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**PRP Section 8100**

*Instructions to Providers Having a Quality Control Materials or Continuing Professional Education Review*
Introduction

.01 A quality control materials (QCM) or continuing professional education (CPE) program review is a type of peer review that is a study and appraisal by a peer reviewer of an organization’s (hereinafter referred to as provider) system of quality control to develop and maintain QCM or CPE programs. The system represents the provider’s policies and procedures that the provider has designed and is expected to follow when developing the materials. The peer reviewer’s objective is to determine whether the system is designed and whether the provider is complying with its system appropriately so that users of the materials, primarily CPA firms and their employees, know that they can rely on the materials. The materials can be part or all of a firm’s documentation of their system, in the form of, for example, manuals, programs, and practice aids (forms and questionnaires). As such, the users rely on the materials to assist them in performing and reporting in conformity with professional standards in conducting their accounting and auditing practices. In addition, one of the reasons that providers elect to have an independent review of their system of quality control for the development and maintenance of the QCM or CPE programs, or both, they have developed, and of the materials themselves, is to provide more cost-effective peer reviews for firms that have acquired or use such materials.

.02 The purpose of these instructions is to provide overall guidance to providers having a QCM or CPE review under the AICPA Peer Review Program (the program). Providers should be aware of their peer review responsibilities and requirements as discussed in PRP section 1000, Standards for Performing and Reporting on Peer Reviews, with an emphasis on paragraphs .154–.178 and paragraphs 17–21 of appendix A (as well as these instructions). In addition, all individuals at the provider involved in the peer review should read and become familiar with the standards, PRP section 2000, Peer Review Standards Interpretations; PRP section 3200, Peer Review Alerts; and materials relative to the aspect of the review that most directly affects their role at the provider.

.03 An independent review of the system for the development and maintenance of QCM or CPE programs and the resultant materials (the QCM review or CPE review) is required for certain providers (see PRP section 1000). In addition, a provider may have a review voluntarily so that peer reviewers of user firms can place reliance on the QCM or CPE review to reduce the scope of the review of the firm’s QCM or CPE programs.

.04 A QCM or CPE Review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review

a. the provider’s system for the development and maintenance of the QCM or the CPE programs was suitably designed and was being complied with during the period under review to provide user firms with reasonable assurance that the materials are reliable aids to assist them in conforming with those professional standards the materials purport to encompass, and

b. the resultant materials are reliable aids.

.05 A QCM or CPE review encompasses judgmental review of all of the materials opined on in the report. The extent of review of each module or guide is based on the reviewer’s assessment of risk, taking into consideration factors such as industries with higher inherent risk, new pronouncements and standards, and so on.

.06 QCM and CPE reviews are administered by the AICPA Peer Review Board’s National Peer Review Committee (NPRC). In addition, the QCM & CPE Task Force is involved in the administration and acceptance process. The task force’s involvement includes performing oversight reviews prior to acceptance, developing practice aids, and recommending enhancements to the guidance related to QCM and CPE peer reviews.

Prior to the Review

.07 Providers required to have a QCM or CPE review should have a QCM or CPE review once every 3 years and should arrange to have such a peer review administered by the NPRC. Providers should submit the Information Required to Schedule QCM-CPE Peer Reviews form no less than 60 days prior to the commencement of the peer review. The peer review should not commence until the provider and reviewer are informed that the selected review team is approved to perform the review. It is the responsibility of the provider to verify that the team captain is qualified to perform the review, including ensuring that the review team doesn’t have the following independence impairments:
• The reviewing firm uses materials developed by the provider as an integral part of its system of quality control.
• A review team member was involved in the development of the provider’s materials.
• The provider is an association to which the reviewing firm belongs.
• Any other conflicts of interest.

.08 The provider and the team captain should agree on an appropriate date for the review to commence and the anticipated exit conference date. Ordinarily, the review should be performed within six months following the end of the year to be reviewed. In most circumstances, the applicable period should not change from one triennial review period to the next. In the event of substantial change in the system for the development and maintenance of the materials or in the resultant materials, the provider should consult with the NPRC to determine whether an accelerated peer review is warranted.

.09 The terms and conditions of the peer review may be summarized in an engagement letter between the provider and the reviewing firm or association, if an association formed the review team.

.10 A contact person should be designated as liaison to provide assistance to the review team and should be available throughout the review.

.11 Provide the following to the team captain as soon as possible:

a. The quality control documentation, including the procedures for developing the materials (including distribution), ensuring the currency and relevancy of the materials issued, soliciting and evaluating feedback from users of the materials, policies regarding the issuance of updates to the materials, the method of updating, and the procedures undertaken to provide such updates (if such policies exists).

b. A list of the materials on which an opinion is to be expressed.

c. A list of the personnel involved in the development and update of the materials, and a current resume including title or position, relevant training, experience, and industry expertise.

d. A list of the external or guest authors and technical reviewers involved in the development and update of the materials, and documentation to support their experience and industry expertise.

e. Other information requested by the team captain.

.12 Have the following available for the review team when they perform the site visit:

a. Personnel information to the extent requested by the team captain.

b. CPE records for all professional staff for the three most recent educational years.

c. Documentation to support the expertise or industry experience of external or guest authors and technical reviewers.

d. Any communications relating to allegations, investigations, or litigation involving the provider, its personnel, or nonpersonnel contributors or reviewers (such as guest authors or technical reviewers) since the provider’s last peer review year end.

.13 The provider should provide a comfortable, adequate working area for the review team and, if necessary, assist in coordinating accommodations for the review team.

.14 The review of the provider’s quality control policies and procedures includes interviews of the provider’s personnel. The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated and are being complied with. The review team may perform one-on-one interviews or focus groups. The team captain will arrange for the scheduling of interviews with selected members of the provider’s personnel. The provider should see that this schedule is communicated to the appropriate individuals and that they understand the importance and purpose of the interviews. The review team will endeavor to have these discussions and interviews without disrupting the provider’s operations.
During the Review

.15 The designated liaison should meet with the review team at the beginning of the review to orient them to the policies and procedures, introduce them to appropriate personnel, and provide them with a tour of the office.

.16 During the course of the review, the review team may find it necessary to discuss matters with the appropriate personnel. Provider personnel should be asked to be available to the review team as necessary during the course of the review.

.17 In addition, provider personnel may need to coordinate with AICPA staff to plan oversight procedures.

Completion of the Review

.18 A provider that has a QCM or CPE review should respond promptly to questions raised in the review in order to assist the review team in reaching its conclusions. Prior to issuing its report or finalizing Finding for Further Consideration (FFC) form(s), if applicable, the review team will communicate any matters documented on the Matter for Further Consideration (MFC) form(s), findings documented on the FFC form(s), deficiencies or significant deficiencies to be included in the peer review report, and the type of report to be issued through one or more exit conferences. The designated liaison should arrange for appropriate personnel to attend the exit conference. The exit conference may be attended by representatives of the NPQC, the QCM & CPE Task Force, the AICPA Peer Review Board, AICPA staff, or other board authorized organizations with oversight responsibilities.

.19 The review team should communicate, if applicable, that the provider will be required to respond to the findings documented on the FFC form(s) and the deficiency(ies) or significant deficiencies included in the peer review report. The review team should also communicate that the provider may be required, if applicable, to (1) take certain actions to correct the deficiencies or significant deficiencies noted in the report and (2) complete an implementation plan to address the findings noted in the FFC form(s). The review team should discuss with the provider the implications of these steps on the acceptance and completion of the peer review. The exit conference is also the appropriate vehicle for providing suggestions to the provider that are not included in the report, FFC form(s), or MFC form(s).

.20 The provider will provide the team captain with written representations, at a minimum, relating to the following matters:

a. Situations where management is aware that its materials were used and substantially relied upon in an engagement that was later found to not comply with the applicable standards or regulations (auditing, review, reporting, and so on) in all material respects, when the materials were found to be an underlying cause of the engagement deficiencies.

b. Access to all sources of feedback, including user feedback.

c. Situations or a summary of situations where management is aware that its personnel or nonpersonnel contributors or reviewers (for example, guest authors or reviewers) have not complied with the rules and requirements of state board(s) of accountancy or other regulatory bodies, as applicable (including applicable licensing requirements in each state in which it practices if the provider is a firm or has employed CPA personnel), and if applicable, how the provider has or is addressing and rectifying situations of noncompliance.

d. Restrictions or limitations of CPA personnel or nonpersonnel contributors that impacts their 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, the Public Company Accounting Oversight Board, Securities and Exchange Commission, U.S. Government Accountability Office, Department of Labor, any state board of accountancy or AICPA or state society professional ethics committee, or any other government agency).

e. Access to records and systems of control, including but not limited to, employee files of leased and per diem employees, records related to nonpersonnel contributors or reviewers, and so on.

f. Materials provided for review that are complete and represent the final version of the materials.

The written representations should be addressed to the team captain performing the peer review. Because the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review
report that may require an adjustment to the peer review report or other peer review documents, the representations should be dated the same date as the peer review report. See appendix A for an illustration of provider representations.

.21 Ordinarily any FFC forms should be responded to by the provider during the peer review, for example, during or immediately following the exit conference. This would allow the team captain to assist the provider in developing its responses and obtaining the necessary signatures on the FFC forms and allow the team captain to review the responses at that time, all of which will expedite the process. In some cases, the provider will choose to check the box on the FFC form that it agrees with the finding and will implement the reviewer’s recommendation. If the provider prefers to provide a description of the actions(s) taken or planned to be taken (and timing), the team captain can provide assistance in ensuring that the responses are appropriate and comprehensive. However, it is also recognized that the provider may prefer to provide its final responses after it has had the opportunity to discuss them further internally, develop a plan of action and more formally respond. In either case, the completed FFC forms should be submitted to the team captain no later than two weeks after the exit conference, or by the peer review’s due date, whichever is earlier. FFC forms are then submitted by the team captain with the applicable working papers to the NPRC.

.22 The provider will receive a report on the peer review within 30 days of the exit conference date. However, the provider should not publicize the results of the review or distribute copies of the report to its personnel, customers, or others, until it has been advised that the report has been accepted by the administering entity as meeting the requirements of the program.

.23 If the provider receives a report with a peer review rating of “pass with deficiencies” or “fail,” the provider should respond in writing to the deficiencies or significant deficiencies and related recommendations identified in the report. The letter of response should be addressed to the NPRC and should describe the actions planned (including timing) or taken by the provider with respect to each deficiency in the report. The provider should submit a copy of the report, and its letter of response, to the NPRC within 30 days of the date it received the report from the team captain. Prior to submitting the response to the NPRC, the provider should submit the response to the team captain for review, evaluation, and comment.

.24 If the provider receives a report with a peer review rating of “pass” or “pass (with a scope limitation),” a letter of response is not applicable, and the provider does not submit a copy of the report to the NPRC.

.25 Reviewers and providers should understand that professional judgment often becomes a part of the process and each party has the right to challenge the other on such matters. If, after discussion with the team captain, the provider disagrees with one or more of the findings, deficiencies, or significant deficiencies, the provider should contact NPRC staff for assistance in the matter. If the provider still disagrees after contacting the NPRC, the provider’s response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement. For more information on disagreements, please review paragraph .98 of PRP section 1000.

.26 The AICPA Peer Review Board encourages the provider to work with the team captain to develop recommendations that both parties believe will be effective in correcting the matters, findings, and deficiencies noted during the peer review. Experience shows that improvement is more likely to occur when the firm’s responses describe specific actions to be taken. Therefore, a response limited to the provider’s comment that it will emphasize or reemphasize a policy or procedure should be combined with more specific actions.

.27 Once the team captain has finalized the peer review workpapers and the report, the documents are due to the NPRC within 30 days of the exit conference. All QCM and CPE peer reviews undergo a technical review process. In addition, all QCM and CPE peer reviews are subjected to oversight by the QCM & CPE Task Force. The level of oversight is dependent on various factors. At a minimum, oversight encompasses reviewing the team captain’s workpapers and a sample of the QCM or CPE materials opined upon in the report. The task force can judgmentally elect to perform additional oversight procedures as deemed necessary, including on-site oversight.

.28 Once technical review and oversight procedures are completed, QCM and CPE peer reviews are presented to the full NPRC with the task force’s recommendation for consideration and acceptance. QCM and CPE peer reviews are considered by the full NPRC during its regularly scheduled meetings or conference calls.

.29 Once the peer review report and related documents are accepted by the NPRC, an acceptance letter is sent to the provider. Providers can then elect to have their peer review results posted to the AICPA Web site by submitting an
Opt-In Acknowledgement form. This process is entirely voluntary and allows providers to make peer review results easily accessible to firms that use the materials, their peer reviewers, and other interested parties.

.30 As part of the acceptance process, the provider may be requested to perform remedial, corrective actions related to the deficiencies or significant deficiencies noted in the peer review report, in addition to those described by the provider in its letter of response. If a provider does not agree to perform the required actions, this will delay acceptance of the peer review. If a provider does not perform the required actions, this will delay completion of the peer review.

.31 The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the industry and CPA profession. Thus it depends on mutual trust and cooperation. The provider is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with its system of quality control or its compliance with the system, or both. Based on the information on the FFC form(s), the provider may be required to have an implementation plan in addition to or as an affirmation of the plan described by the provider in its response to the findings on the FFC form(s). If a provider does not perform the required action in the implementation plan, it could jeopardize the provider’s ability to schedule future peer review reports. Disciplinary actions will be taken for a failure to cooperate, failure to correct inadequacies, or when a provider is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

Fees and Expenses

.32 The NPRC is authorized to establish fees to fund the administration of QCM and CPE peer reviews. Refer to the AICPA web site for the most current fee schedule.
Appendix A

Illustration of a Provider Representation Letter that has No Significant Matters to Report to the Team Captain

October 31, 20XX

To the Team Captain:

We are providing this letter in connection with the peer review of [name of provider] and the [insert the titles of the materials] as of the date of this letter and for the year ended June 30, 20XX.

We confirm, to the best of our knowledge and belief, that there are no known circumstances when our materials were used and substantially relied upon in an engagement that was later found to not comply with the applicable standards or regulations in all material respects when the above named materials were found to be an underlying cause resulting in the engagement deficiencies. We also confirm that we have considered all sources of feedback, including feedback from users. We have made you aware of any situations when management is aware that its personnel or nonpersonnel contributors or reviewers have not complied with the rules and requirements of state board(s) of accountancy or other regulatory bodies (as applicable) and how the provider has or is addressing and rectifying situations of noncompliance. We have also determined that none of our CPA personnel or nonpersonnel contributors or reviewers are subject to any restrictions or limitations that impacts their 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. Further, we have provided the team captain with any other information requested and access to records and systems of control, including but not limited to, employee files of leased and per diem employees, files related to nonpersonnel contributors or reviewers, user feedback, and so on.

Sincerely,

[Name of Signatory]

[Name of Provider]

1 Should be dated the same date as the peer review report.
2 For example, auditing, review, reporting standards, and so on. Consideration should also be given to regulatory guidance, such as the Employee Retirement Income Security Act, the Office of Management and Budget, the Department of Labor (DOL), and so on.
3 Including guest authors or reviewers.
4 Including applicable licensing requirements in each state in which it practices if the provider is a firm or has employed CPA personnel.
5 For example, the Public Company Accounting Oversight Board, Securities and Exchange Commission, U.S. Government Accountability Office, DOL, any state board of accountancy or AICPA or state society professional ethics committee, or any other government agency.
6 Letter should be signed by the appropriate party at the provider that has primary responsibility for the system to develop and maintain the materials.