

PRP Section 4900

Team Captain Checklist

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Instructions

.01 This section of the manual contains a Team Captain Checklist for AICPA Peer Review Program System Reviews. It provides a basic overview of the way in which these reviews—regardless of firm size—are to be conducted.

.02 Questions regarding the use of this checklist, any other materials, or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.

.03 This checklist must be completed on System Reviews and submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm engaged by the firm under review or by an authorized association of CPA firms.

.04 The reviewer can make additional comments in the Notes section (sec. VI) as necessary. The reviewer should include the section number and question reference related to each comment. If additional space for comments is needed, additional documents can be submitted.

Firm Number _____

Review Number _____

.05

AICPA Peer Review Program

TEAM CAPTAIN CHECKLIST

(for System Reviews commencing on or after January 1, 2009)

Initial Date

I. Planning the Review

1. If you or any team member are not in compliance with the guidance in paragraph .34 of the Standards for Performing and Reporting on Peer Reviews (sec. 1000) that requires you or any team member to immediately notify:

- the relevant administering entity of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm’s accounting or audit engagements or
• the AICPA technical staff of any notifications of limitations or restrictions on a peer reviewer or reviewing firm’s ability to practice,

then you or any team member must notify the administering entity immediately before performing further procedures. Those allegations/investigations, limitations/restrictions, or both, may affect your or your firm’s ability to perform the peer review.

2. If you have performed the firm’s internal inspection, consulting review, quality control document review, preliminary quality control procedures review, or any similar services on the firm’s accounting and auditing practice for the year immediately preceding or during the peer review year, you must notify the administering entity immediately before performing further procedures, because those services affect your and your firm’s ability to perform the peer review.

3. Determine that you, your team members, and your firm possess the necessary capabilities and competencies to perform your assigned responsibilities.

4. Obtain and review the background information furnished by the firm, and inquire whether the firm has or had a Securities and Exchange Commission (SEC) issuer or performed an audit of a non-SEC issuer in accordance with Public Company Accounting Oversight Board (PCAOB) professional standards. If yes, determine whether the firm’s review is scheduled to be administered by the National PRC. If it is not, notify the firm, administering entity, or both. Inquire if the firm has chosen to have its review administered by the National PRC if not otherwise required.

5. After obtaining the firm’s background and scheduling information from the firm, review and compare such information with that furnished previously to the administering entity. If the information differs significantly, please reconcile and notify the administering entity, if necessary.

6. If the firm has had an acquisition of another practice or portion thereof, or divestiture of a significant portion of its practice, including the sale of any portion of the firm’s nonattest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the administering entity prior to the commencement of the review to determine the appropriate scope of the review and other actions that should be taken.

7. If the timing of the peer review is such that it is not anticipated that the required peer review documentation can be submitted to the administering entity by the firm’s due date, determine that the firm has applied for and received an approved extension from the administering entity. If the firm performs engagements subject to the Government Auditing Standards issued by the U.S. Government Accountability Office (GAO) and the review is intended to satisfy the requirements of those standards, then an approved extension from the GAO is required. Discuss with the firm the effect on the peer review if it is not attained.

	<u>Initial</u>	<u>Date</u>
8. Contact the firm sufficiently in advance of the review (ordinarily, at least four weeks before the review) and		
a. confirm the timing of the review and the expected date of the exit conference.	_____	_____
b. confirm that the administering entity has been notified about the arrangements for the review and that the firm has received acknowledgement of that information.	_____	_____
c. confirm that the firm understands its responsibilities concerning the representation letter.	_____	_____
d. confirm with the firm that all engagements, including all required documentation, will be available to review during office visits.	_____	_____
e. confirm that the firm understands its responsibilities concerning engagement(s) or certain aspects of functional areas it wishes to exclude from selection. If in a rare situation the firm has legitimate reasons for the exclusion, confirm that it has requested and obtained a waiver for the exclusion(s) from the administering entity prior to the commencement of the review.	_____	_____
f. inquire whether the firm has had a previous peer review and, if so, request a copy of the report, ¹ letter of response, if applicable, and the letter accepting those documents. Obtain the prior Findings for Further Consideration (FFC) forms, if applicable (from the administering entity if the team captain's firm did not perform the prior peer review). Discuss these documents with the firm and consider whether the issues discussed in those documents affect planning or require additional emphasis in the current review.	_____	_____
g. the firm is expected to maintain the same peer review year-end once established. However, circumstances may arise that necessitate changing the peer review year-end. In such situations, the year-end may be changed with the prior, written approval of the administering entity. Confirm that the current peer review year-end is appropriate. Also confirm that it is consistent with the prior year-end, or that the adequate approval has been obtained for a change to the year-end.	_____	_____
h. request the firm to provide		
(1) a copy of its completed <i>Quality Control Policies and Procedures Questionnaire</i> . Firms that have developed a comprehensive quality control document as contemplated by SQCS No. 7 may generally provide that document to the peer reviewer in lieu of completing this questionnaire. However, the team captain may request that a firm complete this checklist even if it has a quality control document.	_____	_____
(2) an engagement list. The list should contain all engagements (by name or by blind code number) with periods ending during the year under review and covered by the definition of an accounting and auditing practice for peer review purposes. The list should contain the data described in question 8 of paragraph .36 in section 4100, <i>Instructions to Firms Having a System Review</i> , for each engagement.	_____	_____
(3) a list of the firm's personnel, showing name, position, and years of experience (A) with the firm and (B) in total.	_____	_____
(4) a copy of the firm's documentation maintained since its last peer review to demonstrate compliance with the monitoring element of quality control.	_____	_____
(5) information regarding substantial changes made to the system of quality control as a result of implementing SQCS No. 7, effective January 1, 2009.	_____	_____

¹ Also, request the letter of comments, if applicable, for reviews commenced prior to January 1, 2009.

	<u>Initial</u>	<u>Date</u>
i. review the list of engagements and make sufficient inquiries to determine that all engagements covered in the <i>AICPA Standards for Performing and Reporting on Peer Reviews</i> have been identified by the firm and are classified appropriately. Consult with the administering entity if there are reasons to believe the list is not complete.	_____	_____
j. confirm that the firm has designated a partner or senior staff member to act as a liaison to the review team.	_____	_____
k. discuss the engagement letter, travel and hotel arrangements (if applicable), or other related considerations.	_____	_____
l. if it is cost prohibitive or extremely difficult to arrange for the review to be performed at the reviewed firm’s office, consider whether the circumstances can support requesting approval from the administering entity to perform the review at a location other than the reviewed firm’s offices. This request should be made prior to the commencement of fieldwork and will be approved by administering entities only in rare situations. A copy of the administering entity approval should be kept with the peer review documents.	_____	_____
m. ascertain which persons in the firm are responsible for the various quality control functions and arrange an interview schedule for the review team with such persons, especially at the beginning of the review. (In smaller firms, the managing partner might be the primary source of information about the firm’s quality controls.)	_____	_____
n. inquire whether		
(1) there are situations where management is aware that the firm or its personnel have not complied with the rules and requirements of state board(s) of accountancy or other regulatory bodies (including applicable firm and individual licensing requirements in each state in which it practices for the year under review) and, if applicable, how the firm has or is addressing and rectifying situations of noncompliance.	_____	_____
(2) there are any communications from regulatory, monitoring, or enforcement bodies (for example, PCAOB, SEC, GAO, Department of Labor, any state board of accountancy or AICPA or state society professional ethics committee, or any other government agency) relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within the three years preceding the firm’s current peer review year-end and through the date of the exit conference, and whether there are any other issues that may affect the firm’s practice.	_____	_____
(3) there are any restrictions or limitations on the firm’s or its personnel’s ability to practice public accounting within three years preceding the current peer review year-end that were imposed by or agreed to with other regulatory, monitoring, or enforcement bodies (for example, PCAOB, SEC, GAO, Department of Labor, any state board of accountancy or AICPA or state society professional ethics committee, or any other government agency). If yes, include in the scope of the peer review an evaluation of the adequacy of the firm’s actions to comply with such restrictions or limitations.	_____	_____
(4) there are any limits to access to records and systems of control, including but not limited to employee files of leased and per diem employees and client acceptance documentation. If such limitations do exist, consult with the administering entity.	_____	_____

	<u>Initial</u>	<u>Date</u>
(5) there are any significant issues from reports or communications, or both, from other practice monitoring or external inspection programs such as the PCAOB. If yes, discuss further and consider how this effects your risk assessment.	_____	_____
(6) inquire whether the partners of the firm have licenses to practice public accounting in the state(s) in which the firm practices as required by the applicable state board(s) of accountancy. These procedures should not extend to verification unless there is evidence that the firm is not accurately representing its compliance with individual licensure requirements. The review captain may verify (although is not required to do so) (a) the practice unit (firm) license in the state where the practice unit is domiciled and (b) an out-of-state practice unit (firm) license on an individual engagement basis when the engagement selected for review was performed in another state that requires a firm license. If any exception was noted, the review captain should add an addendum to the Team Captain’s Checklist explaining the effect on the firm’s accounting practice and on the performance of the review. The representation letter should be tailored to provide information on the areas of noncompliance. An FFC should also be created.	_____	_____
If any exceptions were noted to preceding items 1–8, add an addendum to section 4800, <i>Summary Review Memorandum</i> explaining the effect on the firm’s accounting and auditing practice and on the performance of the review.	_____	_____
9. Obtain a sufficient understanding of the design of the firm’s system of quality control with respect to each of the key quality control elements in Statement on Quality Control Standards No. 7, <i>A Firm’s System of Quality Control</i> (AICPA, <i>Professional Standards</i> , vol. 2, QC sec. 10), to plan the review (including, if applicable, any portion of the firm’s system of quality control that resides outside the firm, such as but not limited to, associations, joint ventures, non-CPA owned entities, arrangements with other professionals outside the firm, third party developed practice aids, and other structures and arrangements that affect the firm’s system of quality control for it’s accounting and auditing practice). This understanding can be obtained in part by reading the reviewed firm’s responses to section 4400, <i>Quality Control Policies and Procedures Questionnaire for Firms With Two or More Personnel</i> , and the firm’s quality control document (if any).	_____	_____
10. Obtain a sufficient understanding of the impact of any regulatory requirements imposed on the firm due to its being closely aligned with a non-CPA owned entity.	_____	_____
11. Gain an understanding of the type of firm structure in all relevant matters, such as the nature of the organization, arrangements with non-CPA owned entities, and utilization of leased and per diem staff, and the impact of such structure on the firm’s system of quality control.	_____	_____
12. Gain, through discussion with the managing partner or other key personnel, or both, and completion of section 4750, <i>Managing Partner/Chief Executive Officer Interview</i> , an understanding of the firm’s professional and management environment and the business environment in which the firm and its clients practice.	_____	_____
13. Assess the reviewed firm’s message, whether formal or informal, concerning quality control and its success in communicating the message to the staff. Consider		
• the peer review team’s past experiences with the reviewed firm; and	_____	_____
• the <i>Managing Partner/Chief Executive Officer Interview</i> .	_____	_____

	<u>Initial</u>	<u>Date</u>
14. For multioffice firms, determine which procedures must be reviewed at practice offices and select certain offices to visit. Inform the reviewed firm of offices selected to visit as close to the scheduled review date as practicable, although the visits are not expected to be on a surprise basis.	_____	_____
15. After obtaining an understanding of the reviewed firm’s accounting and auditing practice and its system of quality control, assess the inherent risk and control risk related to the reviewed firm’s accounting and auditing practice and its system of quality control. Based on these risk assessments, determine an appropriate level of detection risk. These risks should be assessed in planning the review. The assessment of these risks is qualitative and not quantitative. Describe your assessment of the risks in the related questions of the <i>Summary Review Memorandum</i> (sec. 4800).	_____	_____
16. Based on the risk assessment, make a preliminary determination of the number of offices and engagements selected for review, and then a selection of the practice offices to be visited and the engagements to be reviewed. Engagements selected for review ordinarily should be those with periods ending during the year under review. If the current year’s engagement is not completed and issued, and a comparable engagement within the peer review year is not available, the prior year’s engagement may be reviewed. If the subsequent year’s engagement has been completed and issued, then consideration of whether the more recently completed and issued engagement should be reviewed instead should be based on the assessment of peer review risk.	_____	_____
a. Engagements selected should ordinarily be provided to the reviewed firm no earlier than <i>three</i> weeks prior to the commencement of the peer review at the related practice office or location. In addition, at least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance.	_____	_____
b. If the firm performs any of the following types of engagements, then at least one of each of the following types that the firm performs is required to be included in the sample of engagements selected for review:		
• Engagements subject to the <i>Government Auditing Standards</i> (the Yellow Book) (If the engagement selected is of an entity subject to GAS but not subject to the Single Audit Act/OMB Circular A-133 and the firm performs engagements of entities subject to OMB Circular A-133, at least one such engagement should also be selected for review. The review of this additional engagement may exclude those audit procedures strictly related to the audit of the financial statements. See Interpretation 63-1a.)	_____	_____
• Audit engagements pursuant to the Employee Retirement Income Security Act (ERISA)	_____	_____
• Federally insured depository institution engagements with more than \$500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act	_____	_____
c. If an internal inspection was performed for the current peer review year, determine whether the firm’s inspection program for the current year is likely to enable the review team to reduce the number of offices or engagements to be reviewed or the extent of the functional areas reviewed, and if so, perform tests of the findings and conclusions of the current year’s inspection program. If a significant scope reduction is being considered, see part II question 15c.	_____	_____
d. Ascertain that the scope of the peer review includes a reasonable cross section of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Consider whether modifications are needed in the selection of offices or engagements for review.	_____	_____

- | | <u>Initial</u> | <u>Date</u> |
|---|----------------|-------------|
| e. If the team captain finds that meeting all of the engagement selection criteria results in the selection of an inappropriate scope of the firm’s accounting and auditing practice, the team captain should consult with the administering entity about the selection of engagements for review. | _____ | _____ |
| 17. Request the firm to complete the profile sheets in the engagement checklists and to assemble the working papers and reports before the review begins. In order to maintain client confidentiality, code numbers should be assigned to engagements selected. If the engagement working papers are not located at the practice office to be visited, request the firm to arrange for the working papers to be forwarded. (Note: The engagement profiles for the governmental and nonprofit engagements have been updated. Please insure that you provide the firm with the updated version effective 10/1/09 for early implementation and required to be used beginning 11/1/09.) | _____ | _____ |
| 18. If a firm submits a request to its administering entity for a waiver for an exclusion of certain engagement(s) or certain aspects of functional areas, and the administering entity concludes that scope has been limited due to circumstances beyond the firm’s control, consider issuing a report with a scope limitation paragraph. If the administering entity concludes that there is not a legitimate reason for the requested exclusion and the firm continues to insist on the exclusion, consider whether this is a matter of noncooperation and consult with the administering entity. | _____ | _____ |
| 19. Has notice been given to the administering entity when materials and checklists not developed and issued by the board are used, such that this review will be subjected to onsite oversight? | _____ | _____ |

II. Performing the Review

- | | | |
|--|-------|-------|
| 1. Meet with other reviewers to | | |
| a. orient them to firm policies and procedures, especially the information obtained as a result of performance of the procedures in the previous steps I.7–I.12. Each member should read the sections of the firm’s <i>Quality Control Policies and Procedures Questionnaire</i> and the quality control document (if any) relative to their part of the review. | _____ | _____ |
| b. instruct them in the manner in which working papers, questionnaires, checklists, and Matter for Further Consideration (MFC) forms are to be prepared to facilitate summarization, supervision, and review. Explain the method of documenting the matters that, in the reviewer’s opinion, could be findings to be documented on FFC forms or a deficiency(ies) or significant deficiencies in the design of the firm’s quality control procedures or significant lack of compliance therewith that might affect the review team’s report. | _____ | _____ |
| c. explain the <i>significant audit area</i> approach to the review of engagements, noting that the team captain should concur in advance with respect to such decisions. | _____ | _____ |
| d. assign responsibilities for review of the functional quality control areas and engagements. Time must be scheduled to permit proper supervision and review of the work of the reviewers. | _____ | _____ |
| 2. At the commencement of the review, inform the firm of the engagement previously selected for review but not disclosed to the firm in advance. | _____ | _____ |
| 3. If the firm was previously reviewed, consider whether issues, if any, discussed in the firm’s prior report, ² letter of response, or FFC form(s), if applicable, require additional emphasis in the current review, and discuss these issues with the other members of the review team. | _____ | _____ |

² Also, request the letter of comments, if applicable, for reviews commenced prior to January 1, 2009.

	<u>Initial</u>	<u>Date</u>
4. Consider the reviewed firm’s message, whether formal or informal, concerning quality control and its success in communicating the message to the staff while conducting either the focus group session or the staff interview(s) to assess the effectiveness of the firm’s quality control communication efforts.	_____	_____
5. Consider during the conduct of the review whether the original selection of offices, engagements, and elements of functional areas included a representative cross section of those items, appropriately weighted considering risk, and whether modifications are needed in the selection of offices or engagements for review.	_____	_____
6. Make or approve any modifications to programs and checklists issued by the AICPA for the conduct of the review, and to tests of compliance with the firm’s quality control system after studying and evaluating the system and the firm’s monitoring procedures. Approve the nature and extent of tests to be performed.	_____	_____
7. If an A-133 engagement has been selected, perform and document review of this engagement using <i>Supplemental Checklist for Review of Single Audit Act/A-133 Engagements Part A & Part B (Section 22,100 Parts A & B)</i> . This revised checklist is effective 10/1/09 for early implementation and is required to be utilized for reviews commencing on or after 11/1/09.	_____	_____
8. Perform and document reviews of engagements and tests of functional areas.	_____	_____
9. If there was a failure to reach an appropriate conclusion on the application of professional standards in all material respects on one or more of the reviewed engagements, consider whether the application of additional peer review procedures, including an expansion of scope, is necessary.	_____	_____
10. Prepare the applicable checklist in section 4500, <i>Guidelines for Review of Quality Control Policies and Procedures for Sole Practitioners</i> , or section 4600, <i>Guidelines for Review of Quality Control Policies and Procedures for Firms With Two or More Personnel</i> .	_____	_____
11. Prepare, if applicable, the checklist, section 5200, <i>Guidelines for Review of Quality Control Policies and Procedures For Non-CPA Owned Entities Closely Aligned With a CPA Firm</i> .	_____	_____
12. Review the firm’s response to the MFC form(s). The firm’s response should <ul style="list-style-type: none"> a. clearly indicate its agreement with the matters described or an explanation of its reasons for disagreement; and b. include, if possible, its comments on the circumstances and relative importance of the matter. 	_____	_____
13. If the firm is a multioffice firm and if it facilitates summarization of the results of the review of the firm as a whole, prepare or review memoranda summarizing the results of the reviews of each office visited.	_____	_____
14. Evaluate the effect of the issues discussed in the MFC forms on the firm’s system of quality control and its degree of compliance with that system. <ul style="list-style-type: none"> a. Complete an FFC form for one or more matters resulting in more than a remote possibility that the firm would not perform or report in conformity with applicable professional standards, which do not rise to the level of a deficiency or significant deficiency. 	_____	_____

	<u>Initial</u>	<u>Date</u>
b. Document the issues in a <i>pass with deficiency</i> or <i>fail</i> report, respectively, if a matter rises to the level of a deficiency (one of more findings that the peer reviewer has concluded, due to the nature, causes, pattern, or pervasiveness, including the relative importance of the finding to the firm’s system of quality control taken as a whole, could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects) or a significant deficiency (one or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed firm’s system of quality control or compliance with it such that the reviewed firm’s system of quality control taken as a whole does not provide the reviewed firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects).	_____	_____
15. Complete the Disposition of Matters for Further Consideration (DMFC) form included in attachment 2 of section 4800- <i>Summary Review Memorandum</i> , recording the disposition of all MFCs.	_____	_____
16. Consult with the administering entity whenever any of the following situations are encountered: Indicate name of person consulted and date: Name: _____ Date: _____		
a. When the firm has sold a portion of its nonattest practice to a non-CPA owned entity and entered into a service arrangement with that non-CPA owned entity to provide employees, office space, or equipment for which the firm remits a percentage of its revenues or profits.	_____	_____
b. The review team feels it may not have the expertise required under the applicable <i>Standards for Performing and Reporting on Peer Reviews</i> to accomplish the required reviews of engagements satisfactorily.	_____	_____
c. The review team determines that reliance upon the firm’s current year monitoring procedures could significantly reduce the scope of the procedures it will perform (Interpretation 45-2, “Considering the Firm’s Monitoring Procedures,” of paragraph .45 in section 1000 [sec. 2000]).	_____	_____
d. The reviewed firm is deemed to not be cooperating (Interpretation 5h-1, “Cooperating in a Peer Review,” of paragraph .05 in section 1000 [sec. 2000]).	_____	_____
e. The review team is considering whether to discontinue the review, for example, because of a lack of cooperation.	_____	_____
f. The review team and the reviewed firm have a disagreement on <ul style="list-style-type: none"> • the type of report to be issued, an FFC form(s) to be issued, or any other substantive issue. • issues that may require the application of the guidance in AU section 390, <i>Consideration of Omitted Procedures After the Report Date</i>, and AU section 561, <i>Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report</i> (AICPA, <i>Professional Standards</i>, vol. 1), or similar matters with respect to engagements to compile or review historical financial statements or to examine prospective financial statements. 	_____	_____
g. There is any uncertainty about the report to be issued or the findings to be included in the FFC form(s).	_____	_____
h. When the firm has not obtained a waiver for excluding an engagement(s) or certain aspects of functional area(s) from the scope of the review.	_____	_____

	<u>Initial</u>	<u>Date</u>
<i>i.</i> Difficulties in complying with the applicable <i>Standards for Performing and Reporting on Peer Reviews</i> .	_____	_____
<i>j.</i> Uncertainty of whether matters were isolated and difficulties in determining the cause for a finding.	_____	_____
<i>k.</i> The firm failed to perform or report in conformity with applicable professional standards in all material respects and the review team determines the cause of the failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion. (Par. 83 <i>d</i> sec. 1000)	_____	_____
<i>l.</i> A team captain who is considering whether a peer review report should be issued with an additional paragraph for a scope limitation due to a divestiture should consult with the administering entity. (Interpretation 5c-1, "Acquisitions and Divestitures and Their Effect on Peer Review Scope," of paragraph 5c in section 1000 [sec. 2000])	_____	_____
<i>m.</i> If an engagement(s) within the team captain's selection is not available for review, a comparable engagement within the peer review year-end is also not available, nor is there a prior year's engagement that may be reviewed, the team captain should consult with the administering entity to determine the effects on the timing or year-end of the peer review, if any, and whether a report with a peer review rating with a scope limitation should be issued. (Interpretation 56-1, "Office and Engagement Selection in System Reviews," of paragraph .56 in section 1000 [sec. 2000])	_____	_____
<i>n.</i> A reviewed firm is required to inform the reviewer of communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, auditing, or attestation engagement performed and reported on by the firm. If the reviewed firm fails to discuss such communications with the reviewer, the reviewer should immediately consult with the administering entity because this constitutes a failure to cooperate, and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated. (Interpretation 181-1b-1 "Communications Received by the Reviewed Firm Relating to Allegations or Investigations in the Conduct of Accounting, Auditing, or Attestation Engagements from Regulatory, Monitoring, or Enforcement Bodies," of paragraph .181 in section 1000 [sec. 2000])	_____	_____
<i>o.</i> A team captain or review team encounters difficulties in complying with the standards, especially in selecting engagements or offices for review. If the team captain finds that meeting all of the selection criteria for selection of engagements results in an inappropriate scope of the firm's accounting and auditing practice, the team captain should consult with the administering entity about the selection of engagements for review. (Interpretation 56-1)	_____	_____
<i>p.</i> A team captain is considering issuance of other than a pass report.	_____	_____
17. Develop a list of points to be discussed at the firm-wide exit conference, distinguishing between		
<i>a.</i> matters that have been elevated to a deficiency or significant deficiency and communicated in a report with a peer review rating of <i>pass with deficiency(ies)</i> or <i>fail</i> ;	_____	_____
<i>b.</i> other matters that have been elevated to a finding and communicated on FFC form(s); and	_____	_____

- | | <u>Initial</u> | <u>Date</u> |
|---|----------------|-------------|
| c. Matters that are communicated on MFC form(s), and other comments/ suggestions. | _____ | _____ |
| 18. Notify the administering entity promptly if there is a change in the date of the exit conference. | _____ | _____ |

III. At the Conclusion of the Review

- | | | |
|---|-------|-------|
| 1. If FFC forms have not already been responded to, assist the firm in developing its responses during or immediately after the exit conference. Review the firm’s responses for appropriateness. The firm’s response should | | |
| a. clearly indicate its agreement with the finding described or an explanation of its reasons for disagreement; and | _____ | _____ |
| b. describe the plan the reviewed firm has implemented or will implement (including timing) with respect to each finding. | _____ | _____ |
| 2. Communicate the review team’s results to the appropriate individuals and senior members of the reviewed firm at an exit conference. The reviewed firm is entitled to be informed at the exit conference about any matters documented on the MFC form(s), findings documented on the FFC forms(s), deficiencies or significant deficiencies to be included in the report and the type of report to be issued. The team captain ordinarily should be physically present at the exit conference unless the peer review is performed at a location other than the practitioner’s office. | _____ | _____ |
| 3. During the exit conference, communicate the following: | | |
| a. The reviewed firm should not publicize the results of the review or distribute copies of the report to its personnel, clients, or others until it has been advised that the report has been accepted by the administering entity. | _____ | _____ |
| b. The anticipated date for issuance of the report and completion of the review. | _____ | _____ |
| 4. During the exit conference, also communicate the following for <i>pass with deficiencies</i> or <i>fail</i> reports: | | |
| a. The letter of response should be addressed to the administering entity’s peer review committee and should describe the actions taken or planned (including timing) with respect to each deficiency or significant deficiency in the report. If the reviewed firm disagrees with one or more of the deficiencies or significant deficiencies, the reviewed firm should contact the administering entity for assistance. If, after discussion with the administering entity, the firm still disagrees, its response should describe the reasons for such disagreement. | _____ | _____ |
| b. The reviewed firm should submit a draft of its letter of response, if applicable, to the team captain for review and comment prior to submitting the response (and a copy of the report with a <i>pass with deficiency</i> or <i>fail</i> rating) to the administering entity. | _____ | _____ |
| c. The reviewed firm should expect to receive a follow-up (corrective) action from the report acceptance body when a pass with deficiency or fail report is likely to be issued. You should also inform the firm that in certain situations, the report acceptance body may require an implementation plan in regards to the FFCs, as a condition of cooperation. In both cases, you should explain to the firm the effect, if any, of the requested action on the report acceptance body’s acceptance and completion of the review. | _____ | _____ |

- | | <u>Initial</u> | <u>Date</u> |
|---|----------------|-------------|
| <p>d. The reviewed firm should expect that if it has failed to correct deficiencies or significant deficiencies after consecutive corrective actions requested by the administering entity's report acceptance body, that it may be deemed as a firm refusing to cooperate, and the reviewed firm should understand the possible effect on its enrollment in the Program.</p> | _____ | _____ |
| <p>5. Prepare the report using guidance in the applicable <i>Standards for Performing and Reporting on Peer Reviews</i>.</p> | | |
| <p>a. Determine whether the report is complete and understandable to the general public.</p> | _____ | _____ |
| <p>b. Submit the originals of the report to the reviewed firm within 30 days of the exit conference date or by the firm's peer review due date, whichever is earlier.</p> | _____ | _____ |
| <p>c. Submit a copy of the report to the administering entity within the same due dates as that mentioned in the preceding step, along with a copy of the <i>Peer Review Completion Form</i> (see appendix A).</p> | _____ | _____ |
| <p>6. Obtain and review the reviewed firm's representation letter.</p> | _____ | _____ |
| <p>7. If FFC forms were not responded to by the reviewed firm during the peer review, inform the firm that the completed forms with the firm's responses are required to be submitted to you no later than two weeks after the exit conference, or by the peer review due date, whichever is earlier.</p> | _____ | _____ |

IV. After the Exit Conference

- | | | |
|---|-------|-------|
| <p>1. If FFC forms were not responded to by the reviewed firm during the peer review, ensure that the completed forms with the firm's responses are submitted to you no later than two weeks after the exit conference, or by the peer review due date, whichever is earlier.</p> | _____ | _____ |
| <p>2. Review the reviewed firm's letter of response:</p> | | |
| <p>a. Not applicable.</p> | _____ | _____ |
| <p>b. Yes—the letter of response adequately addresses all deficiencies in the report.</p> | _____ | _____ |
| <p>c. No—include an explanation with your working papers submitted to the administering entity.</p> | _____ | _____ |
| <p>3. Complete the <i>Summary Review Memorandum</i> (sec. 4900).</p> | _____ | _____ |
| <p>4. Send the appropriate working papers to the administering entity within 30 days of the exit conference or by the firm's peer review due date, whichever is earlier. Consider sending by an insured carrier or retaining or sending copies, or both.</p> | _____ | _____ |

For all reviews, submit a copy of the following:

- The report and letter of response, if applicable
- *Summary Review Memorandum* (including the DMFC form)
- The *Team Captain Checklist*
- The FFC forms, as applicable
- The MFC forms, as applicable

Note that other working papers on these reviews are subject to oversight procedures, which may be requested at a later date.

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Appendix A
PEER REVIEW COMPLETION FORM

Date: _____

To: _____

From: _____
(Name of the Team Captain)

Re: Review of _____

Firm Number _____ Review Number _____

- 1. On what date did the peer review commence ?
2. On what date was the firm-wide exit conference held?
3. When was the report submitted to the reviewed firm?
4. What was the general nature of the report?
5. If the report was pass with deficiencies or fail, what were the reasons?
6. Did the report have a scope limitation? Yes No
7. Were FFC forms issued to the firm? Yes No
8. Was this peer review performed at a location other than the firm's office under Interpretation 8-1, "Performing System Reviews at a Location Other Than the Reviewed Firm's Office," of paragraph .08 of section 1000, Standards for Performing and Reporting on Peer Reviews (sec. 2000)? Yes No

Team Captain _____

Date _____

* Please use the report codes in this appendix.

REPORT CODES*GENERAL NATURE OF THE REPORT*

- 1 Pass
- 3 Pass with deficiency(ies)
- 7 Fail

REASONS FOR SYSTEM OF QUALITY CONTROL MODIFICATIONS

- 350 Leadership Responsibilities for Quality Within the Firm (the “Tone at the Top”)
- 351 Relevant Ethical Requirements
- 352 Engagement Performance
- 353 Human Resources
- 354 Acceptance and Continuance of Client Relationships and Specific Engagements
- 355 Monitoring

Report with scope limitation? Yes No

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Appendix B

INDEX FOR NONENGAGEMENT RELATED WORKING PAPERS

<i>Ref.</i>	<i>Section Description</i>	<i>X Where Applicable</i>
A	Peer Review Report [†]	_____
B	Findings for Further Consideration Forms [†]	_____
C	Prior Review Report and Letter of Response	_____
D	<i>Team Captain Checklist</i> [†]	_____
E	<i>Summary Review Memorandum</i> (including Disposition of Matter for Further Consideration Form) [†]	_____
F	Firm Representation Letter	_____
PLANNING		
G	Engagement Letter	_____
H	Firm Background Information	_____
I	Firm Quality Control Document	_____
J	Quality Control Policies and Procedures Questionnaire	_____
K	Planning Memorandums	_____
L	Preliminary Selection of Engagements	_____
M	Other Planning Materials	_____
PERFORMANCE		
N	<i>Guidelines for Review of Quality Control Policies and Procedures</i>	_____
O	Interview Questionnaires (Staff Interview, Focus Group, Managing Partner, or CEO)	_____
P	Matters for Further Considerations Forms [†]	_____
Q	Other Performance Related Materials	_____
REPORTING		
R	Exit Conference Memorandum and Notes	_____
S	Other Reporting Materials	_____
ADMINISTRATION		
T	Time Summaries	_____
U	Other Miscellaneous Correspondence	_____

[The next page is 4951.]

[†] Documents that are required to be submitted to Administering Entity.