the Exposure Draft). RSM US LLP is a leading provider of audit, tax and consulting services focused on the middle market. We have nearly 13,000 people located in 84 cities in the United States and five locations in Canada.

A commitment to the highest standards of audit quality requires a dedication to continuous improvement. Given that the objective of the peer review program is to promote and enhance quality in accounting and auditing services, we appreciate that the Peer Review Board is engaged in ongoing efforts to improve audit quality by enhancing the clarity and usefulness of the standards for performing and reporting on peer reviews. We note that many firms establish their internal inspection protocol and policies based on the peer review standards. Therefore, the Board's efforts in establishing clear, cohesive peer review standards affect audit quality monitoring directly and indirectly.

We applaud the Peer Review Board's efforts to clarify the peer review standards and thereby make them easier to read, understand and apply. We agree with the Board's proposed conventions of (a) organizing the PR-C sections by user and review type; (b) providing relevant definitions for all clarified PR-C sections in the first section, which is applicable to all users; and (c) separating requirements from application and other explanatory material.

We believe the proposed changes to the peer review standards will improve audit quality. Like audit quality improvement, enhancing standards for this profession is an iterative process. We believe the implementation of the Auditing Standards Board's requirements in its recently proposed statements on quality management standards will require further evaluation of the peer review standards for congruency with those requirements. For example, the proposed changes to the peer review standards include illustrative report examples in Exhibit B of Section 210 that will require evaluation of the terminology used (e.g., *quality control* compared to *quality management*) as well as substantive considerations (e.g., how the form of report and the reviewer's evaluation is impacted by the required annual assessment of the firm's system of quality management, including the differentiation between deficiencies identified by the peer review and those identified by the firm). We also believe the peer review standards should be further evaluated to consider whether Section 220 and (or) Section 320 should include procedures related to the requirement for the firm to have a system of quality management that is operating and assessed annually.

In this letter, we address the requests for comment in the Exposure Draft.

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Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm’s Office

1. *Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.*

We agree with the removal of the requirement for the majority of procedures in a system review to be performed at the reviewed firm’s office. We agree that the reviewer should determine whether onsite procedures are necessary based on the risk assessment the peer reviewer performs in preparation for the peer review. We believe that, with appropriate planning, communication and use of technology, this risk-based approach will provide both inspectors and firms flexibility, efficiency, cost-saving opportunities and the ability to involve more individuals in the peer review process.

Change to the Requirements for Onsite Office Visits in System Reviews

2. *Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more offices of the reviewed firm.*

We agree with the change to the requirements for onsite office visits in system reviews. We agree that the peer reviewer should be required to consider whether visiting one or more offices of the firm is necessary when determining the appropriate procedures to be performed as part of the peer reviewer’s risk assessment. We believe that, with appropriate planning, communication and use of technology, this risk-based approach will provide both inspectors and firms flexibility, efficiency, cost-saving opportunities and the ability to involve more individuals in the peer review process.

Removal of the Requirement for Surprise Engagements in System Reviews

3. *Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant selecting a surprise engagement.*

Given the many recent improvements to firms’ electronic systems of records and technology, the risk of firms modifying their engagement files after inspection selections have been made is greatly reduced. In addition, most systems of record typically include an audit trail, which would allow the peer reviewer to identify situations where files were modified subsequent to selection. We therefore believe that the controls utilized by most firms’ engagement software can allow the peer reviewer, in its discretion, to deem it unnecessary in a system review to provide an engagement selection to the firm upon arrival at the reviewed firm’s office (i.e., surprise engagements). We support the removal of this requirement, together with the board’s proposal to require the reviewer to determine whether a surprise engagement is necessary as part of the peer reviewer’s risk assessment procedures. For example, a reviewer may be more likely to select a surprise engagement if (a) engagement documentation is in paper form; (b) there are known problems with file lockdown; or (c) a firm’s electronic system did not provide information about archiving dates and (or) an audit trail that would allow the reviewer to determine whether subsequent changes were made.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. *Please provide your views on the changes described.*

We agree with the removal of the term “significant deficiencies” from the context of an engagement review. In the context of an engagement review, we agree that we should retain the description as “pass” or “fail.”

In the context of a system review, we suggest the Peer Review Board evaluate the discrepancies between the following two definitions and then consider whether further guidance or standards changes are needed to enhance the understandability and consistency of these terms:

Per paragraph .11 of PR-C Section 100, *Concepts Common to All Peer Reviews*:

Deficiency (system reviews). One or more matters that the reviewer has concluded could create a situation in which the reviewed firm would not have reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in one or more important respects. Deficiencies should be documented in a peer review report with a rating of *pass with deficiencies*.

Per paragraph 17. of the proposed Statement on Quality Management Standards, *A Firm's System of Quality Management*:

Deficiency in the firm's system of quality management (referred to as *deficiency in this proposed SQMS*). This exists when (Ref: par. A10 and A169–A170)

- a quality objective required to achieve the objective of the system of quality management is not established;
- a quality risk, or combination of quality risks, is not identified or properly assessed; (Ref: par. A11)
- a response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the responses are not properly designed, implemented, or operating effectively; or
- an other aspect of the system of quality management is absent, or not properly designed, implemented, or operating effectively, such that a requirement of this proposed SQMS has not been addressed. (Ref: par. A12–A13)

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.

We agree with the removal of the requirement that the engagement profile and supplemental peer review checklist for single audit engagements be included in materials for meetings of the report acceptance body (RAB). However, we believe the RAB should have the ability to request, at its discretion, the inclusion of the engagement profile and supplemental peer review checklist for single audit engagements in materials for its meetings.

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

We believe the requirements in the proposed peer review standards generally are clear and understandable.

7. *Is the application and other explanatory material helpful to support the application of the requirements?*

We believe the application and other explanatory material generally is helpful to support the application of the requirements.

8. *Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100).*

We believe the master glossary is helpful to all users of the standards. We believe the definitions provided in PR-C section 100 generally are easy to understand and apply. However, please see our comment in question 9. regarding the definition of “commencement date.”

9. *Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?*

We believe the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews. We believe, however, that the term “commencement date” should be revised so as to include consideration of an engagement letter, which should be obtained before peer review planning commences. We believe it would be helpful to clarify whether the engagement letter date affects the commencement date.

We believe a signed engagement letter should be required for all peer reviews, as it is important for there to be a clear understanding between the reviewed firm and the reviewing firm about their professional responsibilities and the terms and conditions of the peer review. As such, we believe paragraph .A2 of PR-C Section 300, *General Principles and Responsibilities for Reviewed Firms*, should be moved from the “Application and Other Explanatory Material,” to become a requirement where appropriate in the standards and should be restated to read as follows (proposed addition is in bold font and proposed deletion is struck through):

The terms and conditions of the peer review ~~may~~ **should** be summarized in an engagement letter between the reviewed firm and the reviewing firm.

10. *Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?*

We believe that, when a committee member is not team captain-qualified but is practicing with a firm that has a non-pass rating in its most recent peer review report, it is appropriate for the administering entity to consult with AICPA staff and establish safeguards to address the roles of such a committee member. We believe the related application and other explanatory material is appropriate and understandable.

Effective Date

11. *Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?*

We believe it is appropriate for the standard to be effective for peer reviews commencing on or after May 1, 2022. However, we believe consideration should be given to providing implementation guidance, including clarity regarding the word “commencing.” We note that the glossary defines

“commencement date,” but it is unclear whether that is the same as “commencing.” For example, if an engagement letter was signed on March 15, 2022, and the reviewer begins the review of engagements on May 15, 2022, it is unclear whether the peer review should be performed in accordance with the proposed standards or the extant standards.

We appreciate this opportunity to provide feedback on the Exposure Draft and would be pleased to respond to any questions the Board or the AICPA staff may have about our comments. Please direct any questions regarding this letter to Jamie Klenieski, Audit Quality and Risk Leader, at 215.648.3014.

Sincerely,

RSM US LLP

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December 15, 2021

American Institute of Certified Public Accountants
Peer Review Board

Via email: PR_expdraft@aicpa.org

Re: Comments on Exposure Draft, *Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*, September 15, 2021

Dear Board Members

CliftonLarsonAllen LLP (CLA) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (AICPA) Peer Review Board's (PRB) Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews, *Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*, dated September 15, 2021. We understand these proposed changes are intended to make peer review guidance easier to read, understand and apply by adopting drafting conventions like those used by other professional standard setters. Our responses to the requested matters and other observations are attached.

We would be pleased to discuss any questions that you or your staff may have regarding our comments.

Sincerely,

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP



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Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

The purpose of this template is to help respondents draft responses to the exposure draft *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews*.

Guide for Respondents

The AICPA Peer Review Board (PRB) welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording. If you agree with proposals in the exposure draft, it will be helpful for the PRB to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be made available on the AICPA's website. Please provide responses that are

- submitted as Microsoft Word documents by December 15, 2021, and
- sent directed to Brad Coffey at PR_expdraft@aicpa.org.

This form is just for your convenience; it is not necessary to use this form or format in submitting your response. You are welcome to answer any or all questions. Again, comments are due by December 15, 2021.

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

The use of modern technology allows for remote access to a substantial portion of the evidence needed to conduct effective peer review procedures. We believe the team captain is in the best position to apply the judgment needed to determine whether procedures in a system review should be performed at the reviewed firm's office and agree with the proposed change.

Change to the Requirements for Onsite Office Visits in System Reviews

2. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes No

Please explain your reasoning, including your views about the advantages and disadvantages of visiting one or more offices of the reviewed firm.

The use of modern technology allows for a firm to effectively communicate its quality control policies and procedures to multiple offices. This technology also allows for peer reviewers to observe whether these communications are adequate. We believe the determination of whether to visit or select engagements from a particular office should be based on peer review risk and agree with the proposed change and related factors to consider when making this determination.

Removal of the Requirement for Surprise Engagements in System Reviews

3. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes No

Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

The technology utilized by most firms significantly reduces the risk of a firm modifying an engagement between the time the reviewer makes engagement selections and the time those engagements are reviewed, and we support the proposed change to remove this requirement.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

We agree that the use of the term “significant deficiency” is misleading and unnecessary, and we support the proposed change to remove this term from the guidance for performing engagement reviews.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes No

Please explain your reasoning.

The qualifications and training required of technical reviewers involved with Single Audit engagements is sufficient to allow them to adequately identify and evaluate the critical information that should be provided to the RAB. We agree with the proposed change to remove the requirement that this documentation be included in the materials for RAB meetings.

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

No further comments.

7. Is the application and other explanatory material helpful to support the application of the requirements?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

No further comments.

8. Are the definitions easy to understand and apply?

Yes No

Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100) and indicate any specific proposed revisions.

No further comments.

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

Yes

No

Do you think an engagement letter should be required for all peer reviews?

Yes

No

Please explain your reasoning and indicate any specific proposed revisions.

We believe engagement letters should be required to have clarity of the agreement between firms and reviewers like all other services we provide.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing

with a firm that has received a non-pass peer review report rating (refer to paragraphs .17–.19 of PR-C section 400)?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

No further comments.

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response.
Do you agree with the proposed effective date?

Yes No

If no, please provide reasons for your response.

No further comments.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

The mapping documents provided with the exposure draft are helpful to understand the new location and organization of the proposed standards. Alignment with the conventions used by other standard setters increases the understandability of the proposed standards and reduces the number of additional training and resources needed by stakeholders.

The Board should consider including a summary document that outlines any new or revised requirements other than the organization and location of the extant guidance.

December 15, 2021

AICPA Peer Review Board
Attn: Brad Coffey
Via email: PR_expdraft@aicpa.org

Re: **Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews:**
Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Mr. Coffey and Board Members:

The Peer Review Committee of The Ohio Society of CPAs appreciates the opportunity to provide comment on the above-referenced Proposed Standards. We are strongly supportive of the clarification project to make peer review guidance easier to read, understand and apply. Specific comments on the exposure draft follow:

Overall Comments:

Intersection with new Quality Management Standards:

The committee is concerned that the new ASB Quality Management Standards will set up engagement review firms to fail if the peer review standards do not provide for assistance to these firms through the peer review process. Suggestions include:

- Require confirmation in an engagement review that the firm has a quality management document.
- Require completion of the quality management review checklist in engagement reviews, and if there are “no” answers, provide the ability for the reviewer to supply recommendations to management that do not affect the results of the peer review.
- Include language in the representation letter with greater specifics than “I have a quality management system,” such as “I have a quality management document, which addresses all of the required elements of quality management.”

Association with a firm:

The previous peer review standards were unclear as to whether doing EQCRs or pre-issuance reviews for another firm caused the reviewer to be “associated with” the firm, meaning that the firm needed a “pass” report for the reviewer to remain qualified as a peer reviewer. Per discussions with AICPA staff, it appears that if a reviewer is going to claim experience for the work, they will be considered to be associated with the firm (thus requiring the firm to obtain a “pass” report for the reviewer to remain eligible,) but if they are not claiming experience for it, they will not be considered associated with the firm. This area (and our understanding) can still use some clarification.

One suggestion from the committee was to associate a peer reviewer at the engagement level when obtaining experience via an EQCR or a pre-issuance review. Accordingly, if the reviewer is using the EQCR to obtain experience in a particular industry, engagements in that industry

may not be non-conforming (versus the outside firm's entire peer review.) For example, if the reviewer is using the EQCR to obtain experience in a particular industry and the other firm has a Pass with Deficiencies rating, the reviewer would not be disqualified from performing reviews if none of the deficiencies or findings relate to the particular industry. If any of the findings do relate to the particular industry, the reviewer would not be disqualified from performing reviews but would be required to remove the industry from their resume.

Section 200.A23 should be more specific regarding what roles permit a reviewer to pick up an industry code.

Disclosures to Accountancy Boards:

The committee supports the additions to the list of things in Section 300.A18-.A19 that can be disclosed to state boards with permission of the firm.

Responses to specific questions in the exposure draft follow:

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. *Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.*

We support the decision of whether a system review can be performed offsite being based on the peer review risk assessment. The technology to permit an effective process is in place and has been proven during the pandemic. This also opens up the opportunity for utilizing more team members, particularly in specialized practice areas.

Change to the Requirements for Onsite Office Visits in System Reviews

2. *Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more offices of the reviewed firm.*

We support considering whether an onsite visit is necessary as part of the peer review risk assessment, due to advancements in technology.

Removal of the Requirement for Surprise Engagements in System Reviews

3. *Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant selecting a surprise engagement.*

We agree that whether a surprise engagement is necessary should be part of the peer review risk assessment, due to advancements in technology.

Removal of the Term "Significant Deficiency" in Engagement Reviews

4. *Please provide your views on the changes described.*

We agree that the term “significant deficiencies” is misleading and unnecessary in engagement reviews, and suggest consideration of also removing the term for system reviews.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. *Please provide your views on the changes described.*

We agree that the engagement profile and supplemental peer review checklist for single audits, including the explanation of “no” answers does not need to be provided to the RAB, since these are reviewed by the technical reviewer, who is required to have specialized training. The technical reviewer may request that such information be provided to the RAB at their discretion. However, when fulfilling oversight responsibilities, we may want to emphasize selection of reviews with single audit engagements.

Issues for Consideration, Written Comments, or Suggestions

6. *Are the requirements in the proposed peer review standards clear and understandable?*

Generally, the requirements of the proposed peer review standards are clear and understandable, except for examples mentioned herein.

Section 100.10 should include more specific examples of what international standards are included within the scope of the U.S. peer review. 100.A12 provides examples of what international standards are excluded from peer review.

In Section 100.A27, more guidance and training is needed on what is a repeated systemic issue.

In Section 210.A68.09 some examples are provided about relying on the firm’s inspection as part of peer review. In one of the examples, the peer reviewer is integrally involved in the firm’s inspection process in the peer review year, and in another, the peer reviewer helped the firm implement guidance in their internal control system. Aren’t those two examples independence impairments? The examples should be clarified regarding the circumstances that cause these to not be independence impairments.

In Section 220 Appendix A, the distinction between missing a critical element and the omission of a phrase would benefit from additional clarification. For example, committee members noted that at the peer review conference, it was stated that certain phrases (in a basis of accounting example) are considered a critical element because they are bulleted in the standard.

The committee found the language in Section 400 .35-.36 unclear regarding referrals to hearing panels for consecutive non-pass peer reviews, but found the guidance in Appendix A .17-.19 to provide the missing clarity. Perhaps the language from Appendix A .17-.19 should be included in Section 400 .35-.36.

7. *Is the application and other explanatory material helpful to support the application of the requirements?*

The committee felt that the requirements and application material are generally clear, with the exception of comments on specific sections as listed herein.

8. *Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100).*

The definition of commencement date is inconsistently applied in practice and the committee encouraged revisiting this definition. It appears that the commencement date is the earlier of when the reviewer begins the review or learns information that affects the review (wouldn't the latter include planning?) Some interpret as the beginning of fieldwork. One recommendation for consideration for greater consistency would be the date when the reviewer obtains the signed engagement letter.

9. *Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?*

We believe the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews. An engagement letter should be required, but should not be submitted (due to concerns about access to fee information.) The committee prefers a presumptive requirement ("should", not "must").

10. *Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?*

We found the guidance in this section to be appropriate and understandable.

Effective Date

11. *Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?*

Provided that guidance, resources and training are made available sufficiently in advance of the effective date, the committee agreed with a 5/1/2022 effective date. Note that since some firms also have a tax busy season, two weeks prior to 5/1/2022 is not sufficient time for preparation. If guidance cannot be made available sufficiently in advance of tax season, or if any training will be required for team captains prior to doing reviews under this standard, 1/1/2023 would be a preferable effective date.

The Ohio Society of CPAs Peer Review Committee appreciates your consideration of our input and suggestions. If you have any questions, please contact me at the below email address.

Best Regards,

A handwritten signature in black ink that reads "Mark A. Welp". The signature is written in a cursive style with a large initial 'M' and 'W'.

Mark A. Welp, CPA, CFE, Chair
OSCPA Peer Review Committee
mwelp@holbrookmanter.com



December 14, 2021

Brad Coffey, CPA
Technical Manager-Peer Review
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Exposure Draft – *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews; Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*

Dear Mr. Coffey:

One of the expressed goals of the Texas Society of Certified Public Accountants (TXCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TXCPA has established a Peer Review Committee (PRC) to represent those interests on peer review matters. The views expressed herein are written on behalf of the PRC, which has been authorized by the TXCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this document have not been approved by the TXCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TXCPA. Please find our responses below to the changes proposed in the above-referenced exposure draft.

Requests for Comments:

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office.

1. Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.

Response: The committee agrees with the proposed changes and has not seen a decrease in peer review quality when performed remotely. However, we have observed some delays, communication issues and extended review completion times as a result.

Change to the Requirements for Onsite Office Visits in System Reviews.

2. Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more offices of the reviewed firm.

Response: The committee agrees with the proposed change to the requirements for onsite office visits in system reviews.

Removal of the Requirement for Surprise Engagements in System Reviews.

3. Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant selecting a surprise engagement.

Response: The committee agrees with the proposed change related to the removal of the requirement for surprise engagements.

Removal of the Term “Significant Deficiency” in Engagement Reviews.

4. Please provide your views on the changes described.

Response: The committee agrees with the proposed change to remove the term “significant deficiency” in engagement reviews.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings.

5. Please provide your views on the changes described.

Response: The committee agrees with the proposed change. However, we also believe that technical reviewers should be permitted to include these single audit documents in the RAB meetings at their discretion.

Removal of Guidance on Performing and Reporting on Reviews of Quality Control Materials

Response: The committee agrees with the proposed change.

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Response: The committee agrees that the proposed peer review standards are clear and understandable.

7. Is the application and other explanatory material helpful to support the application of the requirements?

Response: The committee agrees that the application and other explanatory material is helpful to support the application of the requirements.

8. Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100).

Response: The committee believes that the definitions are easy to understand and apply and that the master glossary is helpful to all users.

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?

Response: The committee believes that the current requirement for commencing a peer review is sufficient. Unlike audits, the engagement letter for peer reviews is not needed to satisfy requirements or communications surrounding peer review standards. We believe that engagement letters are a contract between the peer reviewer and the reviewed firm, and should be strongly encouraged as a best practice, rather than required.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?

Response: The committee believes that the application and other explanatory material is appropriate and understandable.

Effective Date

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

Response: The Committee believes that the proposed effective date is appropriate.

We appreciate the opportunity to provide input on this exposure draft of proposed changes to AICPA standards.

Sincerely,



Timothy S. Pike, CPA
Chair, Peer Review Committee
Texas Society of Certified Public Accountants



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Nadia A. Rogers, CPA
Board (Educator) Member

Nancy Glynn, CPA
Executive Director

December 15, 2021

AICPA Peer Review Program
Attn: Brad Coffey

Dear Brad,

Attached you will find the Virginia Board of Accountancy's comments regarding the Proposed Changes to *the AICPA Standards for Performing and Reporting on Peer Reviews*.

We would also like to express our concern related to the Peer Reviewers whose practice is significantly comprised of performing peer reviews in relation to accounting and auditing engagements. While it is a delicate balance between experience in performing peer reviews and actually being a peer based on the accounting and auditing engagements performed, we have noted an imbalance in Peer Reviewers and would like to suggest a requirement that would prevent this imbalance (for example, a maximum limit on the number of engagements or percentage of revenue derived from peer review engagements as compared to that of accounting and auditing engagements). We also remain mindful of the limited number of Peer Reviewers and are in support of continued efforts to recruit Peer Reviewers.

Sincerely,

A handwritten signature in blue ink that reads "Nancy J. Glynn".

Nancy J. Glynn CPA

Executive Director

Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

The purpose of this template is to help respondents draft responses to the exposure draft *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews*.

Guide for Respondents

The AICPA Peer Review Board (PRB) welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording. If you agree with proposals in the exposure draft, it will be helpful for the PRB to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be made available on the AICPA's website. Please provide responses that are

- submitted as Microsoft Word documents by December 15, 2021, and sent directed to Brad Coffey at PR_expdraft@aicpa.org.

This form is just for your convenience; it is not necessary to use this form or format in submitting your response. You are welcome to answer any or all questions. Again, comments are due by December 15, 2021.

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

Due to modern technology and the changed landscape as it relates to work arrangements (in person, remote, and hybrid), we agree that the majority of the procedures in a system review can be performed at a location other than the reviewed firm's office. We believe that, despite removal of this requirement, the high quality of peer review is maintained while efficiency is enhanced by easing logistical and scheduling issues.

Change to the Requirements for Onsite Office Visits in System Reviews

2. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views about the advantages and disadvantages of visiting one or more offices of the reviewed firm.

Similar to 1. above, due to modern technology and the changed landscape as it relates to work arrangements (in person, remote, and hybrid), we agree that the requirement to visit a sufficient number of offices (onsite) to provide reasonable assurance that quality control policies and procedures are adequately communicated throughout the firm can be removed. We believe that, despite removal of this requirement, the high quality of peer review is maintained while efficiency is enhanced by easing logistical and scheduling issues.

Removal of the Requirement for Surprise Engagements in System Reviews

3. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

We have concerns regarding the removal of the surprise engagement selection. While we recognize that technology has advanced and oftentimes engagement software packages are relied upon, not all firms maintain electronic workpapers. Many firms brought to Enforcement are not technologically advanced and, as a result, in these instances, we do not believe removal of this requirement is appropriate nor is it in line with the ultimate goal of high quality peer reviews in support of self-regulation. We propose continuing to require surprise selections for those firms who do not utilize electronic engagement software packages/electronic workpapers, at a minimum. It would be interesting to know the number of firms who do not maintain electronic workpapers as well as the number of firms whose surprise engagement selection significantly differs in quality from the remaining engagements selected.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

We agree that the use of “Significant Deficiency” in engagement reviews was misleading and unnecessary and, as a result, are in support of this proposed change.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

We firmly believe that the peer review process should be as strong as possible for single audit engagements and, as a result, are not in support of removing the requirement that peer review documents for single audit engagements be included in materials for RAB meetings.

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

Yes, the requirements in the proposed peer review standards are clear and understandable.

7. Is the application and other explanatory material helpful to support the application of the requirements?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

Yes, the application and other explanatory material is very helpful in applying the requirements.

8. Are the definitions easy to understand and apply?

Yes No

Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100), and indicate any specific proposed revisions.

Yes, the definitions are easy to understand and apply.

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

Yes No

Do you think an engagement letter should be required for all peer reviews?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

Yes, the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews. Additionally, yes, we believe it is important that engagement letters are required for all peer reviews as this letter documents the understanding and agreement of both parties in conducting the peer review.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain–qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .16–.18 of PR-C section 400)?

Yes
No

Please explain your reasoning and indicate any specific proposed revisions.

The application and other explanatory materials regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass Peer Review report rating are appropriate and understandable.

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response.
Do you agree with the proposed effective date?

Yes
No

If no, please provide reasons for your response.

N/A

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

We believe that holding virtual or hybrid sessions to train stakeholders in addition to offering pre-recorded sessions and/or electronic materials through state societies and boards of accountancy would be helpful.

Dec. 15, 2021

Mr. Brian Bluhm, Chair
AICPA Peer Review Board
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Dear Mr. Bluhm:

The Peer Review Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the proposed *Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*. The PICPA is a professional association of approximately 18,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, and it oversees the administration of the AICPA's peer review program for Pennsylvania, Delaware, New York, and the U.S. Virgin Islands.

The committee supports the AICPA Peer Review Board's project to codify the peer review standards, and related interpretations and guidance and believes that this will help in onboarding new peer reviewers in the future.

The committee's comments on the proposed changes are below:

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

Our committee is divided on whether the requirement to perform a majority of procedures in a system review at the reviewed firm's office should be removed. For this reason, we answered the question with both 'yes' and 'no.' The committee can envision situations where a review could be performed entirely remotely, however, there are certain situations when a system review should definitely be performed onsite. We have committee members who perform reviews of all sizes and, unfortunately, one size does not fit all firms. Given the circumstances of the past two years, many reviewers have shifted to performing a majority of the procedures off-site while still visiting the firm on-site for interviews and the closing and/or exit conference meetings.

The committee agrees the key is to ensure the overall peer review risk is addressed, whether the review is performed on or off-site. It should be up to the team captain to consider all the factors and to document why a remote review is appropriate if performed off-site. There should be a considerable list of risk-based criteria a team captain should have to evaluate when deciding whether to perform a review remotely or not. The committee recommends that the Peer Review Board (board) provide all reviewers with a comprehensive list of criteria. The risks, which will vary from review to review, will need to be clearly identified and explained thoroughly in the Summary Review Memorandum by the team captain. All reviewers need to understand that all system reviews are now not automatically to be performed off-site. Reviewers must remain adaptable and understand that a heightened risk could warrant the need to go on-site during the review.

The committee also asks the board to provide guidance for those situations when it is determined the rationale used by the team captain was not appropriate given the risk. When can a committee instruct a reviewer to go on-site to the firm?

Advantages to allowing reviews to be performed completely off-site:

- It allows a firm access to reviewers from all states without the need to travel, which could help with the declining pool of reviewers over the coming years.
- If rigidly scheduled and organized, members noted off-site reviews to be more efficient in some cases.

Disadvantages to maintaining the on-site requirement:

- Remote system reviews can take more time to perform and be inefficient for all parties involved.
- Firms are not as responsive and difficult to engage at times.
- It is hard to get a sense of the tone at the top when not in person and able to have side conversations with members of the firm, which can tell a lot about a firm and its culture.

- Firms may struggle with the technology necessary to perform an effective review off-site.
- Teaching opportunities tend to present themselves more often when on-site.
- May open the door for reviewers to start performing more reviews for a low fee with a residual impact on overall quality.
- “Lower” fee shopping could lead to firms requesting to switch administering entities (AEs).

Change to the Requirements for Onsite Office Visits in System Reviews

2. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views about the advantages and disadvantages of visiting one or more offices of the reviewed firm.

Overall, the committee is in favor of removing the requirement to visit a sufficient number of offices (onsite), including the firm’s executive office, when performing a system review of a multi-office firm. A reviewer’s decision whether or not to make an onsite visit to a particular office location will need to be supported by the overall peer review risk. As indicated in the response to question #1, the committee feels there should be a considerable list of risk-based criteria a team captain should have in order to evaluate whether to perform a review remotely or not, which would include considering which offices, if any, to visit in person.

Removal of the Requirement for Surprise Engagements in System Reviews

3. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

The committee supports the decision to formally remove the requirement to select a surprise engagement. Some committee members think there is typically no difference in the performance of a surprise engagement, and it does not reveal anything new or different from the other engagements selected. However, the committee agrees that, if the peer review risk warrants it, a surprise engagement should be selected by the reviewer. As indicated in the response to question #1, the committee feels there should be a considerable list of risk-based criteria that a team captain should evaluate when deciding whether to perform a review remotely or not, which would include the need to select a surprise engagement.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

The committee agrees with the proposed change of removing the term “significant deficiency” for engagement reviews only. The standards determine when the overall rating is a pass-with-deficiency vs. fail on an engagement review since it is based on the total number of nonconforming engagements.

Removal of the Requirement that Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

The committee does not agree that the single audit engagement profile should be removed as one of the required documents to be provided to the Report Acceptance Body (RAB). There is a significant amount of important information included on the engagement profile, so the committee believes it should still be provided in all instances.

The committee does agree that the Part A checklist could be removed as a required document to be provided to the RAB. A technical reviewer will still have the option to send the checklist if there are any unresolved questions and/or a RAB consult, thus making it beneficial for the RAB to review the document itself.

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Yes
No

Please explain your reasoning and indicate any specific proposed revisions.

Based on the additional comments at the end of this document, the committee does not feel at the present time that all the requirements in the proposed standards are clear and understandable. Please see below for our additional comments, questions, and observations noted on the proposed standards.

The committee does think the table of contents is a helpful addition.

7. Is the application and other explanatory material helpful to support the application of the requirements?

Yes
No

Please explain your reasoning and indicate any specific proposed revisions.

Based on the additional comments listed at the end of this document, the committee does not feel at the present time that all the application and other explanatory material is helpful to support the application. Please see below for our additional comments, questions, and observations noted on the proposed standards.

The committee does not think the current location is particularly helpful either. The committee recommends that the explanatory material be located immediately following the applicable standard or possibly as a footnote at the bottom of the applicable page. Another option would be to hyperlink to the explanatory material within the applicable standard. It is beneficial to read the standard, the application, and the explanatory material in succession without having to flip pages back and forth. The current location is not conducive to reading the material in the proper progression.

8. Are the definitions easy to understand and apply?

Yes

No

Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100), and indicate any specific proposed revisions.

The committee thinks the glossary of terms and definitions are useful and easy to reference given the centralized location compared with being located throughout the standards.

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

Yes

No

Do you think an engagement letter should be required for all peer reviews?

Yes

No

Please explain your reasoning and indicate any specific proposed revisions.

The committee does not think the current requirements for commencing a review adequately considers the differences between system and engagement reviews. The specific guidance around what constitutes "commencement" should be enhanced for system reviews. Many team captains consider commencement to be when he or she starts to plan the system review, which can include reviewing the firm's Quality Control document, the list of engagements, or holding preliminary discussions with the firm. Even

if a team captain does not learn of anything during these activities that could affect the result of the current review, many reviewers feel as though they have “commenced.”

While an engagement letter can help protect a reviewer and can be viewed as a best practice, the committee does not feel an engagement letter should be required for all peer reviews.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .16–.18 of PR-C section 400)?

Yes

No

Please explain your reasoning and indicate any specific proposed revisions.

The committee does not feel the application or explanatory material is either clear or appropriate. If a committee member, even if that member is not team-captain-qualified, is associated with a firm that has received a non-pass rating, the member should not be eligible to serve on said committee.

Presently, committee members are restricted from participating in a RAB or Peer Review Committee Executive Meeting if he or she has been restricted as a result of a late work paper submission. The association with a firm that has received a non-pass rating should make all reviewers, even team members only, ineligible to serve on any peer-review-related committee or task force.

Also note that the references to the applicable paragraphs above in question #10 appear to be incorrect. The applicable paragraphs are .17 to .19 and .A19 to .A21 of PR-C Section 400.

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response.

Do you agree with the proposed effective date?

Yes

No

If no, please provide reasons for your response.

Given the work commitments and responsibilities of already-busy peer reviewers outside of peer review, the committee does not think an effective date of May 1, 2022, provides adequate time for all reviewers to process and understand the clarified standards. To ensure an effective rollout and adoption of the proposed standards, adequate time is necessary for all stakeholders. The committee believes an effective date of Sept. 1, 2022, would allow the AICPA to discuss and thoroughly review the standards with all attendees at the 2022 Peer Review conference.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

The application of the revised standards should be emphasized through case studies presented and discussed at the 2022 Peer Review conference. A peer reviewer alert highlighting all the significant changes within the standards would be helpful as well.

Overall, it is unclear to us where all the current guidance and interpretations included in the peer review manual today will reside once the clarified standards are effective next year. We did see that most of the current guidance, especially from PRP Sec. 3100, has been incorporated in the proposed standards, but it has been significantly pared down. As a result, a lot of the explanation and detail that exist today will be lost. If all the current guidance is not being included in the proposed standards, then where and how will this guidance be made available to peer reviewers, AE staff, and firms? We are specifically referring the following sections of the manual:

- Supplemental guidance (PRP Sec. 3100)
 - Implications of performing nonattest services
 - Examples of peer review reports and firm representation letters for system reviews that include engagements subject to Government Auditing Standards and the Single Audit Act
 - Impact of Government Auditing Standards CPE and peer review requirements
- Guidance for writing deficiencies included in system reviews (PRP Sec. 4250)

The committee would also like to share some additional comments and questions on the proposed standards, which are included in the Attachment.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

Robert C. Bezgin, CPA

Robert C. Bezgin, Chair, PICPA Peer Review Committee

Attachment – Additional Comments

PR-C Section 100

- Pg. 17 – The proposed consent agenda criteria includes reviews with no Matters for Further Consideration, however, under current standards, an engagement review with only MFCs can be put on the consent agenda. Is this an intended change to the consent agenda criteria? We do not agree with this proposed change for engagement reviews, as it will move more reviews to the non-consent list. We propose system reviews with only MFCs having the option to be put on the consent listing, if deemed appropriate by the technical reviewer.
- Pg. 25 (100.24) – We believe the proposed standard is indicating that the peer review year-end should automatically be the 12-month period after the report date of the initial engagement. However, the standard goes on to include other factors to be considered, which could lead to a different peer review year-end. The standards should indicate the peer review set should include the year-ends of the engagements included in the scope of the review and the different level of services performed by the firm. Consideration should also be given to what the subsequent due date will be to ensure the timing works for the firm. The standard should indicate the firm should consult with the reviewer and the AE and not with the AE only when it is not the 12-month period after the report date.
- Pg. 34 (.A33) – “Other peer review publications, such as reviewer alert articles, are nonauthoritative; however, they may help the user understand and apply the standards.” What are other examples of nonauthoritative peer review publications? Are the current interpretations, including the supplemental guidance, considered authoritative?
- Pg. 35 (.A39) – The example shows the firm enrolled on 3/31/20X1, but the due date is two years later (3/31/20X3). Is this accurate? Based on the guidance now included at 100.24, why is the peer review year-end 9/30/20X2 (18 months) instead of 3/31/20X2 (12 months after report date)?

PR-C Section 200

- Pg. 41 (.16f) – We ask that “or during the peer review year” be clarified. It is unclear whether this refers to the timing of when the corrective action is performed or the period for which the corrective action is being performed (i.e. the year of the engagement). We also propose explanatory language or an example be added to clarify when a reviewer would be considered independent to perform a firm’s next review.
- Pg. 42 (200.26) – We believe the reference should be “... as described in paragraph .25,” and not “.26”. It should refer to the paragraph above (.25), which describes members of management.

PR-C Section 210

- Pg. 56 (210.28) – If the objective is to provide the firm time to assemble the engagements, shouldn’t the time frame be “no less than” as opposed to “no more than”? What is the basis for changing the standard from no earlier than three weeks to no more than two weeks?
- Pg. 57 (210.34 and 210.35) – We recommend the standard also indicate the implementation plan required to be assigned when a firm or individual lacks a license.

- Pg. 60 (210.51) – “In rare circumstances in which it is not practical to identify the systemic cause, the team captain should document the reason or reasons as part of SRM and on related MFC form.” We ask the board to consider providing examples of these rare circumstances to avoid reviewers defaulting to indicating “it is not practical.”
- Pg. 60 (210.53) – If not here in the standards, then we propose that the other explanatory material indicate the minimum requirements to be included in the description of finding (similar as to how it is currently listed on the Finding for Further Consideration form). We also request similar guidance be provided for MFCs. Many times, when we request reviewers to update a FFC to include the required elements, we are asked for where this is required in the standards (i.e., reference QC element). Unfortunately, having it spelled out in PRIMA is not enough.
- Pg. 61 (210.57 and 210.58) – We recommend referencing or reiterating here what is located at .A27 in Section 100, which states “the words used to describe the systemic cause are not indicative of whether it is a repeat and professional judgment is to be used.”
- Pg. 63 (210.64a) – The language stated at point (a) does not appear to be included in the proposed representation letter (Exhibit A PR-C Section 310). Does this language need to be added to the letter?
- Pg. 66 (210.69) – We recommend indicating specifically where in the report the sentence should be added for consistency purposes. We also propose the report should be modified by removing any references to an “audit” practice. The reference should read as “the accounting practice.”
- Pg. 67 (210.70) – Point (g) references supplemental checklists. What other checklists are required to be submitted other than the Part A checklist?
- Pg. 76 (.A48b) – We feel as though the proposed example appears to imply that if a firm does not receive annual independence confirmations it could result in a deficiency. Is that the implied intent?
- Pg. 78 (.A58) – Point “a” is not an accurate statement. Team captains do NOT have access to the Referral Database on AICPA’s SharePoint site.
- Pg. 93 Exhibit B (all illustrations) – We recommend the must-select footnote also include the guidance currently included in Section PRP 3100, the supplemental guidance, on Peer Review Reports and Firm Representation Letters for System Reviews that Include Engagements Subject to Government Auditing Standards and the Single Audit Act.

PR-C Section 220

- Pg. 105 (deficiency #1) – We understand this is an example report, but reviewers do use these samples as a guide for writing their own non-pass reports. The deficiency discusses how the partner did not have the appropriate knowledge and skills to perform the employee benefit plan (EBP) audit. However, the report does not describe any specific reporting or performance deficiencies with respect to the EBP audit. It is unclear as to why the EBP audit is non-conforming. There are no regulatory agency CPE requirements for EBP audits. It comes across as though the acceptance of the EBP audit is the sole reason the audit is deemed as non-conforming.
- Pg. 114 (200.22) – It appears as though only two dispositions are being proposed for a MFC on an engagement review. Is that accurate? If the matter is not being elevated to an FFC or report, are the proposed standards indicating an MFC should not be prepared?

- Pg. 121 (.A11) – Review captains are approved based on their level of experience (i.e., reviews, compilations, agreed upon procedures, etc.) and not based on industry experience for engagement reviews. We propose the standards explain when or why it would be necessary to add a team member or specialist?
- Pg. 122 (.A18) – Point “a” is not appropriate. Review captains do NOT have access to the Referral Database on AICPA’s SharePoint site.
- Pg. 129 Exhibit B (Illustrated Report) – We propose that the illustrations include a sample report for when only one engagement is included in the scope or please modify footnote 1. The note currently implies the only change necessary is in the title, which is not completely accurate. Other revisions are necessary throughout the report to reference a singular engagement vs. plural engagements.

PR-C Section 310

- Pg. 151 (310.14) – Points (a) and (b) pertain to a FFC and Letter of Response , but points (c), (d), and (e) only pertain to the LOR. Consider clarifying so it is clear for reviewers and firms.
- Pg. 157 (.A20) – We do not understand how a RAB can accept a review, with non-conforming engagements, when the firm has not confirmed its final intent with respect to remediation. Are the standards now proposing that RAB accept a review without a complete or appropriate response from a firm? What does it mean to assign an implementation plan or corrective action for the firm to provide its final remediation? Will these new action codes be programmed into PRIMA?
- Pg. 159-160 (.A26) – When a firm performs no audits but elects to have a system review, we propose the representation letter be modified to remove any references to an “auditing” practice.
- Pg. 160 (.A26) – Consider clarifying the name of the reviewed firm’s representative by asking for the signature as well as the printing of the name of the representative to ensure legibility.
- Pg. 163 (All illustrations in Exhibit B) – Are the new standards proposing the LOR must now be signed by a member of management with his or her name as opposed to the firm name? The illustration indicates the name of the reviewed firm representative. Also, footnote 4 references paragraph .27 of Section 200, and we believe this should likely reference paragraph .25.

PR-C Section 320

- Pg. 171 320.14 – Points (a) and (b) pertain to a FFC and the LOR but points (c), (d), and (e) only pertain to the LOR. Consider clarifying so it is clear for reviewers and firms.
- Pg. 175 (.A12) – To match Section 310, we propose this sentence start out as follows: “The committee may require the firm to make and document appropriate considerations ... etc.”
- Pg. 178 (.A19) – The references to SOC1 and SOC2 include the registered trademark symbols. If deemed appropriate and required, the reference is not consistent throughout the proposed standards. Other references to SOC1 and SOC2 do not include the trademark symbol.
- Pg. 181 (Exhibit B) – Are the new standards proposing the LOR must now be signed by a member of management with his or her name as opposed to the firm name? The illustration indicates the name of the reviewed firm representative. Also, footnote 4 references paragraph .27 of Section 200, and we believe this should likely reference paragraph .25.

PR-C Section 400

- Pg. 189-190 – We propose a table similar to the one included in the current RAB Handbook (pg. 120) be included to assist in the analysis of when to present a firm to the committee for non-consecutive pass reports. Reading and understanding the guidance in sentence format is difficult.
- Pg. 190 – The middle of the page includes a reference to Appendix A, but no Appendix A is included in the draft standards.
- Pg. 192 (400.49) – The proposed standards indicate a Tech. Reviewer can accept reviews on behalf of the RAB when MFCs only exist on a compilation or preparation engagement. However, this contradicts guidance at 200.22, which implies there are now only two dispositions for an engagement review, and an MFC-only is not one of them. Please elaborate.
- Pg. 208 (400.03a and .03b) – Please consider indicating that either party “should consult” with the AE as opposed to “may consult.” The language in point (b) seems to imply a firm can either explain the reasons for the disagreement in the MFC, FFC, and LOR **or** request it be presented to a disagreement hearing panel. We propose the “or” at the end of (ii) be changed to “and.” We want to avoid situations where a review is submitted and the first time we learn of a disagreement is during the technical review process.
- Pg. 209 (Appendix B – .05) – Why are the standards proposing that requests for a disagreement panel be submitted to the AE via a method that provides proof of delivery?

PR-C Section 410

- We propose that, in this section, the standards include information about which reviews and other items can be placed on the consent agenda or reference the definition of consent agenda in Section 100.

PR-C Section 420

- Pg. 232 (.A8) – The standards are proposing that a RAB or AE may recommend that a firm request a change in year-end of its subsequent peer review for various reasons, which would put a firm “off cycle.” This means there would be more than three years between the firm’s current and subsequent review.

We propose that the standards also provide guidance for RABs and AEs to consider when it becomes necessary to direct a firm “back on cycle,” which means there could only be two years until the firm’s following review, ensuring a firm is averaging a peer review every three years as required.

As noted in the standards, there are various reasons a RAB or AE may recommend a firm request a year-end change. Some of the reasons stem from the timing of corrective action a firm is required to complete as a result of receiving a non-pass rating. Additionally, there may be firms that are either dropped or terminated from the program who look to be reinstated a year or two later. It does not seem

appropriate that these firms could then have more than three years between two reviews. For this reason, we propose the standards also provide guidance for RABs and AEs to consider when it becomes necessary to direct a firm “back on cycle,” which would ensure a firm is averaging a peer review every three years as required. There are also outside agencies to consider (i.e., GAO and state boards of accountancy) and their expectations and requirements for a peer review every three years.

- Pg. 244 – In the sample letter “ON AN OUTSIDE PARTY’S REVIEW OF A SUBSEQUENT ENGAGEMENT—CORRECTIVE ACTIONS,” consider the following suggested revision for point (b): “Reviewed the report, financial statements, and working papers for a June 30, 20XX, not-for-profit audit engagement...”. The inclusion of the year-end of the engagement reviewed, as part of corrective action, assists with the determination of additional corrective action (pre or post review) and, if it is a very old review, whether a particular reviewer is independent or not when the firm is scheduling their next review.

PR-C Section 430

- Pg. 247 (430.05) – We recommend including a point to indicate that feedback should not be issued for matters handled through other processes (i.e., submission of late workpapers). This should be communicated to reviewers through the issuance of an overdue work paper or TR response letter.
- We propose the standards include guidance for RABs and AEs on how to evaluate and approve outside parties to perform corrective actions for a peer reviewer (i.e., pre-issuance review of peer review documents) similar to the guidance in PR-C Section 420 (.06) on approving outside parties to perform corrective actions or implementation plans.
- We propose the standards include a sample report of what an outside party should issue to the Peer Review Committee based on their performance of a corrective action for a peer reviewer (i.e., a pre-issuance review of peer review documents).



Society of Louisiana
Certified Public Accountants



December 15, 2021

Brad Coffey
PR_expdraft@aicpa.org

Dear Mr. Coffey:

This represents our response to the proposed changes to AICPA Standards for Performing and Reporting on Peer Reviews Exposure Draft – Clarification of AICPA Standards for Performing and Reporting on Peer Reviews.

1. ***Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office***
We do not agree with this change. Risk assessment could reduce the on-site procedures to a level below the current requirement, but not to the extent that all procedures are performed off-site.
2. ***Change to the Requirements for Onsite Office Visits in System Reviews***
We do not agree with this change.
3. ***Removal of the Requirement for Surprise Engagements in System Reviews***
We do not agree with this change.
4. ***Removal of the Term "Significant Deficiency" in Engagement Reviews***
We agree with this change.
5. ***Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings***
We do not agree with this change. Technical reviewers are not required to have the same level of experience and knowledge in single audits, and this is a high-risk industry. The RAB could benefit from the information disclosed in the checklists.

6. Are the requirements in the proposed peer review standards clear and understandable?

Each PR-C Section should have a detailed table of contents.

- PR-C 200.05 Reviewer Qualifications *Standards* (.31) and Interpretations present “current”, “currently” and “recent” in a confusing manner. The Clarity exposure draft is more confusing and presents a change to existing requirements.

PR-C Sections 200.05 c and 200.05 f use the word, “current” but it is unclear if each section applies an identical meaning. Sec 200.05f, has removed .31 d’s, “recent experience” from the qualifications. This would be different from the application of .31d’s experience required relative to the services and industries to be reviewed. Further, inconsistencies were noted in “current” and “recent” experience in PR-C Sections 200.05 f, 200.14 and ref .A22, 400.24 and ref .A26, and 200.A22.

- PR-C 400.A.20: 400 A.20 states, “...the AE may consult with AICPA staff and establish safeguards...” “May” is confusing. Unsure if it intended that “may” applies to **both**: consulting with AICPA staff and also to establishing safeguards. Or is it intended that the AE may establish safeguards without consultation with AICPA staff?

7. Is the application and other explanatory material helpful to support the application of the requirements?

The navigation could be improved.

It would be beneficial if all Exhibits and Appendixes contained a reference back to a relative PR-C Section(s).

Need to eliminate instances of unnecessary bouncing. Some examples:

- PR-C 400.24c with it’s reference to .A26. Then, .A26 bounces one to Sec 200.A22. Also the intended matter is not in 200.- A22, instead it is found at .A21.
- PR-C 400 .40 (pg 190) references .A36. Then .A36 sends one to Appendix C.
- 400.37 contains (See Appendix A.). The direct reference is beneficial.

8. Are the definitions easy to understand and apply?

Yes

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Also: Do you think an engagement letter should be required for all peer reviews?

No comment.

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain–qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .16–.18 of PR-C section 400)?

No

11. Please provide your views on the proposed effective date (5/1/22).

The effective date should be delayed until sometime after the 2022 Peer Review Conference.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

Produce sessions with case examples requiring the use of the Clarity Standards to achieve the question’s result.

Supplemental Comments:

- PR-C 400.52 requires technical reviewers to approve extension requests for CA/IMPs or send for RAB's evaluation. AE staff should also be allowed to approve those extensions, subject to the committee's policy.
- Exposure Draft's 400.A27 b states that a RAB member from another AE is not eligible to vote on acceptance of a review. This restriction is not in the RAB Handbook. There should not be a second class of participation. There is concern about the potential effect upon on a RAB's quorum count.
- Risk Assessment re: Selection of Offices – change to list of factors to consider PR-C 210.A14 in the E.D. removed .56 g's risk factor to be considered in selection of offices: "Significant clients' fees to practice office(s) and partner(s)". Was consideration of fees intended to be removed or does 210.A14 a's inclusion of "size" include relative fees?

We appreciate the opportunity to provide comments. Thank you for your consideration.

Sincerely,
SOCIETY OF LOUISIANA CPAs

A handwritten signature in black ink that reads "Stacey Lockwood". The signature is written in a cursive, flowing style.

Stacey Lockwood, CAE
Director of Ethics and Practice Quality



Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

The purpose of this template is to help respondents draft responses to the exposure draft *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews*.

Guide for Respondents

The AICPA Peer Review Board (PRB) welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording. If you agree with proposals in the exposure draft, it will be helpful for the PRB to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be made available on the AICPA's website. Please provide responses that are

- submitted as Microsoft Word documents by December 15, 2021, and
- sent directed to Brad Coffey at PR_expdraft@aicpa.org.

This form is just for your convenience; it is not necessary to use this form or format in submitting your response. You are welcome to answer any or all questions. Again, comments are due by December 15, 2021.

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

This will likely result in a lower cost for the firms, as travel time and costs are reduced/eliminated. Additionally, for firms with multiple must-select industries, it is often difficult to find a local reviewer, so remote reviews eliminate the geographical barrier. With the majority of firms using a paperless environment, reviewing workpapers remotely is just as effective as reviewing onsite.

Change to the Requirements for Onsite Office Visits in System Reviews

2. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views about the advantages and disadvantages of visiting one or more offices of the reviewed firm.

This will likely result in a lower cost for the firms, as travel time and costs for multi-office firms are reduced/eliminated. With the majority of firms using a paperless environment, reviewing workpapers remotely is just as effective as reviewing onsite. Site visits based on risk assessment should be just as effective.

Removal of the Requirement for Surprise Engagements in System Reviews

3. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

With the majority of firms using a paperless software, selected engagements are generally provided within a matter of days, not weeks as traditionally allowed. Additionally, these software programs allow the reviewer to see time stamps of when files have been signed off, or modified. Accordingly, the reviewer would be able to identify the firm's controls over locking down the files and if a file was modified after being selected for review.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

Degree of deficiency is not relevant in an engagement review, as the rating is based on whether some or all of the engagements are nonconforming.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

We believe it is important to submit the Engagement Profile for Single Audits to the RAB for their consideration. This is extremely complex material and a RAB should be taking responsibility by reviewing the Profile Sheet. We agree it is unnecessary to submit the Part A checklist.

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

When disagreements are appealed in writing to the board, a specific timeframe for resolving such disagreements should be established and included within the peer review standards. For example, within 90 days of receipt of an appeal is a reasonable timeframe for resolving and will better serve the firm so they can use that decision to modify their process and procedures, when deemed necessary. Not providing for a specific timeframe to resolve appeals does not serve the firm nor the peer reviewer in closing the matter timely before the firm's subsequent peer review.

7. Is the application and other explanatory material helpful to support the application of the requirements?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

8. Are the definitions easy to understand and apply?

Yes

No

Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100), and indicate any specific proposed revisions.

Commencement date: earlier of when the reviewer begins the review of engagements, or when the reviewer learns information that affects the results of the current review. Unclear what the latter means – could this be during planning when we learn a partner does not have required YB CPE and therefore you are commencing prior to even selecting engagements?

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

Yes

No

Do you think an engagement letter should be required for all peer reviews?

Yes

No

Please explain your reasoning and indicate any specific proposed revisions.

Commencement date: earlier of when the reviewer begins the review of engagements, or when the reviewer learns information that affects the results of the current review. Unclear what the latter means – could this be during planning when we learn a partner does not have required YB CPE and therefore you are commencing prior to even selecting engagements?

10. Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain–qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .16–.18 of PR-C section 400)?

Yes
No

Please explain your reasoning and indicate any specific proposed revisions.

11. Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response.
Do you agree with the proposed effective date?

Yes
No

If no, please provide reasons for your response.

We agree with the proposed effective date, assuming adequate communications and training are provided in advance of the effective date.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

Peer review alerts, special communications on just this matter (not included with other matters so that it could get missed). Special general session on the changes at the peer review conference.



Peer Review
Program



National Association of State Boards of Accountancy

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December 21, 2021

AICPA Peer Review Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Attn: Brad Coffey, Manager – AICPA Peer Review Program

Via e-mail: PR_expdraft@aicpa.org

Re: Exposure Draft: Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews – Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Dear Members and Staff of the AICPA Peer Review Board:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Exposure Draft.

Request for Comment 1 – Removal of the Requirement for the Majority of Procedures in a System Review to be Performed at the Reviewed Firm's Office:

Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.

Different risk factors could drive whether or not the review should take place at the reviewed firm's office. It would be beneficial to enumerate risk factors to be considered as they have been elsewhere in the proposed standards. We believe that it is the peer reviewer's responsibility to

evaluate the risk factors and determine the most appropriate manner in which to conduct the review whether on-site, remote or a combination of both.

A noted disadvantage to conducting the review remotely is the impact on the effectiveness of the review. Just as in financial statement audits, when on-site, the interaction between the reviewer and the reviewed will be more effective, which often results in more timely completion. To have peer reviews completed with the results reported timely is in the public interest.

Request for Comment 2 – Change to the Requirements for Onsite Office Visits in System Reviews:

Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more offices of the reviewed firm.

As previously mentioned, we believe that it is the peer reviewer's responsibility to evaluate the risk factors and determine the most appropriate manner in which to conduct the review. The enumerated risk factors identified in .A13 and .A14 are helpful to the evaluation process; however, we believe that the risk factors to influence a reviewer's decision to visit or select engagements from a particular office in .A14 should focus primarily on the type of work being performed instead of the composition or demographics of the office locations.

Request for Comment 3 – Removal of the Requirement for Surprise Engagements in System Reviews:

Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant selecting a surprise engagement.

We believe that professional judgement should be left to the peer reviewer as to whether a surprise engagement would be meaningful to the system review. We support the removal of the requirement for surprise engagements in system reviews only if appropriate risk factors have been developed and communicated, including risk factors regarding the consideration of lockdown features and electronic workpapers.

The guidance appears to place a high degree of reliance on the lockdown features of audit workpaper software. We note that, unlike other topic areas, there are no risk factors included for audit workpaper software. We recommend that such risk factors be included.

We offer two points of caution in this area and recommend that additional guidance for reviewers be considered. First, there still remain audit engagements that utilize manual workpapers. The workpapers for such engagements would clearly not be able to be locked down in the same manner as electronic workpapers. Guidance should be provided for storage and lockdown considerations for manual workpaper engagements. Second, there should be significant professional skepticism employed even when the lockdown features of electronic workpapers are represented as being

employed. Reviewers should satisfy themselves that such lockdown features exist and have been appropriately implemented.

Request for Comment 4 – Removal of the Term “Significant Deficiency” in Engagement Reviews:

Please provide your views on the changes described.

We support the removal of the term “significant deficiency” as it relates to engagement reviews.

Request for Comment 5 – Removal of the Requirement that Peer Review Documents for Single Audit Engagements be included in Materials for RAB Meetings:

Please provide your views on the changes described.

We believe that this is an appropriate change, although in adopting this policy, RABs should satisfy themselves as to technical competence of the designated technical reviewer in the area of Single Audits.

Request for Comment 6:

Are the requirements in the proposed peer review standards clear and understandable?

We believe the requirements in the proposed peer review standards are clear and understandable and will enhance the utility of the guidance for all participants in the peer review process. We do suggest that as future implementation guidance is developed, consideration be given to the use of electronic decision support technology to better enable users to locate guidance that they seek.

Request for Comment 7:

Is the application and other explanatory material helpful to support the application of the requirements?

We believe the application and other explanatory material is helpful to support the application of the requirements.

Request for Comment 8:

Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100).

We believe the definitions are easy to understand and apply. We believe the master glossary is helpful to all users of the standards.

Request for Comment 9:

Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?

We believe the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews.

We believe that an engagement letter should be required for all peer reviews. It would be helpful to provide example templates within the standards for guidance.

Request for Comment 10:

Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?

We believe that the application and other explanatory material is appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating.

Request for Comment – Effective Date

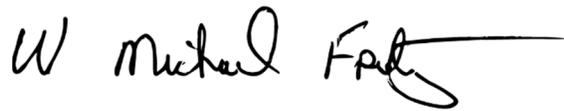
Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

We have no basis to comment on the amount of time peer reviewers would need to prepare; however, we recommend the Board allow ample time for reviewers to be able to implement the proposed standards correctly. Training and resources will be critical to effective implementation.

* * *

We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Handwritten signature of W. Michael Fritz in black ink.

W. Michael Fritz
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO



Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Respondent Comment Letter Template

The purpose of this template is to help respondents draft responses to the exposure draft *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews*.

Guide for Respondents

The AICPA Peer Review Board (PRB) welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording. If you agree with proposals in the exposure draft, it will be helpful for the PRB to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be made available on the AICPA's website. Please provide responses that are

- submitted as Microsoft Word documents by December 15, 2021, and
- sent directed to Brad Coffey at PR_expdraft@aicpa.org.

This form is just for your convenience; it is not necessary to use this form or format in submitting your response. You are welcome to answer any or all questions. Again, comments are due by December 15, 2021.

Removal of the Requirement for the Majority of Procedures in a System Review to Be Performed at the Reviewed Firm's Office

1. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning, including your views about the advantages and disadvantages of performing some or all system review procedures remotely.

With an ever shrinking peer reviewer pool, allowing work to be performed offsite allows for firms to shop for their services in a way they could not before. Additionally, with the advent of video technologies, as well as many firms looking to continue remote work to save on travel costs even after the pandemic, it would seem an undue burden to require a firm to fly someone in to perform these services when the firm themselves are able to perform their services remotely.

Change to the Requirements for Onsite Office Visits in System Reviews

2. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views about the advantages and disadvantages of visiting one or more offices of the reviewed firm.

With an ever shrinking peer reviewer pool, allowing work to be performed offsite allows for firms to shop for their services in a way they could not before. Additionally, with the advent of video technologies, as well as many firms looking to continue remote work to save on travel costs even after the pandemic, it would seem an undue burden to require a firm to fly someone in to perform these services when the firm themselves are able to perform their services remotely.

Removal of the Requirement for Surprise Engagements in System Reviews

3. Please provide your views on the changes described.
Do you agree with the proposed change?

Yes
No

Please explain your reasoning, including your views on specific peer review risks that may warrant selecting a surprise engagement.

As mentioned previously by the AICPA, a reviewer could easily determine if a document was altered subsequent to the finalized date by reviewing the electronic documents. There might be a need for a surprise engagement for firms that are still not paperless, but, since the majority of firms are paperless, this seems like a good change.

Removal of the Term “Significant Deficiency” in Engagement Reviews

4. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

If there are multiple partners at a firm that performs engagement reviews, and each partner performs multiple levels of engagements, and all of the engagements are nonconforming, that seems significant. Additionally, as system reviews still use the term, it gets rid of that consistency. I think that perhaps a look at when the term is used in engagement reviews might be more appropriate than a complete elimination.

Removal of the Requirement That Peer Review Documents for Single Audit Engagements Be Included in Materials for RAB Meetings

5. Please provide your views on the changes described.

Do you agree with the proposed change?

Yes

No

Please explain your reasoning.

It makes sense to remove the requirement to require the single audit engagement materials as they have become cumbersome and technical reviewers do possess the education and experience to review these materials, but the phrasing of the removal is too vague. It's at the discretion of the RAB as to when a single audit engagement be included in the RAB materials, but how will the RAB know when they should be including this information? When does the RAB determine they should include the engagement? If they determine when the initial file comes through for review, that would delay the process even more for some firms, which seems to be a disservice to a firm performing high risk engagements. If we're going to be eliminating the requirement, shouldn't it be at the tech reviewer's discretion if the single audit engagements material be included?

Issues for Consideration, Written Comments, or Suggestions

6. Are the requirements in the proposed peer review standards clear and understandable?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

Section 220 Page 114 Paragraph .20 states that a finding should be documented on an FFC when the captain concludes the engagement was “not performed or reported on in conformity with the requirements of the applicable standards.” The next paragraph .21 states that a deficiency is when at least one engagement was “not performed or reported on in conformity with the requirements of the applicable standards in all material respects.” For someone new to engagement reviews, these definitions almost make it appear that if an engagement is nonconforming, it would result in an FFC and a deficiency. The addition of “in all material respects” can be very subjective for a new peer reviewer. Should this paragraph reference the appendix as well?

7. Is the application and other explanatory material helpful to support the application of the requirements?

Yes No

Please explain your reasoning and indicate any specific proposed revisions.

PR-C Section 100

Page 14 – Paragraph .01 – a. currently reads “firms and individuals (Re: par. .45.47) enrolled in the program” Should this instead be “firms and individuals enrolled or should be enrolled in the program”? Firms needing to enroll would need this guidance as well, and those that should enroll but have not would be not cooperating and if the firm has members within the AICPA, then wouldn’t we be able to discipline them if this guidance includes those that should be enrolled? Paragraph .26 talks about failure to enroll, but how can we have governance over a firm that was not included in paragraph .01?

Beginning on page 23 Paragraph .12b states “except in rare circumstances discussed in paragraph .16.” Should this be paragraph .15 titled “Departure from Relevant Requirement”? Paragraph .16 is about interpretive publications.

Page 25 Paragraph .28 – “A change in peer review year-end will be applicable to current and subsequent peer reviews.” Is this misleading? A firm cannot change it’s year-end date while in the midst of a peer review and how it reads indicates that a

current peer review year end could be changed. Should it instead read “its next peer review”?

Page 26 Paragraph .31 – As its currently written, I wonder if there needs to be clarification in the standards somewhere in the instance that a firm steps up from an engagement review to a system review? I could see a firm reading this and get confused and thinking if they stepped up from an engagement to a system, they would think their peer review cycle completely reset.

Page 30 Paragraph .11 – should probably state .A11 instead of just .11

Page 31 Paragraph .A14 – As modifications only happen when there is a delay or a deferral, should this definition reference those for clarity?

Page 33 .A29 – should the review captain also not expand scope beyond the original selection in any instance? A scope expansion is typically associated with determining if there is a systemic cause. Additionally, inappropriate scope expansion can result in a pass report turning into a pass with deficiencies

Page 36 .A53 – “An individual enrolled in the program may choose to have a system review.” How is this possible if an individual practices at a firm not eligible to enroll (P .45)? If an individual is performing compilations for a firm with more than one partner, it’s feasible another partner is responsible for quality control at the firm, which would be evaluated in the system review. If a partner that is not enrolled in the program is being evaluated as part of the process, do we have jurisdiction? I understand that may leaves it up to the individual, but it doesn’t seem appropriate to allow this option without other context.

PR-C Section 200

Page 42 Paragraph .24 – The current functionality of PRIMA does not allow AEs to approve team members in a review. Often a reviewer will add a reviewer subsequent to scheduling without notifying the AE and complete the review before the AE is aware team members were added. Should this instead change to something more like “All member of the review team should notify the AE of their participation in a review prior to the commencement of the review to receive approval.”?

Page 42 Paragraph .26 – The paragraph contains “as described in paragraph .26” which is a reference to itself. I believe this should actually be referencing paragraph .25.

Page 42 Paragraph .30 – Should this include a reference to PR-C 100 .40 or PR-C 100.A48-.A49 so that reviewers know the where else certain peer review documentations can be found in the event that firm does not retain its prior report and the AE does not automatically upload this?

PR-C Section 210

Page 56 Paragraph .25 – This seems to eliminate the option of choosing a prior year engagement. If there are no new standards and the firm performed an engagement of that level/must-select in the prior year, why is that not included in the options? In some instances, it might be more beneficial for the prior year engagement to be selected than to receive an extension, as the firm could potentially make changes to their current year engagement based on the prior year engagement findings.

Page 62 Paragraph .62 – Shouldn't the Team Captain also review and evaluate the responses to MFC forms as well? If a non-conforming engagement does not rise to an FFC or deficiency, the remediation would be included in the MFC form. Additionally, paragraph .63 indicates that the team captain has assessed the responses are appropriate for MFCs.

Page 65 – Paragraph .68 – d.iii. indicates this paragraph heading should be included if applicable. In reviewing the Illustrations in Exhibit B, fn4 related to this section states that "If the firm does not perform such engagements, this paragraph is not applicable and not included in the report." It would seem based on this that the first paragraph and at least a portion of the heading should be included in all reports based on the illustration. My assumption is that the paragraph heading in .68 should be modified if required engagements are not selected, but a portion of the heading is required. As this is worded, its confusing and would seem to indicate this heading is not always required. Can this be changed to indicate that only a portion of the title is applicable?

Appendix A

Page 80 Paragraph .02 – Typo noted – there is no end to the parenthetical that starts in the first line. Believe it should read (for instance, the Department of Labor, the Department of Health and Human Services, or other local, state, or federal entities). There is no ")" after entities currently.

Page 94 – Illustration 2 – The first header is now "The Firm's Responsibility" every other illustration states "Firm Responsibility" I'm assuming this was an error that needs to be corrected

PR-C Section 220

Page 114 Paragraph .20 states that a finding should be documented on an FFC when the captain concludes the engagement was "not performed or reported on in conformity with the requirements of the applicable standards. The next paragraph .21 states that a deficiency is when at least one engagement was "not performed or reported on in conformity with the requirements of the applicable standards in all material respects." For someone new to engagement reviews, these definitions almost make it appear that if an engagement is nonconforming, it would result in an

FFC and a deficiency. The addition of “in all material respects” can be very subjective for a new peer reviewer. Should this paragraph reference the appendix as well?

Page 115 Paragraph .26 – Shouldn’t the captain also review and evaluate the responses on the MFC form as well? Similar to section 210, the very next paragraph asserts the captain has assessed whether the responses were appropriate to MFCs, FFCs, and deficiencies.

Page 116 Paragraph .29 #e. states Management has “fulfilled its responsibility to remediate nonconforming engagements, as stated by the firm in the letter of response, if applicable” However, paragraph .20 has stated that if a firm has an engagement that was “not performed or reported on in conformity with the requirements of the applicable standards” would that not also necessitate a remediation? Particularly since there is no mention of materiality in this description?

Appendix A

Page 124 Paragraph .A29 references paragraph .13 twice, but paragraph .13 on page 113 discusses when to select a preparation engagement.

Appendix B

Page 134 Illustration 2 – The signature of the letter states “John Brown, Review captain.” I’m assuming this needs to be changed to “[Name], Review Captain” to match the signature example for Pass reports.

Page 137 Illustration 3 – Same issue as the PWD report, the signature is “John Brown, Review Captain”

PR-C Section 300

Page 138 Paragraph .05 – The previous standards had included examples of instances where a reviewer would not be independent. I see no reference to a paragraph in the appendix discussing examples. We receive many questions on this, so I think it would be pertinent to include examples.

Page 139 Paragraph .08 – Very much appreciate that managers can now be the peer review contact for the firm. This is a very welcomed change.

PR-C Section 310 page 149

Page 151 Paragraph .11 – The guidance states that if the firm disagrees and can’t come to a resolution the firm should contact the AE. As PRIMA is set up now, a firm can select that it disagrees with a matter and there is no trigger to stop the review from going forward until the issue is resolved. Can this be included in future enhancements to prevent disagreements from reaching the RAB?

Page 151 Paragraph .14 – This paragraph states that the firm’s response to findings should be on firm letterhead and addressed to the AE’s peer review committee, with no footnotes or references to an appendix paragraph addressing a difference between FFCs and deficiencies. Historically, responses to findings were acceptable on the FFC form. Is this no longer the case? Will a written letter for just findings now be required?

Page 160 – Exhibit A: FN1 references paragraph .11 of section 300, but paragraph references paragraph .10 for the definition of a member of management. Should this reference paragraph .10 instead?

Page 163 – Exhibit B: FN4 references Paragraph .27 of section 200, but that paragraph discusses contradictions in information. Wouldn’t it make more sense to reference Paragraph .10 in section 300 like was done for Exhibit A? This is also an issue for Illustration 2, 3 and 4.

PR-C Section 320

Page 171 Paragraph .14 Similar to section 310, the paragraph states that the firm’s responses on FFCs should ... “be addressed to the AE’s peer review committee” and “be on firm letterhead.” There is no footnote to indicate this requirement is limited to Letters of Responses. Historically, responses to findings were acceptable on the FFC form? Is this no longer the case? Will a written letter for just findings now be required?

Page 179 Exhibit A: Similar to section 310, FN1 references paragraph .11 of section 300, but that paragraph references paragraph .10 for the definition of a member of management. Should this reference paragraph .10 instead?

Page 181 Exhibit B: Similar to section 310, FN4 references Paragraph .27 of section 200, but that paragraph discusses contradictions in information. Wouldn’t it make more sense to reference Paragraph .10 in section 300 as was done for Exhibit A?

PR-C 400

Page 183 Paragraph .06 - #d – This indicates the committee must have six members. Is there a purpose to this number of members? With the decline in reviewers it seems like it will become more and more difficult to have a larger committee.

Page 189 Paragraph .32 #d – This indicates that the firm deciding not to perform engagements in a specific industry or service level be included in the firm’s letter of response. While this is helpful for a firm that is able to come to this conclusion during a peer review, should this be modified to make it applicable to firms that decide subsequent to the peer review they will no longer be performing these engagements? For instance, for a partner that levels the firm after the peer review and that partner was the only person performing those engagements. Or for a firm

that attempts to perform the corrective action and is not able to remediate satisfactorily so it decides to get out of that line of work. Or for a firm that loses its only client for that engagement/industry subsequent to the peer review.

Page 189 Paragraph .33 – Should this include a reference to paragraph .A45 .14?

Page 189 Paragraph .34 – This references paragraph .16 of Section 300, but that paragraph discusses reenrollment. Should this instead be referring to paragraph .13 of Section 300?

Page 194 Paragraph .A9 – There is a column for unenrolled firms and the guidance seems to match the guidance for enrolled firms that have not undergone a peer review in paragraph .07 on page 184. This seems contradictory.

PR-C Section 410

Page 223 Paragraph .A1 – As written, the RAB determines if the engagement profile and supplemental peer review checklist for single audits is delegated to the technical reviewer, but there is no indication if this is a case by case basis, or a delegation that covers all single audits in perpetuity. Should there be clarification on when a RAB should delegate this authority? Should the RAB, in conjunction with the AE create a set of criteria to determine when items should be delegate or not (i.e., delegate if it's a pass with no FFCs and non-conforming engagements, don't delegate if a non-pass with non-conforming single audits)? Should it be the RAB making this decision, or should it be the committee?

PR-C Section 420

Page 232 Header “Determining When and What type of Corrective Actions or Implementation Plans to Require” references paragraph .07 but it looks like the content under this header is for paragraphs .08 -.09

PR-C Section 430

Page 251 - Paragraph .A2 #a # i. – The current functionality of PRIMA does not notify AEs that team members are added to engagements after the original scheduling. Also because of the current functionality of PRIMA, Team Captains may not be aware of this requirement. Will something be added to PRIMA to notify a Team Captain is required to receive approval for additions or changes to team members? Will there be something notifying the AE that a team member was added or changed?

8. Are the definitions easy to understand and apply?

Yes

No

Please explain your reasoning, your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100), and indicate any specific proposed revisions.

Beginning on page 15, paragraph .11 -

- Allegation or investigation: only references the reviewer and reviewing firm. Should this definition include reviewed firms as well as the term “investigation” is used in the representation letters submitted by the firm being reviewed?
- Deficiency (system review): states that the “reviewer has concluded.” Is this appropriate? The deficiency definition for an engagement review specifically references the review captain, and while a reviewer on a team doing a system review could come to the conclusion that a deficiency exists, as the standards are written, the team captain has ultimate responsibility for the report rating as it is on the team captain’s firm’s letterhead and the team captain. Further, in PR-C 200, Paragraph .28, it states the captain should “report on the review” and “accept responsibility for the work.”
- Familiarity Threat: Should this definition also include the administrator at the AE? Administrators do attend meetings and can provide supplemental information
- Repeat finding or deficiency (engagement reviews): should this state “substantially the same” as there are instances where a finding or deficiency might aggregate issues and one of those issues was resolved in the current review, but the other was not?
- Should there be a definition for per diem/leased staff? PRIMA asks firms to identify per diem leased staff when filling out their PRI and the definition of staff includes the phrase “any specialist the firm employs” but does not explain what a specialist that is contracted would be considered.
- Should there also be a definition for administrator? Paragraph .12 refers to administrators, but the definitions only include CPA on Staff and Administering Entity.
- Should there be a definition of what constitutes a scope limitation? I’ve gotten calls from firms asking if certain scenarios are considered scope limitations

9. Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews?

 Yes

 No

Do you think an engagement letter should be required for all peer reviews?

 Yes

 No

Please explain your reasoning and indicate any specific proposed revisions.

What are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

As these standards are considered to be principles based, I think it would be prudent to include training for the various reviewer feedback criteria to assist new reviewers and struggling reviewers with concepts in the standards. That way, instead of having to arrange for an oversight, or a third party to review work, a reviewer can take CPE as a first step to assist them with a concept when reviewer feedback is received. This could be particularly helpful with items like scope selection, writing FFCs systemically, appropriate peer review documentation