

**AICPA Peer Review Board  
May 13, 2014 Open Session Meeting Highlights**

**Meeting Participants**

**Board Members**

Richard W. Reeder, Chair  
James T. Ahler  
Betty Jo Charles\*  
Michael A. Fawley  
Anita Ford  
Scott Frew\*  
Lawrence Gray  
Richard W. Hill  
Richard Jones  
Michael LeBlanc  
Toni Lee-Andrews  
G. Alan Long  
Michael McNichols  
Randy L. Milligan  
Thomas J. Parry  
Thad E. Porch  
Jodi L. Rinne  
Robert Rohweder  
Steven K. Stucky

\*via telephone

**AICPA Staff**

Fran McClintock, Staff Liaison  
Jim Brackens  
Sue Coffey\*  
Rachelle Drummond  
Kim Ellis\*  
Gary Freundlich  
Lisa Joseph\*  
Tim Kindem\*  
Sue Lieberum  
Ciara Locklear\*  
LaVonne Montague\*  
Donna Roethel  
Beth Thoresen  
Nicole Welman\*

**Observers**

Michael Auerbach, DOL  
Colleen Conrad, NASBA  
Alex Schillaci, Deloitte

**Guests Participating Via Telephone**

See Exhibit 1

**Purpose of the Meeting**

Regularly scheduled meeting to review and discuss proposed guidance and other topics. Mr. Reeder called the meeting to order at 11:10am PST.

**Discussion Points**

**1.1 Welcome Attendees**

Mr. Reeder called the open session to order and welcomed the Peer Review Board (PRB) members and all participants.

**1.2 Approval of Exposure Draft Related to Engagement Review Reports: Pass with Deficiency vs. Fail**

Ms. Ford discussed the purpose of the exposure draft. The comment period will be from May 20, 2014 to July 5, 2014. The STF will consider comments received at its July 8, 2014 meeting and, if appropriate, will propose guidance at the August PRB open session. If approved, the guidance will be effective for peer reviews with report dates of September 1, 2014 or later.

**Decisions, Next Steps and Action Items:**

- Exposure Draft and related Peer Review Alert were approved.

### **1.3 Approval of Enhanced Quality Initiative – Emerging Industries and Risk Areas**

Ms. Ford discussed the purpose of the Emerging Industries and Risk Areas task force and the areas of focus for 2014 as noted in the agenda item and associated Peer Review Alert.

#### **Decisions, Next Steps and Action Items:**

- The emerging industries and risk area focuses and related communications plan were approved.

### **1.4 Approval of Revisions to the Approved Peer Review Recall Guidance**

Mr. Reeder noted that a revised Agenda Item 1.4 had been provided to all open session participants that morning. Mr. Reeder noted that the PRB previously approved recall guidance on April 25, 2014. Subsequent to approval, some clarifying information was included in the guidance as originally presented in the open session materials. However, based on STF discussion on May 12, 2014, additional considerations were necessary related to coordination with noncooperation guidance. The revised guidance reflects changes considered by the STF. The changes made were to strike anything that referred to a voluntary replacement review as the AE must recall the acceptance letter. In all appropriate recall situations, the peer reviewer should recall the peer review report and the AE must recall the related acceptance letter. Discussion ensued and it was confirmed this guidance applies in two situations in which a material departure from the peer review standards directly impacted the peer review report – failure to include a must select engagement or undergoing an Engagement Review when a System Review was required.

#### **Decisions, Next Steps and Action Items:**

- An open session conference call will be scheduled in two weeks for purposes of approving the recall guidance.

### **1.5 Approval of QCM Representation Letter**

Ms. Ford stated this agenda item reflects conforming changes that go with QCM related guidance previously approved that inadvertently were excluded from STF and PRB materials.

#### **Decisions, Next Steps and Action Items:**

- The revised QCM representation letter was approved and will be included in the next manual release.

### **1.6 Approval of Revisioning Oversight Task Force Proposal**

Mr. Hill described the background of the revisioning oversight task force (ROTF) and its purpose. A summary of the ROTF proposal is included in the Peer Review Alert included in Agenda Item 1.6F. Mr. Hill noted minor changes to the materials presented.

#### **Decisions, Next Steps and Action Items:**

- The proposal and related peer review alert were approved.

### **1.7 Update on Impact of ARSC Exposure Draft on Peer Review**

Mr. Freundlich noted that the PRB needs to determine what the impact of the current ARSC exposure draft dealing with preparation of and association with financial statements will be on the Peer Review Program. The STF briefly discussed what they believed to be in the best interest of the program and the profession and will also request feedback from stakeholders,

particularly state boards of accountancy who may currently or prospectively require these engagements be included in peer review by law and/or regulation. Mr. Freundlich discussed presenting an exposure draft at the August PRB meeting that completely carves preparation of financial statements and association with financial statements out of peer review, such that it would not trigger a peer review, nor be included in the scope of peer review for subject to peer review. Discussion ensued.

**Decisions, Next Steps and Action Items:**

- The PRB approved an Exposure Draft to be presented at the August open session that carves preparation of financial statements and association with financial statements completely out of peer review but that also solicits feedback and information that will assist the PRB in making final decisions on the matter

**1.8 Update on the DOL Research Project**

Ms. Lieberum provided background information that led to staff performing the DOL research project and provided statistics regarding the results to date. Discussion ensued regarding the Peer Review confidentiality restrictions and how state boards are being informed of the results.

**Decisions, Next Steps and Action Items:**

- None.

**1.9 Update on Task Forces of Enhancing Audit Quality Initiative**

**A. Peer Reviewer Quality**

Mr. Mayes noted the PRQ task force has several initiatives it is considering, each of which will be included in a discussion paper to be released in summer 2014. The initiatives include a reviewer contract, AQC membership as a qualification to review ERISA or GAS engagements, and “A” level experience for reviewing a must select.

**B. Focus Reviews on Risky Industries and Areas of Concern**

Ms. McClintock referenced discussion of Agenda Item 1.3 and noted we are working with AICPA teams to ensure there is appropriate guidance available as educational materials for firms on these areas.

**C. Improve Engagement Tracking**

Ms. McClintock noted staff is investigating ways to ensure we have a complete population of firms and engagements subject to peer review. One method being investigated is capturing EINs from firms for use in comparison to public records, such as the Federal Clearinghouse.

**D. Make Peer Review Results More Informative**

Ms. Drummond noted that input is being obtained from various peer review stakeholder groups to determine how to proceed and requested input on the discussion paper to be released later this year.

**E. Revisioning Oversight**

Ms. McClintock referenced discussion on Agenda Item 1.6.

**Decisions, Next Steps and Action Items:**

- None.

### **1.10 Operations Director's Report**

Ms. Thoresen noted that we're actively working on the integration of PRISM with the new NetFORUM database that will replace our Oracle member database, expected in January 2015. We are moving forward with increasing PRISM security by reducing PRISM timeout from 60 minutes to 20 minutes. This change is pending a time out warning message and is expected to be implemented late summer 2014. Ms. Thoresen also noted the Peer Review Conference will be held August 3-5 in Denver, CO. Additionally, the sixth annual customer satisfaction survey will launch soon and will include questions to allow staff to assess the peer reviewer pool.

#### **Decisions, Next Steps and Action Items:**

- None.

### **1.11 Report from State CPA Society CEOs**

Mr. Jones presented on Mr. Ahler's behalf. They have been receiving a lot of questions from AEs and state executives about PMoF. Mr. Ahler and Ron Getz, a PMoF task force member, will be presenting to state CEOs about recall guidance and PMoF.

#### **Decisions, Next Steps and Action Items:**

- None.

### **1.12 Update on National Peer Review Committee**

Ms. Charles provided an update on NPRC activity since the previous PRB meeting. She also discussed dates and locations of future meetings. Ms. Charles will be retiring and Larry Gray will replace her as chair of the NPRC, effective July 1, 2014.

#### **Decisions, Next Steps and Action Items:**

- None.

### **1.13 Update on Electronic Peer Review Program Manual**

Ms. Lieberum noted that we will provide a printed manual and CD through July 2015 but after that it will only be available as part of the AICPA enhanced online professional library.

#### **Decisions, Next Steps and Action Items:**

- None.

### **1.14 For Informational Purposes:**

#### **A. Report on Firms Whose Enrollment was Dropped or Terminated**

Ms. McClintock noted a list of firms dropped and terminated was provided.

#### **B. Update on the MFC Project**

Ms. Drummond noted examples of matters identified would be sent out in a quarterly reviewer focus and posted online.

#### **C. Approved Peer Review Web Events**

Ms. Lee-Andrews noted a Peer Review Update webcast will be held on June 2, 2014.

#### **D. Standards Task Force Future Agenda Items**

Ms. Ford indicated focus for 2014 will primarily be on the EAQ related items and referenced other items identified in the agenda materials.

**E. Education and Communication Task Force Future Agenda Items**

Ms. Lee-Andrews noted the final agenda and some conference cases and Exchange of Ideas topics had been approved by ECTF.

**F. Oversight Task Force Future Agenda Items\*-Mr. Hill**

Mr. Hill noted OTF will be conducting onsite visits at AEs and mentioned the pilot program as noted above in Agenda Item 1.6.

**Decisions, Next Steps and Action Items:**

- None.

**1.15 Future Open Session Meetings**

Ms. Thoresen reviewed the upcoming meetings and locations listed in the agenda materials and noted the September meeting would now be a conference call and the May 2015 meeting will be in Durham, NC.

**Exhibit 1: Peer Review Board Open Session  
Guests Participating Via Telephone  
May 13, 2014**

Name	Organization
1. Thomas Kirwin	Sullivan Bille PC
2. Sharon Romere-Nix	Thomson Reuters
3. Ravi Venkataraman	Ravi Venkataraman CPA LLC
4. Gilda Priebe	E.C. Ortiz & Co., LLP
5. Jerry Cross	TSCPA
6. Heather Reimann	PICPA
7. Nichole Favors	Indiana CPA Society
8. Mark Mersmann	Missouri Society of CPAs
9. Roger Johnson	TSCPA
10. Abby Dawson	F.G. Briggs Jr., CPA Professional Association
11. Wendy Garvin	TN Society of CPAs
12. Linda McCrone	CA Society of CPAs
13. Julie Salvaggio	KY Society of CPAs
14. Chris Bacon	Missouri Society of CPAs
15. Pamela Lemire	New England Peer Review
16. Nancy Corrigan	CA Board of Accountancy – PROC
17. Susan Lamb	CA Society of CPAs
18. Judy Thomas	CO State Board of Accountancy
19. Gerard Stifter	Gerard E Stifter LLC
20. Gloria Snyder	LCPA
21. Patty Hurley	OK Society of CPAs
22. Jennifer Poff	GA Society of CPAs
23. Todd Shapiro	IL CPA Society
24. Paul Brown	FICPA
25. Janice Wood	NJ Society of CPAs
26. Michael Jack	D Michael Jack CPA
27. Robert Brooks	NC State Board of CPA Examiners
28. Judy Chaplin	Iowa Society of CPAs
29. Glen Tesch	NYS Edu Dept.
30. Jennifer Winters	NY State Board for Public Accountancy
31. Marsha Moffitt	AR Society of CPAs
32. Phyllis Barker	OR Society of CPAs
33. Rita Barnard	KSCPA
34. Carolee Lindsey	Cummings, Keegan & Co., PLLP
35. Chuck Christner	McGladrey (INCPAS PR Chairman)
36. Cheryl Hartfield	Thomson Reuters
37. Janice Gray	Gray, Blodgett & Company, PLLC
38. Seid Sadat	California Board of Accountancy –PROC
39. Gloria Roberts	MSCPA