

Reviewer Focus

Welcome to the July 2015 edition of **Reviewer Focus**. We designed this communication to focus your attention on current issues to assist you in more effectively performing your peer reviews and enhancing the quality of the work performed by your peer review clients. The information contained herein has **not** been approved by the AICPA Peer Review Board and thus does not constitute other guidance as defined in the *AICPA Standards for Performing and Reporting on Peer Reviews*.

This edition of Reviewer Focus contains five articles:

1. [Appropriate Firm Response to SEC Independence Violation on Broker-Dealer Audit](#)
2. [Procedural Clarifications for Verification of Firm and Individual Licenses in an Engagement Review](#)
3. [Examples of Matters in Peer Reviews](#)
4. [Update for Users of the AICPA Peer Review Program Manual, including Team/Review Captain Packages](#)
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Appropriate Firm Response to SEC Independence Violation on Broker-Dealer Audit

Indication that a firm will not prepare financial statements on the next audit is not a satisfactory response to an SEC independence violation.

If nonconforming engagements are identified during the peer review, the reviewed firm has the responsibility to make appropriate considerations about how to remediate the engagement in accordance with professional standards. For SEC independence violations, this may include contacting legal counsel and/or the SEC. In some cases, the SEC has required firms to recall the audit report and the broker-dealer had to engage another firm to re-audit. In other cases, the SEC has required a disclosure to be added to the financial statements.

Audits of all types of broker-dealers (issues, non-issuers, carrying, and non-carrying) are subject to SEC independence rules. Preparation of financial statements, including clerical services such as typing and word processing, is a violation of SEC independence rules and will cause the engagement to be deemed nonconforming for purposes of peer review and should be noted on an MFC form. The systemic cause should be considered in order to determine if the response from the firm is appropriate and whether the matter should be elevated further.

The firm's peer reviewer and the report acceptance body (RAB) should evaluate whether the firm's response is appropriate, whether lack of an appropriate response is indicative of other weaknesses in the firm's system of quality control, or whether monitoring procedures are necessary to verify if the engagement was remediated.

Procedural Clarifications for Verification of Firm and Individual Licenses in an Engagement Review

In complying with the Interpretation 208-1a-1 requirement for review captains to verify the practice unit licenses (firm licenses) and individual licenses for appropriate personnel on engagements selected in an Engagement Review (as described in [Peer Review Update October 2014](#)), the following procedural clarifications are provided:

- License attached to Engagement Summary Form (ESF): The ESF requires the reviewed firm to attach documentation of their firm license to the form. That documentation is being provided to the review captain so that he/she can perform the step outlined in the Review Captain's Summary II 4. The responsibility for verifying the license is the review captain's. Thus, the license should be detached from the ESF and not sent to the administering entity (AE). If submitted, the AE's technical reviewer will rely on the review captain's documentation of the step in the Review Captain's Summary, however is not precluded from questioning any discrepancies.
- Firm Licensure MFCs in PRISM: PRISM tracks only engagement related MFCs for Engagement Review. It will be reprogrammed to accept firm licensure MFCs in its next significant PRISM update. Until then, input firm licensure MFCs as follows:
 - Engagement No.: N/A
 - Engagement Checklist Version: Select version of Review Captain Summary
 - Engagement Checklist No.: 6300 Review Captain Summary
 - Industry: 900 Other
 - Engagement Year End: Peer review year-end
 - Level of Service: N/A
 - Name of Engagement Partner: Managing Partner's name
 - Question No. 6300 II 4
 - Professional Standards Reference: QC
 - Section & Description: 10
 - Paragraph: 12

Examples of Matters in Peer Reviews

The AICPA is using data collected during peer reviews to learn about trouble spots and is developing resources within the AICPA that will allow firms to have a more focused remedy for their findings. Our ultimate goal is to assist firms with the hurdles they've faced in the past, provide them with tools to drive up their quality and overall "up the game on quality" in the profession. Refer to the [Examples of Matters in Peer Reviews](#) webpage for the most recent trends identified.

Update for Users of the AICPA Peer Review Program Manual, including Team/Review Captain Packages

If you are a subscriber to the AICPA Peer Review Program Manual (PRPM):

If you were already a subscriber to the PRPM and had previously received CD-ROMs/loose leaf copies, you should now have OPL access. That access will be provided through the end of your current PRPM CD-ROM/loose leaf subscription.

If you are a subscriber and have not yet received an email from CPA2Biz indicating your PRPM is now ready for access from OPL, please contact 888-777-7077.

If you (or firms you peer review) access the PRPM, including Team/Review Captain Packages or engagement checklists, from the Peer Review website:

PRPM updates will be released on the website shortly after they are released in OPL. However, some content will be available only in OPL after December 31, 2015. Therefore, plan accordingly to ensure you will continue to have the most current materials needed. This may mean [subscribing to the PRPM](#) in OPL as of January 1, 2016, if you aren't already a subscriber.

Sections to remain on the website available to the public after December 31, 2015 will be:

- PRP 1000 AICPA Standards for Performing and Reporting on Peer Review
- PRP 2000 Peer Review Standards Interpretations
- PRP 3100 Supplemental Guidance
- PRP 3300 Report Acceptance Body Handbook
- PRP 7100 Guidance for Association Involvement
- PRP 8100 Instructions to Providers Having a Quality Control Materials Review
- PRP 3600 Guidance for Writing Letters on Corrective Actions and Implementation Plans by Outside Parties
- PRP 4100 Instructions to Firms Having a System Review
- PRP 4300 Quality Control Policies and Procedures Documentation Questionnaire for a Sole Practitioner With No Personnel
- PRP 4400 Quality Control Policies and Procedures Documentation Questionnaire for Firms With Two or *More* Personnel
- PRP 6100 Instructions to Firms Having an Engagement Review
- PRP 10,000 Monitoring Guidance

All other PRPM content will be available only in OPL after December 31, 2015 including but not limited to:

- PRP 4200 and 6200 Instructions to Reviewers
- PRP 4500 and 4600 Guidelines for Review of Quality Control Policies and Procedures
- PRP 4800 Summary Review Memorandum and 6300 Review Captain Summary
- All profiles and engagement checklists

Recently approved guidance will still be available within Peer Review Board open session agendas posted to the peer review website. Peer Review Updates regarding changes in guidance will continue to be emailed to firm peer review contacts and peer reviewers.

Previously provided additional information on the migration of the PRPM to OPL is [here](#).

OPL subscribers will appreciate its benefits:

- Content is updated on a regular basis. When new guidance is approved by the Peer Review Board, you won't have to wait to get access to that new information.
- Robust and innovative navigation tools.
- An ability to add your own research notes to online content and access them at any time.
- For subscribers of other AICPA publications in OPL, such as AICPA Professional Standards and Audit and Accounting Guides, users will be able to conduct reviews of engagements (for example, during internal inspections or peer reviews) and perform any necessary research on professional standards all in the same platform. References to professional standards within certain PRPM documents will link directly to your other subscriptions.

Some firms use peer review [engagement checklists from the peer review webpage](#) to perform firm monitoring, including internal inspections. Therefore, a communication will be sent to the peer review contacts of enrolled firms, informing them of the PRPM content that will be available only in OPL after December 31, 2015. The peer review contacts will be asked to plan accordingly to ensure they will have current, relevant materials available to perform their monitoring. This may mean [subscribing to the PRPM](#) in OPL as of January 1, 2016, if they are not already a

subscriber. It may also mean reevaluating their library of quality control materials to obtain comparable materials from another provider. Tips to help choose QCM for a firm are [here](#).

Save the Dates – Upcoming Webinars

Save the Date! Are You Ready for your Peer Review? – July 24 and October 7, 2015

Save the Date for the Are You Ready for your Peer Review rebroadcast. This webcast will benefit CPA firms undergoing peer reviews in 2015. Please forward the details to your new peer review clients or your current clients you believe could benefit from the webcast. The webcast will provide firms with an overview of the AICPA Peer Review Program and what they can expect during their review. Our presenters will be Toni Lee-Andrews (Chair of the Peer Review Board's Education and Communications Task Force) and James Brackens (AICPA VP, Ethics & Practice Quality). Registration information will be available at a later date.

Drive your Competitive Edge with Audit Quality – Free Webcast July 30, 2015 1-3pm ET

This free CPE webcast will map your route to making your firm's audit practice more profitable by focusing on quality and identifying and addressing risks in your practice. Further, hear tips on how to demonstrate audit quality and how to articulate it as a competitive edge to clients. In addition to CPE credit, you will receive a toolkit of practical resources to ignite your firm's pathway to effectively and efficiently providing quality services and showcasing the firm's value.

Learning objectives for this webcast include:

- Tune-up your understanding of the requirements of Statements on Quality Control Standard (SQCS) No. 8
- Avoid pot-holes in your next peer review by hearing the types of questions peer reviewers will be asking
- Obtain tips and tools on how to supercharge engagement acceptance policies and proposal strategies for a more profitable audit practice

[Register](#) for the free CPE webcast.

Governmental and Single Audit CPE Opportunities

On July 2, 2015, the Office of Management (OMB) released the final [2 CFR 200, Compliance Supplement](#) (the Supplement). This edition of the Supplement contains new and critical information for testing expenditures subject to OMB's [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200](#) (Uniform Guidance), in your 2015 single audits. The Government Audit Quality Center (GAQC) has recently announced a rebroadcast opportunity for the 2-hour web event to address the supplement. This CPE opportunity qualifies as Yellow Book CPE and is open to the public.

- *July 28, 2015 1pm to 3pm ET: 2015 Compliance Supplement and Single Audit Update*

GAQC members please see [GAQC Alert #280](#) for member registration information and discounted pricing.

If your firm is not a GAQC member please see this [link](#) for registration information for the rebroadcast.

If you are not a member of the GAQC and are interested in learning more about membership, please visit the [GAQC website](#) to learn more.