

## **Peer Review Facilitated State Board Access Member Frequently Asked Questions**

### **1. What is Peer Review Facilitated State Board Access?**

It is a new process that the American Institute of CPAs (AICPA) has created to help keep up with the evolving changes in the business and regulatory environments and to address the demand for greater peer review transparency.

### **2. How does my firm benefit from this new Peer Review Facilitated State Board Access process?**

This new process is intended to create a nationally uniform system through which CPA firms can satisfy state board or licensing body peer review information submission requirements, increase transparency, and retain control over their peer review results. The AICPA and CPA state societies are currently working together to allow this process to become the primary means by which all State Boards of Accountancy (BOAs) obtain peer review results. Over time, this new process will help to make submission of your firm's peer review information easier.

For example, the AICPA's Facilitated State Board Access process satisfies the Oklahoma BOA peer review submission requirements. However, until our national goal is reached, this new process WILL NOT replace the current peer review information submission requirements in all other states. Firms that submit in states other than Oklahoma need to continue to follow the current BOA requirements in those states until notified differently.

### **3. Which firms will be affected by the Peer Review Facilitated State Board Access pilot program?**

During the pilot, only firms that have their peer reviews administered by a Peer Review Board-approved state CPA society or group of state CPA societies and have received an accepted review during the pilot will participate in the Peer Review Facilitated State Board Access pilot program.

This includes firms that already allow their peer review results to be posted to the existing public file as a condition of membership in the Governmental Audit Quality Center (GAQC), Employee Benefit Plan Audit Quality Center (EBPAQC) or Private Companies Practice Section (PCPS). *Please refer to question #17 in this Q&A for the specific process for these firms.*

### **4. Will a firm's peer review information be made public as a result of this new process?**

No, a firm's peer review information will not be made available to the public as a result of this process. A firm's peer review results will be posted to a secure limited-access-only web site that will only be available to authorized state board representatives.

However, many firms already make their peer review results available as part of their AICPA membership or a Government Accountability Office (GAO) or BOA requirement. In addition, many firms make their peer review results available upon client request as it demonstrates a firm's commitment to quality.

### **5. Will my firm's peer review information that is posted to the secure BOA web site be shared with others?**

That is not the intention of this process; however, each BOA's laws and regulations govern this matter. In addition, due to the Freedom of Information Act (FOIA) legislation that applies in some instances, BOAs may share information with others once they have obtained it.

**6. How does this affect my firm's peer review information submission requirements?**

The Peer Review Facilitated State Board Access process satisfies the Oklahoma BOA peer review submission requirements. However, until our national goal is reached, this new process WILL NOT replace the current peer review information submission requirements in all other states. Firms that submit in states other than Oklahoma need to continue to follow the current BOA requirements in those states until notified differently.

**7. Why Peer Review Facilitated State Board Access?**

After carefully evaluating the various options, stakeholders determined that the best way to address the user demands for greater peer review transparency, while considering member and state CPA society concerns, was to use the existing peer review process to facilitate the voluntary disclosure of peer review results to BOAs. The intent of this new process is to create a nationally uniform system through which CPA firms can satisfy state board or licensing body peer review information submission requirements, increase transparency, and retain control over their peer review results. The AICPA and state CPA societies are currently working together to allow this process to become the primary means by which all BOAs obtain peer review results. Over time, this new process will help to make your firm's submission of peer review information easier.

**8. When will Peer Review Facilitated State Board Access be implemented?**

To assist in ensuring a smooth transition and implementation, the select pilot states began piloting and testing the *Peer Review Facilitated State Board Access* process in October 2007. After the testing/piloting phase is complete, we will continue the process with these states to assist with any refinements deemed necessary. We expect to complete the pilot and consider the opportunity to participate in early adoption in May 2008 with full national implementation expected in 2009 in connection with the acceptance of new peer review reports issued under the revised *AICPA Standards for Performing and Reporting on Peer Reviews*.

**9. What states are participating in the Peer Review Facilitated State Board Access pilot program?**

North Carolina, Ohio, Oklahoma, South Dakota, Tennessee and Texas.

**10. How will this new process work?**

The process is tailored differently for states that do and do not require peer review for licensure, require peer review but have prohibitions on accessing results, and for all other states. The new process will entail an opt out process that allows peer review results to be made available to select BOAs on a voluntary firm basis, using a secure, limited-access-only web site that will be available only to authorized state board representatives.

**In states where (1) peer review is required for renewal of a license or licensure by the BOA where the firm's main office is located and (2) the BOA is not prohibited by law from access to peer review information the following process will be used:**

- Firms will receive an additional letter with their peer review acceptance letters. This additional letter notifies each firm of the Administering Entity (AE)'s (typically their state CPA society) intent to post the firm's peer review results to a secure BOA web site which may be accessed only by authorized individuals at the BOA where the firm's main office is located. If the firm does NOT want its peer review results posted to the web site, it must "opt out"– notifying the AE that it does not want its peer review results posted.
- If the AE **does not** receive a signed "opt out" communication from the firm within 30 days of the date of the peer review acceptance letter and "opt out" notification, the AE will post the results to the secure BOA web site (with access restricted to the state licensing BOA where the firm's main office is located). *Please refer to question #15 if your firm is required to return a signed acceptance letter.*
- Once the information is posted, the firm's managing partner and peer review contact will receive a confirmation via email (or regular mail if email is not available). This effectively gives the firm another chance to opt out (firms can opt out at any time during the process). The confirmation will also offer firms the opportunity to request access be given to additional select BOAs that require peer review and are not prohibited from access to peer review information. This communication would be signed and returned to the AE with instructions for expanding BOA access to that firm's peer review results. It is anticipated that this option will be beneficial to firms, over time, with multi-state practices.

Firms can request that their results be made available to more than one BOA, so long as the BOAs require peer review and are not prohibited from obtaining access to peer review information. **However, during the pilot, access will be limited only to those BOAs participating in the pilot noted in question #9.**

**In states where the firm's main office is located and peer review is required for renewal of a license or licensure but the BOA is prohibited by law (this includes prohibited to access without direct consent from the licensee) from accessing peer review information OR states where peer review is not required for renewal of a license or licensure by the BOA where the firm's main office is located the following process will be used:**

- Firms will receive a different communication. These firms will be informed that they can request the AE to post their peer review results to the secure BOA limited-access-only web site with access given to select BOAs that require peer review for renewal of a license or licensure and are not prohibited from access to peer review information.
- To have its peer review information posted, the firm must return the communication to the AE with specific instructions.

As noted above, all firms can request that their results be made available to more than one BOA, so long as the BOAs require peer review and are not prohibited from obtaining access to peer review information. **However, during the pilot, access will be limited only to those state boards of accountancy participating in the pilot noted in question #9, excluding the Tennessee BOA which is prohibited from access.**

**11. When can I expand access to other BOAs outside of those participating in the pilot?**

During the pilot phase, firms will be provided with the opportunity to select other BOAs to expand access to. However, access will not be granted until the selected state or states are participating in the Peer Review Facilitated State Board Access program.

Firms will be notified by their AE when the BOA(s) that they have selected to expand access to are participating in the Peer Review Facilitated State Board Access program. This will remind firms of their selection and provide them with the opportunity to change their decision regarding expanded access.

**12. What peer review information will be posted by the Peer Review Administering Entity, to the secure web site for firms that do not opt out?**

The following documents will be posted, as applicable to the secure web site for access only to authorized board representatives. The number of documents posted for each firm can vary based upon the results of the peer review. **It is important to note that unless a firm opts out, all applicable documents will be posted even if it is not a state requirement.** A firm that does not opt out will not choose which documents to post as each of those applicable (based on the results of its peer review) will be posted.

- Peer review report
- Letter of comments
- Letter of response
- Acceptance letter
- Letter(s) signed by the reviewed firm indicating that the peer review documents have been accepted with the understanding that the reviewed firm agrees to take certain actions
- Letter notifying the reviewed firm or individual that certain required actions have been completed

**13. What if my firm changes its mind and wants to opt out after the information has been posted?**

A firm that is not a member of the AICPA Employee Benefit Plan Audit Quality Center, Governmental Audit Quality Center or Private Companies Practice Section may opt out at any time by notifying their AE in writing. Once the AE has been notified, the information will be removed from the web site, however, certain information (which is currently publicly available) will remain posted to the secure limited-access-only web site. *Please refer to question #14 for more information.*

**14. What happens if my firm decides to opt out?**

If a firm chooses to opt out, it is important to note that certain information (which is currently publicly available) will be posted to the secure limited-access-only web site. This information will help us to maintain a complete database of all firms in the peer review program. This includes:

- The firm's name and address
- The firm's enrollment in the Peer Review Program
- The date of acceptance and the period covered by the firm's most recently accepted peer review

- Whether the firm's enrollment in the program was terminated

**15. What if my firm is required to sign its acceptance letter (i.e., my firm has been directed to take certain actions as a condition of peer review acceptance), and 30 days have elapsed from the date of the opt out letter but my firm has not returned the signed acceptance letter, agreeing to take certain actions as condition of acceptance, to the Oklahoma Society of CPAs, our Peer Review Administering Entity (AE)?**

There may be situations where a time lapse occurs between the AE receiving the signed acceptance letter and the 30 days to opt out. An AE will not post the firm's peer review information to the secure BOA limited-access-only web site unless it has received the signed acceptance letter because a review is not considered accepted until the firm agrees in writing to take the actions required. For such firms that ultimately elect not to opt out, the peer review information would be posted the later of 30 days after the date of the acceptance letter or the date the acceptance letter is signed by the firm.

**16. Isn't this an example of how rules imposed on large firms can cascade down to small firms?**

No. There is growing demand for increased transparency in all facets of business; this demand is driven by marketplace and regulatory trends that affect firms of all sizes. Currently, 46 out of 54 state boards of accountancy either mandate peer review as a condition of licensure or have announced plans to do so, and about half of those states already require some form of submission of peer review information as a condition for renewal of a license.

**17. What happens if my firm already allows its peer review results to be posted to the existing public file as a condition of membership in the Governmental Audit Quality Center (GAQC), Employee Benefit Plan Audit Quality Center (EBPAQC) or Private Companies Practice Section (PCPS)?**

Because the information is already in the public file as a condition of membership, your firm will automatically have its peer review results posted to the secure BOA limited-access-only web site that will be available only to authorized state board representatives.

Your firm will not be able to opt out from providing access to the BOA in your state but firms will receive a letter from their AE to inform them that their peer review results have been posted to the secure limited-access-only web site and giving them the opportunity to make their peer review results available to other eligible BOAs. If firms request their AE to do so, it will grant access to the authorized state board representatives in the state(s) specified by you.

**18. What if my firm is enrolled in the Center for Public Company Audit Firms (CPCAF) Peer Review Program?**

Firms enrolled in the CPCAF Peer Review Program will not participate in the piloting or early adoption of Peer Review Facilitated State Board Access. However, these firms will participate when full national implementation occurs which is expected in 2009.

**19. Who do I contact if I have questions?**

Firms can contact their AE or Gary Freundlich, CPA, Director of Peer Review at the AICPA by sending an email to [gfreundlich@aicpa.org](mailto:gfreundlich@aicpa.org).