PRP Section 8200
Instructions to Reviewers Performing Quality Control Materials Reviews

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Introduction

.01 The purpose of these instructions is to provide overall guidance for QCM review teams assigned to quality control materials (QCM) reviews under the auspices of the AICPA QCM Review Program (the program). The instructions should be read in conjunction with paragraphs .154–.204 and paragraphs 17–22 of appendix A, “Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report),” of section 1000, “Standards for Performing and Reporting on QCM Reviews;” section 2000, “QCM Review Standards Interpretations;” section 3000, “Other Guidance;” and materials issued to accomplish the goals of the program. Questions regarding these instructions or any other materials or about the review in general should be directed to program staff at 919.402.4502, or via e-mail at prptechnical@aicpa.org.

.02 QCM reviews are intended to provide the QCM review team with a reasonable basis for expressing an opinion on whether, during the year under review, a provider’s system of quality control for its accounting and auditing practice is designed and being complied with appropriately, so that users of the materials, primarily CPA firms and their employees, have reasonable assurance to rely on the materials. Materials can be part or all of a firm’s documentation of its system in the form of, for example, manuals, programs, and practice aids (forms and questionnaires). 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 a provider may elect to have an independent review of its system of quality control for the development and maintenance of the QCM that it has developed and of the materials themselves is to provide more cost-effective peer reviews for firms that have acquired or use the provider’s materials.

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

Independence and Conflict of Interest

.04 Independence in fact and appearance with respect to the provider must be maintained by the reviewing firm, the QCM review team members, and any other individuals who may participate in the review (see the “Independence, Integrity, and Objectivity” sections of sections 1000 and 2000 ). ET sections 54, Article III—Integrity, and 55, Article IV—Objectivity and Independence (AICPA, Professional Standards), do not specifically consider relationships among QCM review teams, providers, and customers of providers. However, the concepts pertaining to independence embodied in the Code of Professional Conduct should be considered in making independence judgments. See paragraphs .21–.22 of section 1000.

.05 A reviewing firm or QCM review team member should not have a conflict of interest with respect to the provider or those that use the provider’s materials.

Organization of the QCM Review Team

.06 A QCM review team should be approved by the NPRC prior to the planning and commencement of the QCM review, which is when the QCM review team begins fieldwork. A QCM review team is headed by a QCM reviewer who is responsible for supervising and conducting the review, communicating the QCM review team’s findings to the provider and the NPRC, preparing the QCM report on the review, and ensuring that QCM review documentation is complete and submitted to the NPRC on a timely basis. If applicable, the QCM reviewer should supervise and review the work performed by other reviewers on the QCM review team to the extent deemed necessary under the circumstances. The QCM reviewer will furnish instructions to the QCM review team regarding the manner in which documentation and other notes relating to the review are to be accumulated to facilitate summarization of the QCM review team’s findings and conclusions. The QCM reviewer must notify the NPRC of changes, if any, in the composition of the QCM review team. See paragraph .166 of section 1000.
Scope of the Review

.07 The scope of the review should cover the provider’s system of quality control for the development and maintenance of the QCM, as well as the materials that result from the system and that have been identified for review. If the provider is required to undergo a QCM review, all the materials are included in the scope of the review. Reviewers should confirm the QCM review year-end with the provider prior to planning the review. Other segments of a provider’s practice, such as developing and maintaining materials on tax services or management advisory services, are not encompassed by the scope of the review.

.08 The QCM reviewer should review the provider’s quality control documentation, which should include procedures for developing the materials (including distribution), ensuring that the materials are current and relevant, determining the ongoing qualifications of all parties involved in the development and maintenance of the materials, and soliciting and evaluating feedback from users of the materials; policies regarding the issuance of updates to the materials and the method of updating; procedures undertaken to provide such updates (if such policies exist); and procedures for monitoring compliance with the provider’s quality control policies and procedures. The QCM reviewer should also obtain a list of all provider personnel and non-personnel involved in the development and maintenance of the materials under review in order to select individuals to test their qualifications and conduct interviews. The objective of this testing is to provide corroborative evidence that certain policies and procedures have been properly communicated and are being complied with.

.09 The QCM review team should discuss with the provider any litigation, proceedings, or investigations against the provider, its personnel, or its non-personnel developers or updaters since the date of the provider’s last QCM review and how the provider has considered this information in the scope of its own monitoring, if applicable. In addition, the provider is required to make certain communications available to the QCM review team regarding allegations or investigations related to its personnel or non-personnel developers or updaters within the three years preceding the provider’s current QCM review year-end and through the date of the exit conference. The QCM review team, giving due regard to the fact that such litigation, proceedings, and investigations may involve unproven allegations, should consider this information in setting the scope of the review. In this connection, QCM review teams must recognize that it is not their function to evaluate the merits of litigation or adequacy of corrective actions, if any, taken by the provider, its personnel, or its non-personnel developers or updaters as a result thereof. However, a reviewer might decide to increase the extent of the review of materials developed or technically reviewed by an individual under investigation related to his or her accounting and auditing practice. The QCM review team’s documentation of its performance in this regard should be included in the risk assessment.

.10 The QCM review team should obtain the provider’s latest QCM review report, letter of response, and finding for further consideration (FFC) form(s), if applicable, and should consider whether matters discussed therein require additional emphasis in the current review. In all cases, the QCM review team should evaluate the actions taken by the firm in response to the prior report.

.11 The QCM review team should obtain a sufficient understanding of the provider’s monitoring policies and procedures since its last QCM review and their potential effectiveness, to plan the current QCM review.

QCM Review Risk

Assessing QCM Review Risk

.12 In planning the review, the QCM review team should use the understanding that it has obtained of the provider’s system of quality control to assess the inherent and control risks. The assessment of risks is qualitative, not quantitative. The lower the inherent and control risk, the higher the detection risk that can be tolerated and vice versa. Based on its assessment of inherent and control risk, the QCM review team determines the acceptable level of detection risk.

.13 When assessing risk, the QCM review team should evaluate the provider’s quality control policies and procedures, and the results of testing compliance with the policies and procedures. This evaluation provides a basis for the QCM review team to determine whether the provider has adopted appropriately comprehensive and suitably designed policies and procedures that are relevant to the size and nature of its practice.
Relationship of Risk to Scope

.14 The QCM review team should consider the combined assessed levels of inherent and control risk when determining the extent to which the materials are individually reviewed. The higher the combined assessed levels of inherent and control risk, the higher the QCM review risk. To reduce the QCM review risk to an acceptable low level, the detection risk needs to be low, thus the greater the scope (that is, the more that each aid is reviewed and tested). Conversely, the lower the combined assessed levels of inherent and control risk, the less that the QCM reviewer may elect to judgmentally review in the materials. The combined assessed levels of inherent and control risk may vary among the different materials under review, so that the scope may be greater for some aids than for others.

.15 However, even when the combined assessed levels are low, the QCM review team must review all the materials identified within the scope of the QCM review in order to obtain reasonable assurance that the materials are reliable aids (see paragraphs .175 and .176 of section 1000 and Interpretations No. 175-1 and 176-1 of section 2000).

Inherent Risk

.16 In assessing inherent risk factors, the reviewer should consider the following:

- Circumstances arising within the firm (for example, the provider’s experience with developing and maintaining QCM; changes in personnel or non-personnel developers or updaters; the level of risk; the complexity and change inherent in the industries and professional standards encompassed by the QCM; any investigations allegations or restrictions related to developers or updaters; and so on)

- Circumstances outside the provider that affect the provider’s customers (for example, competitive pressures, adverse economic developments that impact the provider’s customers, and so on)

Control Risk

.17 Assessing control risk requires reviewers to evaluate the effectiveness of the provider and its quality control policies and procedures in preventing the development of materials that are not reliable aids. When assessing control risk, the QCM review team should evaluate the provider’s quality control policies and procedures and determine if the provider has adopted appropriately comprehensive and suitably designed policies and procedures for the inherent risks embodied in its operations. The assessed levels of risk are the key considerations in deciding the extent of review for each aid. Through the assessment of risk, the reviewer determines the amount of review and testing necessary that will result in an acceptably low QCM review risk.

.18 Reviewers must document, as part of the summary review memorandum (SRM), the risk assessment of the provider’s system of quality control and its process to develop and maintain QCM, including the determined extent of review for the materials. To effectively assess the risk associated with the provider’s system of quality control, risk assessment documentation should address the environment of the provider and its system of quality controls.

Detection Risk

.19 Inherent risk and control risk directly relate to the provider and its system of quality control, and should be assessed in planning the review. Based on the combined assessment, the reviewer determines the extent of the review of the materials and the scope of other procedures to reduce the QCM review risk to an acceptable level. The lower the combined inherent and control risk, the higher the detection risk that can be tolerated. Conversely, a high combined inherent and control risk assessment results in a low detection risk and the resulting increase in the scope of review procedures.

Review of Materials

.20 The objectives of the review of materials are (a) to obtain evidence about whether the provider’s system of quality control for the development and maintenance of the materials has been appropriately designed, (b) to determine whether the provider’s quality control policies and procedures were being complied with to provide the provider with reasonable assurance of developing and maintaining reliable aids, and (c) to obtain reasonable assurance that the materials are reliable aids.
.21 At a minimum, the QCM review team should assess and document the sufficiency of the instructions included in the materials and the appropriateness of the guidance and any methodology inherent in the materials.

.22 Failure to review all the materials within the scope of the review will result in a review that has not been performed in conformity with these standards.

.23 The depth of the review of a particular aid is based on the judgment of the reviewers; however, the review should ordinarily include all the significant areas of the aid. Based on the review, the reviewer should be able to evaluate whether the aid can be relied upon by users to provide reasonable assurance to assist them with conforming to the integral components of the professional standards encompassed by the aid.

Findings and Conclusions

.24 The QCM review team must evaluate and document whether anything came to the QCM review team’s attention that caused it to believe that (a) the provider’s system of quality control was not complied with, (b) the provider’s system of quality control did not provide reasonable assurance of developing and maintaining reliable aids, (c) one or more of the materials did not provide users with reasonable assurance of assisting them with conforming to the integral components of the professional standards encompassed by the aid (s), or (d) some combination thereof.

.25 A QCM reviewer notes a matter as a result of (a) his or her evaluation of the design of the provider’s system of quality control or tests of compliance with it or (b) his or her evaluation of whether the materials submitted for review are reliable aids. Tests of compliance include inspection, inquiry, and observation performed by reviewing the materials and testing other aspects of the provider’s system of quality control. A matter is documented on a matter for further consideration (MFC) form. If the matter, after further evaluation, gets elevated to a finding but not a deficiency or significant deficiency, it is documented on an FFC form. The FFC form is a stand-alone document that includes the reviewer’s recommendation and the provider’s response regarding actions planned or taken and the timing of those actions by the provider. MFC and FFC forms are subject to review and oversight by the NPRC, which will evaluate the provider’s FFC form responses for appropriateness and responsiveness and determine whether any follow-up action is necessary. If the matter documented on the MFC form is instead elevated to a deficiency or significant deficiency, then it is communicated in the report itself, along with the reviewer’s recommendation. The provider submits a letter of response, which is also evaluated for appropriateness and responsiveness, regarding actions planned or taken and the timing of those actions by the provider.

.26 A finding is one or more related matters that result from (a) a condition in the provider’s system of quality control or compliance with it such that there is more than a remote possibility that the provider would not develop or maintain reliable aids or (b) the reviewer’s conclusion that one or more of the materials tested do not encompass some portion of the components of the professional standards that the materials purport to encompass. A QCM reviewer will conclude whether one or more findings are a deficiency or significant deficiency. If the QCM reviewer concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of pass is appropriate. A finding not rising to the level of a deficiency or significant deficiency is documented on an FFC form. Findings will be evaluated and, after considering the nature, causes, pattern, and relative importance to the system of quality control as a whole, may not get elevated to a deficiency. A matter may develop into a finding and get elevated to a deficiency, and that deficiency may or may not be further elevated to a significant deficiency.

.27 A deficiency is one or more findings that (a) the QCM reviewer has concluded, due to the nature, causes, pattern, or pervasiveness, including the relative importance of the finding to the provider’s system of quality control taken as a whole, could create a situation in which the provider would not have reasonable assurance of developing or maintaining reliable aids or (b) impacts the reliability of one or more of the materials tested such that one of more of the materials do not encompass the components that are integral to the professional standards that the materials purport to encompass. It is not a significant deficiency if the QCM reviewer has concluded that except for the deficiency(ies), the provider has reasonable assurance of developing and maintaining reliable aids, or the nature of the deficiency(ies) is (are) limited to a small number of the total materials reviewed. Such deficiencies are communicated in a report with a QCM review rating of pass with deficiencies.
.28 A significant deficiency is one or more deficiencies that the QCM reviewer has concluded results from a condition in the provider’s system of quality control or compliance with it such that the provider’s system of quality control taken as a whole does not provide the provider with reasonable assurance of developing or maintaining reliable aids and has impacted the reliability of one or more of the materials tested. Such deficiencies are communicated in a report with a QCM rating of fail.

.29 Further detail is included in the following sections of section 1000:

- “Identifying Matters, Findings, Deficiencies, and Significant Deficiencies” (paragraphs .177–.178)
- “Aggregating and Evaluating Matters in the Provider’s System” (paragraphs .179–.186)
- “Aggregating and Evaluating Matters in the Provider’s Materials” (paragraphs .187–.189)
- “Reporting on QCM Reviews” (paragraphs .190–.194)

Expansion of Scope

.30 If, during the course of the QCM review, the QCM review team concludes that there is a potential matter or finding arising from the testing of one or more of the materials or functional areas in the system of quality control, the QCM review team should consider whether the application of additional review procedures is necessary. This consideration should be documented in the QCM review working papers. The objective of the application of additional procedures would be to determine whether the matter or finding is isolated or indicative of a larger issue. Under some circumstances, the QCM review team may conclude that, because of compensating controls or other reasons, further procedures are unnecessary. If, however, additional procedures are deemed necessary, they may include an expansion of scope to review all or additional portions of one or more of the materials or aspects of functional areas.

General Guidelines for Writing Reports

.31 A QCM review team may issue a report with one of the following QCM review ratings:

a. Pass
b. Pass with deficiencies
c. Fail

.32 There is a presumption that all materials and aspects of functional areas subject to the QCM review will be included in the scope of the review. See paragraphs .167–.168 of section 1000.

.33 The report should include all the applicable elements identified in paragraph .194 of section 1000.

.34 The QCM report should be issued on the QCM reviewer’s firm’s letterhead and signed in the QCM reviewer’s firm’s name for firm-on-firm and association-formed QCM review teams.

.35 The report should be addressed to the partners (or other appropriate terminology) of the provider and the NPRC, and should be dated as of the date of the exit conference.

.36 The report should use a plural pronoun in a statement, such as “we have reviewed,” even if the review team consists of only one person. The singular pronoun in a statement, such as “I have reviewed,” is appropriate only when the provider has engaged a sole practitioner to perform its review.

Guidance for Writing Deficiencies (and Significant Deficiencies) Included in Reports

.38 The criteria for identifying matters, findings, deficiencies and significant deficiencies for QCM reviews are discussed in paragraphs .177–.189 of section 1000. This section assumes that the QCM reviewer has already made the determination that a deficiency or significant deficiency exists.

Points to Consider When Writing Deficiencies or Recommendations to Be Included in a Report With a Rating of Pass With Deficiencies or Fail

.39 On a QCM review, the deficiencies in the report should include the following:

a. What the provider’s policies include or exclude (what the system is designed to do or not designed to do). This sets up the written deficiency in the report to articulate whether the provider’s system of quality control is designed appropriately. The deficiency is related to the design of the provider’s system of quality control or the provider’s failure to comply with or document its compliance with an appropriately designed system.

b. The underlying cause of the deficiencies. What happened (design failure or pervasive compliance issues) to cause the deficiency? This is often the most difficult area to identify when writing a deficiency, but it is also extremely important to identify the cause, not just the provider’s failure to comply with its policies and procedures. This is ultimately what the provider will need to change (the design of its system of quality control or how it complies with an appropriately designed system) in order for the deficiency not to recur.

c. The specific materials that are impacted by the deficiencies. The materials should be identified by title in the deficiencies.

d. Using the term significant deficiencies as a caption before all the identified deficiencies only when a report with a QCM review rating of fail is issued.

e. If any of the current deficiencies or significant deficiencies were also noted in the provider’s previous QCM review(s), whether in the prior report or FFCs, that fact should be identified by stating, “This deficiency was noted in the provider’s previous QCM review.” (See Interpretation No. 96n-1, “Reporting on System and Engagement Reviews When a Report With A Peer Review Rating of Pass With Deficiency or Fail is Issued,” of paragraph .96 in section 1000, “Standards for Performing and Reporting on Peer Reviews” (sec. 2000, “Peer Review Standards Interpretations,” question 96n-1.)

.40 On a QCM Review, written deficiencies should avoid the following:

a.包括个人偏好。

b. Referencing specific individuals by name.

c. Using undefined acronyms such as GAAP, GAAS, CPE or FASB.

d. Identifying references to specific technical standards, unless it is critical to the understanding of the deficiency, in which case the deficiency should be written in a sufficient and succinct manner, describing the technical standards in the proper context. Otherwise, the use of the general term professional standards should be used.

e. Grouping unrelated issues (different underlying causes) into a single deficiency.

f. Using titles preceding the deficiency that include design deficiency or compliance deficiency or the applicable functional element of quality control.

.41 Recommendations that follow the deficiencies or significant deficiencies included in the report should be very specific, not a reiteration of the deficiency or significant deficiency. Recommendations should focus on the underlying cause of the provider’s deficiencies or significant deficiencies and what the provider needs to do to correct its design of its system of quality control or compliance with it.
Completion of the Review

.42 In order to document the disposition of all the MFCs, the QCM reviewer completes a disposition of matter for further consideration (DMFC) form. The DMFC form is included in the summary review memorandum as part of the working papers and provides a trail of the disposition of the MFCs for the QCM reviewer, the NPRC, and individuals conducting technical reviews or oversight. All the MFCs are identified on the DMFC form with an indication after each concerning whether it was cleared, discussed with the provider during the exit conference, included on a specific FFC form (individually or combined with other MFCs), or included as a deficiency in a report with a QCM review rating of pass with deficiencies or as a significant deficiency in a report with a QCM review rating of fail.

.43 To conclude on the results of a QCM review, the QCM review team must aggregate the matters noted during the QCM review and determine whether the matters were the result of the design of the provider’s system of quality control or the failure of its personnel to comply with the provider’s quality control policies and procedures. The QCM review team should consider their relative importance to the provider’s system of quality control as a whole and their nature, causes, pattern, and pervasiveness.

.44 Use of professional judgment is essential in determining whether the aggregation of the matters noted during the review are findings and whether one or more findings is a deficiency or significant deficiency for purposes of reporting on the results of the QCM review. The QCM reviewer should consult with NPRC staff if he or she believes that one or more findings is a deficiency or significant deficiency.

.45 The exit conference marks the end of fieldwork in all substantial respects. Prior to the issuance of its report, the provider should be informed about any matters documented on the MFC form(s), findings documented on the FFC form(s), deficiencies or significant deficiencies to be included in the QCM review report, and the type of report to be issued. This communication ordinarily would take place at a meeting (exit conference) attended by appropriate representatives of the QCM review team and provider. The exit conference is also the appropriate vehicle for providing recommendations to the provider that do not affect the report, discussing new issues to monitor, and providing guidance on how to write a letter of response, if applicable. During the exit conference, the QCM review team should also remind the provider that it 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 NPRC as meeting the requirements of the program.

.46 The QCM review team should notify the NPRC of the date and time of the scheduled exit conference to permit representatives of the NPRC or its staff to attend the exit conference, if they so elect. The QCM review team, except in rare instances, should not hold the exit conference until the results of the QCM review have been summarized, and the report has been drafted, or a detailed outline has been prepared of the matters to be included in these documents. If there is uncertainty concerning the opinion to be expressed, the QCM review team should postpone the exit conference until a decision has been reached. Reviewers should remind the provider that the report is not finalized, and it may change, and inform the provider that the NPRC may require the provider to complete follow-up action(s).

.47 QCM reviewers should obtain the written representations, at a minimum relating to the following matters:

a. Situations when 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 when management is aware that its personnel or non-personnel contributors or reviewers (for example, guest authors or reviewers) have not complied with the rules and requirements of the 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 non-personnel 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, the Securities and Exchange Commission, the Government Accountability Office, the 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 non-personnel contributors or reviewers, and so on.

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

g. Other representations obtained by the QCM reviewer will depend on the circumstances and nature of the QCM review.

The written representations should be addressed to the QCM reviewer performing the QCM review. Because the QCM reviewer is concerned with events occurring during the QCM review period and through the date of his or her QCM review report that may require an adjustment to the QCM review report or other QCM review documents, the representations should be dated the same date as the QCM review report.

.48 If the provider receives a report with a QCM review rating of pass, a letter of response is not applicable, and the provider does not submit a copy of the report to the NPRC. Otherwise, the provider should submit a copy of the report and its letter of response to the NPRC within 30 days of the date that it received the report from the QCM reviewer or by the firm’s QCM review due date, whichever date is earlier.

.49 If the provider receives a report with a QCM 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. Prior to submitting the response to the NPRC, the provider should submit the response to the QCM reviewer for review, evaluation, and comment.

.50 The provider should respond to all findings and related recommendations not rising to the level of a deficiency or significant deficiency on the related FFC forms. These responses should describe the plan that the provider has implemented or will implement (including timing) with respect to each finding. The QCM reviewer should review and evaluate the responses on the FFC forms before they are submitted to the NPRC (see Interpretation No. 99-1 in section 2000).

.51 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 QCM reviewer, the provider disagrees with one or more of the findings, deficiencies, or significant deficiencies, the provider should contact the NPRC for assistance in the matter. If the firm still disagrees after contacting the NPRC, the firm’s response either on the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement.

.52 The AICPA Peer Review Board encourages the provider to work with the QCM reviewer to develop recommendations that both parties believe will be effective in correcting the matters, findings and deficiencies noted during the QCM review. Experience shows that improvement is more likely to occur when the letter of response describes 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.

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