

Peer Review Board Open Session Materials

May 28, 2014

Conference Call

**AICPA Peer Review Board
Open Session Agenda
May 28, 2014 11:00 AM – 12:30 PM (Eastern Time)
WebEx Conference Call**

Date/Time: Tuesday, May 28, 2014 11:00 AM – 12:30 PM (Eastern Time)

1.1 Welcome Attendees and Roll Call**- Mr. Reeder

1.4 Approval of Revisions to the Approved Peer Review Recall Guidance*- Mr. Reeder

*- Document Provided

**-Verbal Discussion

Revisions to the Approved Peer Review Recall Guidance

Why is this on the Agenda?

Failure to include consideration of any must select engagement in a peer review is considered a material departure from peer review standards. Peer review staff became aware that firms have failed to inform their peer reviewers and administering entities (AEs) that they performed employee benefit plan (EBP) audits. In 2012, the staff became aware of this issue when they began getting copied on Department of Labor (DOL) referrals sent to Professional Ethics. As a result of these findings, the Peer Review Board (PRB) approved the original peer review recall guidance in August 2012. Since that time, developments have occurred requiring revisions specific to errors and omissions.

In 2013, the DOL sent staff a list of approximately 5,000 firms that performed ERISA audits for year ending December 31, 2011. Staff began researching each firm's prior peer review information. If evidence (copy of publicly available audit report) supported that such an engagement was not properly included in the peer review, prior recall guidance indicated that the peer reviewer and peer review committees should make a determination as to whether the peer review documents should be recalled. Staff became aware that reviewers were not recalling peer review documents. In addition, administering entities (AEs) were not requesting reviewers to recall the peer review report, nor were administering entities recalling acceptance letters themselves.

The decisions made by reviewers and the administering entities to resolve the issues did not meet the expectations of the PRB. In addition, staff also became aware that the guidance may not have been sufficiently clear that AEs should notify the state boards of accountancy (SBOAs) when peer review documents were recalled. The revised recall guidance better reflects the PRB's intent for recall situations.

This recall guidance addresses situations where there is evidence that errors or omissions directly result in a material departure from peer review standards that change the peer review report. Other types of errors or omissions will be handled differently when the impact on the peer review report is not obvious and requires judgment, such as communications of allegations and investigations and other situations that may have impacted the planning, performance, evaluation, reporting or acceptance of the peer review.

Feedback Received

- On March 25, 2014 a conference call was held with some PRB members to discuss the major points and confirm direction of the proposed recall guidance revisions.
- On March 27, 2014, e-mail communications were sent to the Chief Executive and Deputy Officers of each state society indicating the high-level proposed revisions to the guidance as discussed by the PRB. This communication was also sent to Peer Review Administrators.
- Due to the urgency to address state board notification concerns and ongoing DOL project investigations, the PRB voted to approve revisions to the recall guidance by email ballot on April 25, 2014. During the approval process, several Board members, though voting in favor of the guidance, suggested additional clarifications in some areas, which are included in the attached.

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- On April 30, 2014, e-mail communications were sent to Administrators and Chief Executive and Deputy Officers of each state society describing the high-level revisions to the recall guidance approved by the PRB on April 25, 2014. No additional feedback has been received from these parties as a result of those communications.
 - On May 12, 2014 the Standards Task Force (STF) discussed the guidance approved by the PRB on April 25, 2014. The STF raised concerns about the option to not recall the acceptance letter if the reviewer did not recall the peer review report. STF concluded that if a peer report is materially incorrect, the acceptance letter must be recalled. This conclusion does not require any deliberation by the peer review committee or the administering entity. The reviewer should still consider recalling the peer review report. This was discussed during closed session and open session on May 13, 2014. This change is incorporated in this agenda item.
 - The high level overview of the proposed changes discussed on May 13, 2014 were sent via e-mail to state society executives on May 15 and to state board of accountancy representatives (NASBA) on May 20 to allow input prior to the final approval of the guidance. Any subsequent input received will be presented during open session.

PRISM/Technology Impact

The revisions to the recall guidance will not impact PRISM. The recall guidance indicates that when the acceptance letter is recalled, reliance on those documents should discontinue and be removed from public view. For recalled peer review documents, existing technology will allow the peer review documents and peer review information to be removed from the Public File and Facilitated State Board Access (FSBA) by AICPA staff. The public file and FSBA will display the publicly available peer review information allowed by standards paragraph .146 (including date of acceptance and period covered by the firm's most recently accepted peer review, which is generally the peer review prior to the recalled peer review).

AE Impact

- The peer review committee, technical reviewer, and administrator will no longer be involved in the decision about whether to recall peer review documents when there is evidence of a material departure from peer review standards resulting in a change in the peer review report. The acceptance letter must be recalled in these situations. The peer reviewer may decide to recall a peer review report.
- AEs will be responsible for sending communications to all applicable parties timely and in accordance with guidance. These are manual processes and administering entities must develop a system to monitor each situation. This includes timely sending the Notification of Discovery Letter to the firm, reviewer and AICPA staff and also timely notifications to the SBOAs as allowed by the guidance.

Communications Plan

- Peer Review Alert reflecting the revisions to the guidance will be sent as soon as practicable, after final approval by the PRB.
- The guidance will be discussed with administrators and technical reviewers during training calls held after approval.
- This will be included in the Peer Review Update webcast on June 2, 2014.

Manual Production Cycle (estimated)

Revisions to the paper and CD version of the Report Acceptance Handbook (section 3300) are expected no later than the January 2015 edition to the Peer Review Program Manual. However, the revisions to the guidance will be available in the online version of section 3300 as soon as practicable.

Effective Date

Upon approval by the PRB. However, this revised guidance is not applicable to discoveries of information that were communicated to the administering entity, reviewed firm, or reviewer prior to the approval of this revised guidance. The procedures for those instances should follow the recall guidance that was in effect at the time of the communication.

Board Consideration

Review and approve the changes to the recently approved revised recall guidance in the RAB Handbook (Agenda item 1.4B), the Peer Review Alert (Agenda item 1.4A) and the administrative letter (Notification of Discovery and Resolution letter- Agenda item 1.4C).

Significant changes from the April 25, 2014 approved version of the guidance are as follows:

- If the firm's peer review report is not correct in all material respects, the administering entity must recall the peer review acceptance letter. There is no need for deliberation by the peer review committee. The firm is required to have a replacement review due within 90 days.
- In addition, to notifying the SBOA when a peer review acceptance letter is recalled, the AE should notify the applicable SBOAs when a replacement review is accepted. The AE is not allowed to specifically indicate that the peer review has been recalled nor indicate that a replacement review is being performed. The AE should follow the example provided to communicate information allowed by Standards paragraph .146.
- The reviewer for the replacement review (System Review) must evaluate the systemic cause of the error or. At a minimum, the reviewer must prepare a Matter for Further Consideration (MFC) form to allow the firm to respond. Further evaluation of the systemic cause could lead to a Finding for Further Consideration (FFC) or deficiency in the report.

**Peer Review Alert
Revisions to Recall Guidance**

In 2012, the Peer Review Board (board) approved guidance for the recall of peer review documents when information is subsequently discovered that may have impacted the planning, performance, evaluation or acceptance of a firm's peer review. Recent developments required revisions to guidance specifically related to omissions and errors.

To address these recent developments about omissions and errors, on April 25, 2014 the board approved revisions to the recall guidance when subsequently discovered evidence indicates that errors or omitted information about a firm's accounting and auditing practice results in a material departure from the standards and requires a change to the peer review report. Further conforming changes were approved by the Board on May 28, 2014.

Summary of major revisions to recently approved recall guidance:

- Explicitly indicates that if the discovery of information about an error or omission does not originate from AICPA peer review staff, staff should be notified and consulted immediately before proceeding with recall considerations.
- Defines a material departure from peer review standards as errors or omissions that result in a change in the type of peer review, period covered or must-select categories (engagements required to be selected by the reviewer as defined in Interpretations 63-1). Such a departure results in a peer review that is not properly performed or reported on in all material respects thus necessitating a significant change in the peer review report.
- Emphasizes that it is the firm's responsibility to notify users relying on the peer review documents to discontinue reliance.
- Indicates that the reviewer should (presumptively mandatory) recall the peer review report if the previously accepted peer review report was not correct in all material respects. If such a report was accepted more than three years and six months prior or a more recent peer review has been accepted, then recall reconsiderations are not necessary.
- Indicates that the administering entity (AE) should communicate the discovery of the information (with evidence) and the resolution of the matter in writing simultaneously to the firm and reviewer (Notification of Discovery and Resolution Letter). The firm should sign and return the letter to the AE within 15 days from the date of the letter.
- Eliminates peer review committee deliberation about recalling the acceptance letter if an engagement that would have required a system review or an engagement in a must-select category was not included in a system review. Recall of the acceptance letter is automatic in these instances. The recall of the acceptance letter invalidates the related peer review report and letter of response, if applicable, because it creates a situation in which the firm's peer review documents are no longer accepted by the administering entity. Therefore the reviewer is not required to recall the peer review report but may do so.
- Indicates that the period to be covered by a replacement review is the firm's and reviewer's decision. Provides clearer examples of resolutions for a replacement review depending on whether the firm continues to perform the previously omitted engagement(s). The firm and reviewer should consult with the administering entity to determine the period to be covered by a replacement review.
- Indicates that the reviewer for the replacement review must evaluate the systemic cause for the error or omission and, at a minimum, prepare a Matter for Further Consideration

(MFC) form. Further evaluation of the systemic cause could lead to a Finding for Further Consideration (FFC) or deficiency in the report.

- Provides guidance on the method and content of information that may be communicated by the administering entity to state boards of accountancy if peer review documents are recalled.
- Removes the reference to the disagreement guidance related to recall procedures when there is evidence that errors or omitted information about a firm's accounting and auditing practice represents a material departure from the standards of the program resulting in a significant change to the peer review report.

Other changes to the guidance

- Removes extraneous and duplicative information.
- Adds a definition of presumptively mandatory ("should") and mandatory provisions ("must") to the guidance overview as a footnote. Departures from provisions require consultation with AICPA staff.

These changes to the recall guidance can be found as Agenda Item 1.4 in the Peer Review Board Open Session Materials for May 28, 2014 and will be included in the next revision of the Peer Review Program Manual. The guidance was effective upon board approval on May 28, 2014. However, this revised guidance is not applicable to discoveries of information that were communicated to the administering entity, reviewed firm, or reviewer prior to the approval of this revised guidance. The procedures for those instances should follow the recall guidance that was in effect at the time of the communication.

VII. Considerations for the Recall of Peer Review Documents

Overview

Peer reviewers or reviewing firms (reviewer) and reviewed firms (firm) are responsible for complying with the standards and guidance issued by the AICPA Peer Review Board (board) throughout the entire peer review process. This includes communicating with all appropriate parties involved in the program regarding information that could affect the performance or results of the peer review. Fulfilling all reviewer and firm responsibilities is required as a matter of cooperation with the administering entity, peer review committee (committee), the board, and AICPA staff (staff). After the date of acceptance by the committee, the administering entity (including the administrator, committee, and technical reviewer) or reviewer generally have no obligation or expectation to make any further inquiry or perform any other peer review procedures with respect to the peer review report, acceptance letter, or letter of response, if applicable (referred to hereafter in this section as peer review documents), unless information that may affect an accepted peer review comes to the parties' attention.

This section describes actions that should¹ be considered by the reviewer, committee, or staff who, subsequent to the date of peer review acceptance, becomes aware of facts that existed as of the date of the peer review report or acceptance that might have affected the performance or acceptance of the peer review had such information been known. Instances for recall consideration include, but are not limited to, situations in which there were errors or omissions or when the reviewer was not qualified or eligible to perform the peer review.

When peer review documents are being considered for recall, staff should be notified and consulted early in the process. ***For discoveries of information not covered by this guidance or discoveries that do not originate from staff, staff should be notified before proceeding with any recall considerations.*** During recall considerations all parties involved in the peer review process should continue to adhere to the confidentiality guidelines in paragraph .20 of the standards.

Generally, recall considerations should not be made for fee disputes, disagreements that occur after acceptance by the report acceptance body, or other situations that did not have a direct impact on the underlying peer review period, procedures performed, or peer review documents. Additionally, the reviewer, firm, or committee should not consider recalling

¹ This section uses the term *should* to indicate a presumptively mandatory requirement in all cases in which such a requirement is relevant. However, in rare circumstances, the reviewer, firm, or committee may depart from a presumptively mandatory requirement, provided there is consultation with and concurrence by staff and the parties document the justification for the departure and how the alternative decisions or actions in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement. Use of the term *must* in this section indicates an unconditional requirement in all cases in which such a requirement is relevant.

peer review documents if a subsequent peer review report has been accepted, for situations outside of the scope of peer review, or situations not addressed within the standards of the program.

Before making any recall decisions, the facts of the situation must be confirmed. The recall considerations should be documented and retained until the firm's subsequent peer review has been completed.

Potential Reasons for Recall of Peer Review Documents

Recalling previously accepted peer review documents should be considered in instances including, but not limited to, the following situations.

Errors or Omissions

Errors or omissions that may have caused a significant change in the planning, performance, evaluation of results, peer review documents, or acceptance of the review are as follows:

- Material Departures Directly Impacting the Peer Review Report: *(See section A)*
 - The firm had an engagement review and failed to inform the administering entity or reviewer that the firm performed an engagement for the period covered by the peer review that would have required the firm to undergo a system review had the information been known to the administering entity or reviewer
 - The firm performed an engagement in a must-select category during the period covered by the peer review, and the reviewer did not consider or select a comparable must-select engagement during the system review.
- Other Departures That May Change the Peer Review Report: *(See section B)*
 - The firm had an engagement review and failed to inform the administering entity or reviewer that the firm performed a particular level of service required to be selected in an engagement review, and the reviewer did not consider or select a comparable engagement during the engagement review. For instance, compilations with disclosures were included in the engagement review, but ~~none of the compilations without disclosures~~ performed by the firm were not included—considered in the engagement review.
 - The firm omitted or misrepresented information relating to its accounting and auditing practice, other than instances covered in section A.
 - The firm failed 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 or limitations or restrictions on the firm's ability to practice public accounting related 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.

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- The firm provided erroneous information in response to inquiries from the administering entity, staff, or reviewer in relation to the peer review.

Reviewer Disqualifications (See section C)

- The reviewer or reviewing firm was not qualified (ineligible) to perform or issue the peer review report because certain peer reviewer qualifications were not met at the time of the review and this was not made known to staff or the administering entity during the scheduling, performance, or acceptance of the review.
- The reviewer or reviewing firm failed to inform staff or the administering entity when there were limitations or restrictions on the reviewer or reviewing firm's ability to practice public accounting. Considerations for recalling peer review documents should not be made if there are allegations or investigations of deficiencies in the conduct of an accounting, auditing, or attestation engagement performed and reported by the reviewer or reviewing firm that are discovered subsequent to the acceptance of the peer review, but that have not resulted in limitations or restrictions on the reviewer or reviewing firm's ability to practice public accounting.

The preceding examples are not intended to be all-inclusive or indicate when peer review documents should be recalled. The reviewer needs to be aware that reviewer noncompliance could affect his or her ability to perform future reviews, and the firm needs to be aware that firm noncompliance could affect its ability to meet AICPA membership requirements, as well as licensing and other regulatory requirements.

General Guidance

When the reviewer or administering entity becomes aware of information that relates to previously accepted peer review documents but was not known to the reviewer, firm, or administering entity as of the date of the peer review report or acceptance thereof, the situation should be documented in writing and provided to the administering entity. The reviewer and committee should consider whether the information may have caused a significant change in the peer review.

After the confirmation of evidence supporting the facts and considerations discussed in the following guidance, if the reviewer determines that the peer review report should be recalled, then both the peer review report and acceptance letter should be recalled.

Material Departures

The board considers errors or omissions that result in a change in the peer review report for the type of peer review, period covered, or must-select categories to be material departures from the *AICPA Standards for Performing and Reporting on Peer Reviews*. Such a departure results in a peer review that is not properly performed or reported on in conformity with the standards in all material respects. Generally the reviewer should recall the peer review report if the previously accepted peer review report was not properly performed or reported on in all material respects. If such a report was accepted more than three years and six months prior to discovery of the information or a more recent peer review has been accepted, then recall considerations are ordinarily not necessary. When the

peer review was not performed or reported on in conformity with the standards in all material respects, there is no need for deliberation by the committee about the recall of the acceptance letter and the guidance in section A should be followed.

~~After the confirmation of evidence supporting the facts and considerations discussed in the following guidance, if the reviewer determines that the peer review report should be recalled, then both the peer review report and acceptance letter should be recalled.~~

Other Departures

For instances covered in section B, if a reviewer decides not to recall a peer review report, the committee should independently consider whether or not to withdraw acceptance of the peer review report. The committee's reconsideration of peer review acceptance should take into account the reviewer's considerations, but is not fully dependent on the reviewer's recall of the peer review report. The committee's decision to recall an acceptance letter invalidates the related peer review report and letter of response, if applicable, because it creates a situation in which the firm's peer review documents are no longer accepted by the administering entity.

Replacement Review

When the decision is made to recall peer review documents, the administering entity should notify the firm about the need for a replacement review. A replacement review is another peer review that takes the place of a recalled peer review that addresses the concerns related to the previously omitted engagement(s) or information or reviewer disqualification. The resolutions depend upon the timing of the discovery, because the peer review working paper retention period must be considered, which is 120 days after the peer review is completed. Resolutions for a replacement review further discussed in this guidance include revising the peer review report (~~ordinarily considered~~ **only** if within 120 days of peer review completion), full reperformance of the peer review of the same period, or performance of a peer review of a subsequent period.

A. Considerations Related to ~~Errors or Omissions~~ Material Departures Directly Impacting the Peer Review Report

1. Confirmation of Facts and Evidence

Awareness of errors or omissions that result in material changes in the peer review report could come from various sources, such as the administering entity, publicly available information, reviewers, staff, or other substantiated and reliable sources. When the reviewer, administering entity, or staff becomes aware of information that relates to previously accepted peer review documents but may not have been known to the reviewer, or administering entity as of the date of the peer review report or acceptance thereof, the situation should be documented in writing and provided to the administering entity. Any parties presenting such information to the administering entity must undertake measures to determine whether the information is reliable and whether the facts existed during the period covered by the peer review or as of the date of the peer review report and provide verifiable evidence to support the facts.

2. Communication With the Administering Entity

Once the information and evidence is confirmed as factual and reliable, the administering entity should promptly communicate the discovery and resolutions to the firm and reviewer. The administering entity should document the situation in the Notification of Discovery and Resolution letter from the administering entity, addressed to the firm, and copied to the reviewer and staff. The administering entity should include evidence supporting the discovery, indication that the acceptance letter will be recalled, and due dates requirement for the replacement review, including the due date and guidelines for the resolution in the Notification of Discovery and Resolution letter. The administering entity should obtain confirmation of receipt indicating that both the firm and reviewer received the Notification of Discovery and Resolution letter.

3. Reviewer Considerations of Relevance and Impact

By copy of the Notification of Discovery and Resolution letter, the reviewer ~~is requested to respond in writing to the firm and the administering entity within 15 days from the date of the letter about his or her decision to~~ should (presumptively mandatory) recall the previously accepted peer review report. The reviewer should respond in writing to the firm and the administering entity about his or her decision to recall the peer review report. Errors or omissions that directly result in a change in the peer review report for the type of peer review, period covered, or must-select categories are considered to be material departures from the standards of the program for which the reviewer should recall the peer review report. ~~However, by copy of the Notification of Discovery and Resolution letter, the reviewer is advised that the acceptance letter will be recalled by the administering entity, which invalidates the related peer review report. Unless the reviewer positively communicates the decision to~~ recalls the peer review report, the reviewer will not be allowed to revise the peer review report or perform the firm's replacement review. However, if the firm has voluntarily agreed to have a replacement review due within 90 days, it is acceptable² for the reviewer to conclude that it is not necessary to recall the firm's peer review report.

4. Recall of Peer Review Documents and Resolutions

~~If the reviewer decides to recall the peer review report, t~~ The administering entity must recall its acceptance letter when notified by staff that the peer review report is not correct in all material respects. ~~because such acceptance is not effective without the underlying peer review report. Neither the firm nor the committee has the ability to disagree with the reviewer's decision to recall the peer review report. The firm is not required to sign the Notification of Discovery and Resolution letter if the firm is notified of the reviewer's decision to recall the peer review report. If the peer review documents are recalled, T~~ the peer review information and peer review documents should ~~must~~ be removed from view on Facilitated State Board Access (FSBA), and the administering entity will ~~must~~ notify the applicable state board(s) of accountancy of information allowed by the guidance.

² This represents an exception to the presumptively mandatory requirement for the reviewer to recall the peer review report upon the receipt of a copy of the Notification of Discovery and Resolution letter.

Generally, ~~when the reviewer recalls the peer review report,~~ a replacement peer review should be performed and the documents submitted to the administering entity for technical review and committee acceptance considerations within 90 days of the date of the Notification of Discovery and Resolution letter.

5. Recall and Resolutions If Discovery Is Within 120 Days of Peer Review Completion

The reviewer is expected to retain peer review documentation in accordance with the peer review working paper retention policy. Therefore, if the discovery and communication to the administering entity (prompting the Notification of Discovery and Resolution letter) occurs within 120 days of the peer review completion date, there is an option to have the original reviewer recall the peer review report and perform additional procedures for the purpose of issuing a revised report. The original reviewer should be willing, qualified, and able to submit the revised peer review report and working papers to the administering entity for acceptance by the established due date, which is generally within 90 days of the date of the Notification of Discovery and Resolution letter. Alternatively, the firm, in consultation with the administering entity, may have a replacement review of the same period or a subsequent period. (See section A.6.)

If the original reviewer chooses to recall the previous report and reissue a revised report, the revised report should be dated as of the date that the reviewer obtained enough evidence to conclude on the results of the review with consideration of the newly discovered information and communicates those results to the firm (new exit conference date). There should not be a reference in the revised peer review report to the previously issued and recalled report.

In addition to submitting the revised peer review report to the administering entity, the reviewer should also submit any pertinent additional peer review documentation, including at a minimum, a revised Summary Review memorandum (~~system reviews~~) or a memo detailing the situation, reviewer's additional considerations, conclusions, and changes to engagement data statistics. The revised Summary Review memorandum (~~system reviews~~) or memo should address the omission or error in detail and fully explain the impact and conclusion on significant peer review aspects, including changes in risk assessment, engagement selection, procedures, evaluation and elevation of matters, recommendations, or report rating. The reviewer must evaluate the systemic cause for the error or omission and, at a minimum, prepare a Matter for Further –Consideration (MFC) form. Further evaluation of the systemic cause could lead to a Finding for Further Consideration (FFC) or deficiency in the report. The reviewer should submit peer review documentation that was significantly changed as a result of additional procedures that would ordinarily be submitted to the administering entity for acceptance in accordance with the guidance. In addition, the reviewer should also request the representation letter from the firm, specifically addressing the circumstances about information previously omitted or provided in error.

The revised peer review documents and working papers should be subjected to technical review prior to presentation to the report acceptance body (RAB). Such information should be considered in conjunction with the previously submitted and retained peer review

documents and working papers that were not revised as well as the previous technical reviewer's checklist.

If the subsequently discovered information would have changed the type of peer review from an engagement review to a system review, then the reviewer does not have the option to revise and reissue the peer review report. Such situation would necessitate a completely new replacement review of the same period or a subsequent period. If feasible, the reviewer may consider procedures performed during the recalled review to assist with the performance of the new system review.

6. Recall and Resolutions If Discovery Is More Than 120 Days After Peer Review Completion

If the Notification of Discovery and Resolution letter is sent more than 120 days after the completion of the peer review, the firm should have a replacement review performed by a qualified reviewer. The reviewer should perform the review in accordance with guidance and submit the working papers to the administering entity by the established due date which is generally within 90 days of the date of the Notification of Discovery and Resolution letter.

The firm and approved reviewer should decide whether the replacement review should cover the same period or a subsequent period to include the previously omitted engagement(s). The firm and approved reviewer should consider such factors as the significance and risk(s) related to the omitted information or engagement(s) or subsequently completed engagement(s), time elapsed, and the established due date of the firm's replacement review. For replacement reviews, the reviewer and firm should determine the year end based on the guidance examples below. ~~also consider the firm's practice, the year ends of engagements and when the procedures were performed, and the number of engagements to be encompassed in the review to determine the appropriate year-end for the replacement review.~~ The reviewer or firm should consult with the administering entity ~~may also be consulted~~ to determine the peer review period that should be covered.

While performing the replacement review, the reviewer must evaluate the systemic cause for the error or omission and, at a minimum, prepare a Matter for Further Consideration (MFC) form. Further evaluation of the systemic cause could lead to a Finding for Further Consideration (FFC) or deficiency in the report.

Regardless of the period covered by the replacement review, the firm and reviewer are expected to abide by the due date established by the administering entity, which should be 90 days from the date of the Notification of Discovery and Resolution letter. ~~Therefore the peer review period covered should be reflective of engagements that the firm reasonably expects to complete before the firm's due date.~~ The firm and reviewer should consider the following examples in determining the period to be covered by the replacement review:

Example 1. Firm no longer performs similar engagements (Discovery within 12 months of peer review acceptance- replacement review of same period)

A firm failed to inform the administering entity or reviewer that it performed a particular level of service requiring a system review (e.g. engagement year end June 30, 2012) for the

period under review (e.g. January 1, 2012 to December 31, 2012), and the firm no longer performs that level of service after the period covered by the review. If 12 months or less have elapsed between the period covered by the previous peer review and the Notification of Discovery and Resolution letter (e.g. discovery communicated prior to December 31, 2013), ordinarily another peer review of the original period (January 1, 2012 to December 31, 2012) should be performed to include the level of service that caused the replacement review. If reviewing a subsequent 12-month period would not include the level of service or engagement(s) in question, then a replacement review of a subsequent period may not be appropriate.

Example 2. Firm no longer performs similar engagements (Discovery more than 12 months after peer review acceptance- replacement review of subsequent period)

A firm failed to inform the administering entity or reviewer that it performed a must-select engagement(s) (e.g. engagement year end June 30, 2012) for the period under review (e.g. January 1, 2012 to December 31, 2012), and the firm no longer performs engagements in the same must-select category after the period covered by the review. If more than 12 months have elapsed between the period covered by the previous peer review and the Notification of Discovery and Resolution letter (e.g. discovery communicated after December 31, 2013), ordinarily the reviewer should perform a replacement review of a subsequent period, but include the previously omitted engagement(s). The greater the number of prior year engagements considered, the greater the risk that the results of the review are not reflective of the peer review year covered by the report and the related peer review results. If several engagements were previously omitted, this may prompt reperformance of the peer review of the original period.

Example 3. Firm continues to perform similar engagements

A firm failed to inform the administering entity or reviewer that a particular level of service requiring a system review was performed or neglected to disclose that it performed a must-select engagement (e.g. engagement year end June 30, 2012) for the period under review (e.g. January 1, 2012 to December 31, 2012), and the firm has or will continue to perform similar engagements. The replacement review should include the most recently completed engagement similar to those previously omitted and the period covered should be determined by the firm and the reviewer. The period covered should consider the time elapsed between the period covered by the previous peer review and the Notification of Discovery and Resolution letter. The greater the number of prior year engagements considered, the greater the risk that the results of the review are not reflective of the peer review year covered by the report and the related peer review results. If several engagements were previously omitted, this may prompt reperformance of the peer review of the original period.

In all the preceding examples, the firm's next peer review will have a due date of three years and six months from the year end of the replacement review.

7. Voluntary Replacement Review

Upon receipt of the Notification of Discovery and Resolution Letter, the firm has 15 days to agree to a Voluntary Replacement Review. To have such a review performed, the firm should acknowledge and comply with the following conditions:

~~a) The firm agrees to have a replacement review submitted to the administering entity by an established due date, which should be approximately 90 days after the date of the Notification of Discovery and Resolution letter, and~~

~~b) By signing this letter, the firm provides a limited waiver of confidentiality to allow the administering entity or staff to immediately notify the applicable state board(s) of accountancy that the firm is expected to have a replacement peer review by the established due date, and the reason for the replacement review.~~

~~If the firm agrees and complies with the preceding conditions, and the reviewer does not recall the peer review report, the acceptance letter will not be recalled. However, the peer review documents should be removed from public view and Facilitated State Board Access (FSBA) to prevent continued reliance on documents that are not correct in all material respects.~~

8. Involuntary Replacement Review

~~The firm should undergo an involuntary replacement review if the firm (1) does not agree or the signed Notification of Discovery and Resolution letter is not received by the administering entity within 15 days of the date of the letter or (2) agrees to the terms in the Notification of Discovery and Recall letter within 15 days but fails to comply with the agreement to have the replacement review submitted by the established due date. If the firm is subject to an involuntary replacement review, the acceptance letter should be recalled promptly, and the peer review documents and related information should be removed from public view and FSBA, and the administering entity should notify the applicable state board(s) of accountancy of information allowed by program guidance.~~

97. Firm Responsibilities

The firm has the responsibility to notify all parties that might be relying on the peer review documents to discontinue reliance when it is determined that those documents do not comply with standards in all material respects. ~~This responsibility exists regardless of whether~~ **and** the peer review documents are recalled. This includes, but is not limited to notification to the state board(s) of accountancy (regardless of agreeing to the waiver), current or potential clients, regulators, enforcement agencies, insurance carriers, or government agencies, if applicable. The firm is also responsible for the removal of the documents from publicly available sources, such as the firm's website. The firm needs to be aware that firm noncompliance with peer review requirements could affect its ability to meet AICPA membership requirements, as well as licensing and other regulatory requirements.

It is ultimately the firm's responsibility to have the peer review submitted by the firm's due date. Therefore, the firm is responsible for hiring a reviewer who understands the importance of the issue and timing for the replacement review.

~~108.~~ *Notification to State Boards of Accountancy*

a. Peer Review Documents Are Recalled

In jurisdictions where peer review is mandatory and state boards are not prohibited from accessing peer review documents, the administering entity should immediately notify the applicable state board(s) of accountancy of changes to information and documents that were ~~that access to documents previously made available has been removed or revised~~ and to contact the firm for further information. Regardless of whether the firm has opted out from peer review document access, the administering entity should inform the applicable state board(s) of the date of acceptance and the period covered by the firm's most recently accepted review (which is generally the peer review prior to recall) and other information allowed by standards paragraph .146. In addition, a similar communication should be sent when the replacement review is accepted.

b. Peer Review Documents Are Not Recalled

~~In jurisdictions where peer review is mandatory and state boards are not prohibited from accessing peer review documents, if the firm signs the Notification of Discovery and Resolution letter acknowledging the limited waiver of confidentiality related to state board communications, the administering entity should immediately notify the state board that the firm is expected to have a replacement review within 90 days and the reason for the replacement review. In addition, the state board should be notified when the replacement review is accepted.~~

~~119.~~ *Additional Considerations by AICPA Staff*

In instances where there has been noncompliance with standards or noncooperation on the part of the firm, additional actions that may be considered by the staff include referral to a hearing panel of the board for termination from the AICPA Peer Review Program. The fact that a firm's enrollment in the AICPA Peer Review Program has been terminated, with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe. A firm's termination from the program could result in the termination of AICPA membership for all individuals within the firm. Depending on the circumstances, if the firm's enrollment is terminated through such procedures, staff may make a referral to the AICPA's Professional Ethics Division for individuals who may have violated the Code of Professional Conduct.

B. Considerations Related to Other ~~Errors or Omissions~~ Departures That May Change the Peer Review Report

1. Confirmation of Facts by the Reviewer

Awareness of errors or omissions could come from various sources, such as the administering entity, publicly available information, reviewers, staff, or substantiated and reliable sources. If a party other than staff discovers the information, the situation should be immediately communicated to the reviewer. If the information is of such a nature and from such a source that the reviewer would have considered it

during the course of the peer review, the reviewer should, as soon as practicable, undertake measures to determine whether the information is reliable and whether the facts existed during the period covered by the peer review report or as of the date of the peer review report. The reviewer should discuss the situation with the firm and request cooperation in whatever efforts may be necessary to obtain evidence, and determine the relevance and impact on the peer review and related report.

2. Communication With the Administering Entity

If the firm refuses to cooperate with the reviewer in efforts to confirm the facts with regard to relevance to or impact on the peer review, the reviewer should immediately consult with the appropriate administering entity because a failure to cooperate may subject a firm to fair procedures that could result in termination of the firm's enrollment in the AICPA Peer Review Program (program).

If the subsequently discovered information is found both to be reliable and to have existed as of the date of the peer review report, the reviewer should immediately notify the firm's administering entity of the situation, provide the evidence, and indicate whether the reviewer reasonably believes that the omission or error may have caused a significant shift in focus in the peer review performance, change in evaluation of results, or change in the peer review documents. Communication from the reviewer should be made in writing and addressed to the peer review committee of the administering entity regardless of whether the administering entity was the source of the information. The situation should be documented in the Notification of Discovery letter issued by the administering entity on behalf of the committee, addressed to the firm, and copied to the reviewer and staff. Evidence supporting the discovery should be included in the Notification of Discovery letter. The administering entity should obtain confirmation of receipt indicating that both the firm and reviewer received the Notification of Discovery letter. The Notification of Discovery letter informs the firm, reviewer, and administering entity to retain all relevant peer review working papers until the matter is fully resolved or in accordance with the peer review working paper retention period, whichever is later.

3. Reviewer and Committee Considerations of Relevance and Impact

The reviewer and committee should carefully and independently consider the potential impact of the information on the results of the peer review. However, depending on the circumstances, the reviewer should take the lead in the early considerations of relevance and impact due to the reviewer's familiarity with the situation. The reviewer and committee should take action in accordance with the procedures set out in subsequent paragraphs if the nature and effect of the matter are such that the reviewer and committee believe (a) the peer review procedures, report, or both would have been affected if the information had been known to the reviewer as of the date of the report and (b) persons who may attach importance to the omission or error are currently relying, or are likely to rely, on the peer review report.

Some examples that the reviewer and committee might consider when evaluating whether it is necessary to recall the peer review documents are as follows:

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- a. If the reviewer can sufficiently conclude that the subsequently discovered information would not have changed the risk assessment or engagement selection, then the reviewer and committee may determine that the peer review report may remain as originally accepted. For instance, it is discovered that an investigation was for a particular partner's engagement. If the discovery is communicated within the peer review working paper retention period, the reviewer and committee may determine that the recall of peer review documents is not necessary if a similar engagement from that partner was included in the peer review selection. If outside the retention period, the reviewer may consider it appropriate to review a representative engagement or other considerations before reaching a conclusion about whether to recall the peer review report.
 - b. If the firm had an engagement review performed, but neglected to notify the reviewer that the firm performed a level of service for which an engagement was required to be selected, the reviewer should consider the risk related to omitted level of service. For instance, the firm neglected to inform the reviewer that it performed review engagements, and only a compilation and a compilation that omitted substantially all disclosures engagements were selected during the peer review. Engagement data statistics retained by the administering entity may assist in the determination of level of services previously reviewed if discovery is beyond the peer review working paper retention period. The reviewer may consider it appropriate to review an engagement from the previously omitted level of service before reaching a conclusion about whether to recall the peer review report. The reviewer may determine that the peer review report should not be recalled if there are no deficiencies related to the omitted level of service.

The reviewer and firm should consult with the administering entity to determine implications and possible resolutions. The reviewer should inform the administering entity of his or her decision prior to informing the firm of a decision to recall the peer review report. If, after careful consideration, the reviewer determines that the omission or error would have caused a significant change in the planning, performance, evaluation of results, or peer review documents, the reviewer may decide to recall the peer review report. The reviewer's considerations and final determinations should be communicated to the administering entity and firm promptly and in writing, but no later than 30 days from the date of the Notification of Discovery letter, regardless of a final decision to uphold or recall the previously issued peer review report. A reviewer's failure to respond promptly within the indicated time period could be considered a matter of noncooperation.

4. *Recall of Peer Review Documents*

If the reviewer decides to recall the peer review report, the committee of the administering entity must recall its related acceptance letter because such acceptance is not effective without the underlying report. The firm has the ability to disagree with the reviewer and the committee's decision and should follow the procedures in chapter 7, "Consultations and Disagreements," of the *Report Acceptance Body Handbook* and express its disagreement in writing to the committee of the administering entity.

The decision to recall the peer review documents and confirmation of the firm's plan to resolve the matter and fulfill its peer review requirement should be discussed, documented, and communicated in the Notification of Acceptance Recall letter from the administering entity on behalf of the committee, addressed to the firm, and copied to the reviewer and staff as soon as practicable. The due dates and guidelines for the proposed resolution procedures should be included in the communication from the administering entity. Generally, when the reviewer recalls the peer review report, a replacement peer review should be performed and documents submitted to the administering entity for technical review and committee acceptance considerations within 90 days of the date of the Notification of Acceptance Recall letter. The agreement should also include acknowledgment of the firm's responsibility to communicate the recall to the state board of accountancy and any other parties relying on previously accepted peer review documents, including, but not limited to, regulators, enforcement agencies, or government agencies. The appropriate representative of the firm must sign the Notification of Acceptance Recall letter and return it to the administering entity evidencing the firm's agreement to the terms. If the firm does not sign and return the agreement within 30 days of the date of the Notification of Acceptance Recall letter, this will be considered noncooperation and will not delay the recall of the peer review documents, unless the firm has provided notification of a disagreement in accordance with chapter 7 of the *Report Acceptance Body Handbook*.

5. *Recall and Resolutions If Discovery Is Within 120 Days of Peer Review Completion*

-The reviewer is expected to retain peer review documentation in accordance with the peer review working paper retention policy. Therefore, if the discovery and communication to the administering entity (prompting the Notification of Discovery letter) occurs within 120 days of the peer review completion date, there is an option to have the original reviewer recall the peer review report and perform additional procedures for the purpose of issuing a revised report. The original reviewer should be willing, qualified, and able to submit the revised report and working papers to the administering entity for acceptance by the established due date, which is generally within 90 days of the date of the Notification of Acceptance Recall letter. Alternatively, the firm, in consultation with the administering entity, may have a replacement review of the same period or a subsequent period.

If the original reviewer decides to recall the previous report and reissue a revised report, the revised report should be dated as of the date the reviewer obtained enough evidence to conclude on the results of the review with consideration of the newly discovered information and communicates those results to the firm (new exit conference date). There should not be a reference in the revised peer review report to the previously issued and recalled report.

In addition to submitting the revised peer review report to the administering entity, the reviewer should also submit any pertinent additional peer review documentation, including at a minimum, a revised Summary Review memorandum (system reviews) or a memo detailing the situation, reviewer's additional considerations, conclusions, and changes to engagement data statistics. The revised Summary Review

memorandum (system reviews) or memo should address the omission or error in detail and fully explain the impact and conclusion on significant peer review aspects, including changes in risk assessment, engagement selection, procedures, evaluation and elevation of matters, recommendations, or report rating. The reviewer should submit peer review documentation that was significantly changed as a result of additional procedures that would ordinarily be submitted to the administering entity for acceptance in accordance with the guidance. The reviewer must evaluate the systemic cause for the error or omission and, at a minimum, prepare a Matter for Further -Consideration (MFC) form. Further evaluation of the systemic cause could lead to a Finding for Further Consideration (FFC) or deficiency in the report. In addition, the reviewer should also request a representation letter from the firm specifically addressing the circumstances previously omitted or provided in error.

The revised peer review documents and working papers should be subjected to technical review prior to presentation to the RAB. Such information should be considered in conjunction with the previously submitted and retained peer review documents and working papers that were not revised as well as the previous technical reviewer's checklist.

6. Recall and Resolutions If Discovery Is More Than 120 Days After Peer Review Completion

The reviewer is expected to retain peer review documentation in accordance with the peer review working paper retention policy. Therefore, if the Notification of Discovery letter is sent more than 120 days after the completion of the peer review, the firm should have a replacement review performed by a qualified reviewer. The reviewer should perform the review in accordance with guidance and submit the working papers to the administering entity by the established due date which is generally within 90 days of the date of the Notification of Acceptance Recall letter.

The firm and approved reviewer should decide whether the replacement review should cover the same period or a subsequent period to address concerns about the previously omitted engagement(s) or information. The firm and approved reviewer should consider such factors as the significance and risk(s) related to the omitted information or engagement(s) or subsequently completed engagement(s), time elapsed, and the established due date of the firm's replacement review. ~~The reviewer and firm should also consider the firm's practice, the year ends of engagements and when the procedures were performed, and the number of engagements to be encompassed in the review to determine the appropriate year end for the replacement review.~~ The administering entity may also be consulted to determine the peer review period that should be covered.

If the replacement review is a system review, the reviewer must evaluate the systemic cause for the error or omission and, at a minimum, prepare a Matter for Further -Consideration (MFC) form. Further evaluation of the systemic cause could lead to a Finding for Further Consideration (FFC) or deficiency in the report.

Regardless of the period covered by the replacement review, the firm and reviewer are expected to abide by the due date established by the administering entity, which

should be 90 days from the date of the Notification of Acceptance Recall letter. Therefore the peer review period covered should be reflective of engagements that the firm reasonably expects to complete before the firm's due date. The firm's next peer review will have a due date of three years and six months from the year end of the replacement review.

7. Reviewer Decides Not to Voluntarily Recall Peer Review Report

If, after careful consideration, the reviewer decides not to recall the peer review report, the reviewer should summarize his or her basis for conclusion and communicate the results promptly to the committee and firm, but no later than 30 days from the date of the Notification of Discovery letter. If the committee agrees with the reviewer's determination, the administering entity should send the firm a Notification of Discovery Closure letter to the firm (copied to reviewer and staff), notifying the firm that the matter is considered closed and no further action will be taken regarding the previously accepted peer review documents.

If the committee has substantial reason to question the reviewer's decision not to recall the report, then the committee may undertake further measures. The committee (or individual designated by the committee) should consult with staff, evaluate the circumstances, and determine whether the peer review acceptance letter should be recalled notwithstanding the reviewer's decision. If the committee decides to recall the acceptance letter confirmation of the firm's plan to have the report reissued or to have another review performed, it should be documented in a Notification of Acceptance Recall letter from the administering entity on behalf of the committee, addressed to the firm, and copied to the reviewer and staff.

The committee should consider the following scenarios depending on the timing of the discovery of the omission or error:

a. Committee Considerations When Reviewer Decides Not to Recall the Peer Review Report—Discovery Within 120 Days of Peer Review Completion

If the committee has substantial reason to believe that the reviewer's decision not to recall the previously accepted peer review report may be inappropriate, the committee should consider notifying the firm, consult with staff, and determine the most appropriate action. The committee may decide that (onsite or offsite) additional procedures should be performed by an individual acceptable to the committee to determine if the decision not to recall the report is appropriate. This could include partial or full working paper additional procedures covering all related documents underlying the peer review. Although the peer review would have already been performed, the additional procedures can still be performed afterwards with the cooperation of the firm and reviewer in either providing or forwarding requested items to the person(s) performing the additional procedures. The additional procedures should be performed as soon as reasonably practical but should commence not later than 30 days following the reviewer's communication of a decision not to recall the peer review report.

The individual performing additional procedures should approach the review with a higher degree of skepticism with regard to the error or omissions and determine whether he or she were able to overcome concerns about the omissions or error. The individual performing additional procedures should fully report on these procedures to the committee.

- i. If the results of the additional procedures are consistent with the documents previously accepted for the review, the committee should allow the peer review documents to remain as originally accepted.
- ii. However, if the additional procedures results indicate that a substantially different peer review report (change in report rating, scope, or deficiencies identified) should have been issued as a result of the discovered error or omission, then the committee should consider recalling the previously accepted peer review documents. The administering entity should notify the reviewer of the results of the additional procedures and committee's conclusion. The committee (or individual designated by the committee) should also discuss the results with the firm. If the committee recalls the acceptance letter, the administering entity should communicate terms of the replacement review by a qualified reviewer following the guidance in section B.5. .

b. Committee Considerations When Reviewer Decides Not to Recall the Peer Review Report—Discovery More Than 120 Days After Peer Review Completion

If the Notification of Discovery letter is sent more than 120 days after completion of the peer review, and the reviewer decides not to recall the peer review report, then the committee should discuss the potential implications of the omission or error and should consult with staff. If, after careful consideration and its own assessment, the committee disagrees with the reviewer's conclusion not to recall the peer review report, the committee should independently consider recalling the acceptance of the peer review documents. The committee of the administering entity should thoroughly document its considerations and reasons for recalling the peer review documents and related acceptance in opposition to the reviewer's determination.

The administering entity should notify the reviewer of the committee's decision to recall acceptance and consult with the firm to determine if or when the firm should have another review performed. See section 6 for procedures for recalling peer review documents when discovery is more than 120 days after peer review completion.

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8. Firm Responsibilities

The firm has the responsibility to notify all parties that might be relying on the peer review documents to discontinue reliance when it is determined that the peer review report or acceptance letter is recalled. This includes, but is not limited to notification to the state board(s) of accountancy, current or potential clients, regulators, enforcement

agencies, insurance companies, or government agencies. The firm is also responsible for the removal of the documents from publicly available sources. The firm needs to be aware that firm noncompliance with peer review requirements could affect its ability to meet AICPA membership requirements, as well as licensing and other regulatory requirements.

It is ultimately the firm's responsibility to have the peer review submitted by the firm's due date. Therefore, the firm is responsible for hiring a reviewer who understands the importance of the issue and timing for the replacement review.

9. *Notification to State Boards of Accountancy If Peer Review Documents Are Recalled*

In jurisdictions where peer review is mandatory and state boards are not prohibited from accessing peer review documents, the administering entity should promptly notify the applicable state board(s) of accountancy **of changes to information and documents that were** ~~that access to documents previously made available has been removed or revised~~ and to contact the firm for further information. Regardless of whether the firm has opted out from peer review document access, the administering entity should inform the applicable state board(s) of the date of acceptance and the period covered by the firm's most recently accepted review (which is generally the peer review prior to recall) and other information allowed by standards paragraph .146. If the reviewer and committee determine that the omission or error does not result in a material departure from standards and the documents should not be recalled, the administering entity should not notify the state board(s) of accountancy regarding the discovery of the error or omission.

10. *Additional Considerations by Peer Review Committee or AICPA Staff*

In instances in which the committee believes that there has been noncompliance with standards or noncooperation on the part of the firm, additional actions that may be considered by the committee or staff include referral to a hearing panel of the board for termination from the AICPA Peer Review Program. The fact that a firm's enrollment in the AICPA Peer Review Program has been terminated, with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe. A firm's termination from the program could result in the termination of AICPA membership for all individuals within the firm. Depending on the circumstances, if the firm's enrollment is terminated through such procedures, staff may make a referral to the AICPA's Professional Ethics Division for individuals who may have violated the Code of Professional Conduct.

Notification of Discovery and Resolution Letter
(Material Departures- Errors or Omissions)

[Date]

[Managing Partner of Reviewed Firm]

[Firm Name]

[Firm Address]

Proof of Delivery Required

Dear [Mr. / Ms.] [Last Name of Managing Partner of Reviewed Firm]:

This letter is to inform you that the accepted peer review documents for your firm's most recent peer review cannot be relied upon due to a material departure from the standards which impacts the peer review report. Therefore the acceptance letter for your firm's peer review is being recalled.

The goal of the AICPA Peer Review Program (program) is quality in the performance of accounting and auditing engagements by AICPA members and other parties who are permitted to use and who are expected to comply with the standards of the program. This goal can only be achieved if the program is conducted in compliance with the *AICPA Standards for Performing and Reporting on Peer Reviews* (standards).

The attached evidence indicates information omitted from your firm's most recently accepted peer review. AICPA staff has undertaken appropriate efforts to confirm the validity of this information and has determined that the information is both reliable and existed as of the date of the peer review report. This information was provided to the administering entity subsequent to the acceptance of the review. The AICPA Peer Review Board has determined that such omitted information would have caused a significant change in the planning, performance, evaluation of results, peer review documents (peer review report, acceptance letter, [and letter of response, if applicable]) and acceptance of the review.

Specifically, omitted information was as follows: *[insert the summary of the omitted information- see examples on next page (**)] and enclose any evidence supporting this information*].

If you believe that the evidence presented herein is incorrect, please notify us and your peer reviewer within 15 days of the date of this letter.

By copy of this letter, your peer reviewer should follow the peer review guidance that indicates the reviewer should (presumptively mandatory) recall the peer review report.

However, even if the reviewer does not communicate a decision to recall your firm's peer review report, the recall of the acceptance of the peer review, invalidates the peer review report, because it creates a situation in which your firm's peer review documents are no longer accepted by the administering entity. Your firm should have a replacement review submitted to the administering entity by [due date], which is approximately 90 days from the date of this letter.

Your firm is responsible for notifying any parties that may be relying on recalled peer review documents to discontinue reliance on those documents. Such parties include, but are not limited to, state boards of accountancy, current or potential clients, regulators, enforcement agencies, insurance carriers, or government agencies. The firm should cease further dissemination, and remove the peer review documents from public view.

When your firm's peer review is recalled, the peer review documents and related information will no longer be available on Facilitated State Board Access (FSBA). If the state board is not prohibited from accessing peer review documents and has mandatory peer review, the administering entity will notify the applicable state board(s) of accountancy of information as allowed in Standards paragraph .146. This notification includes the date of acceptance and period covered of your firm's most recently accepted peer review (which is generally the peer review prior to the recalled peer review). Please be aware that the recall of peer review documents may result in a lack of compliance with licensing and regulatory agencies.

Please acknowledge your agreement to the terms set out in this letter. Your firm's failure to comply with the terms to submit the replacement peer review by the established due date, may be deemed as a failure to cooperate with the program. A failure to cooperate with the program may subject your firm to fair procedures that could result in your firm's enrollment in the program being terminated. If your firm's enrollment is terminated, that fact will be published in such form and manner as the AICPA Council may prescribe and you [*and the members of your firm*] may no longer be eligible for AICPA membership.

If you wish to discuss this situation, please contact me at [*telephone number*].

Sincerely,

[*Name*]

[*Title*]

[*Administering Entity*]

cc:

[*Reviewed Firm Peer Review Contact*]

[*Reviewer Name*]

AICPA Peer Review Program staff

Firm #

Review #

Acknowledged for the Firm-

Signature of Reviewed Firm Managing Partner:

Date: _____

**Notification of Discovery and Resolution Letter
(Reviewed Firm Omission/Error)
(Examples **)**

(**) Example wording for omission or erroneous information (Notification of Discovery and Resolution Letter should include sufficient detail of the situation):

- The firm had an engagement review performed and failed to inform the administering entity or reviewer that the firm performed an engagement for the period covered by the peer review that would have required the firm to undergo a system review had the information been known; or
- The firm performed an engagement in a must-select category for the period covered by the peer review and the reviewer did not consider or select a comparable must-select engagement during the system review.
- The scheduling information provided by the firm provided proper information about the firm's accounting and auditing practice. However, the reviewer failed to select such an engagement during the review.



Peer Review Program