

**AICPA Peer Review Board  
Open Session Highlights  
September 27, 2016  
Teleconference**

***PRB Members:***

Anita Ford, Chair  
Jeannine Birmingham  
Brian Bluhm  
Dawn Brenner  
James Clausell  
Bert Denny  
Mike Fawley  
Karen Kerber  
Bill Lajoie  
Mike LeBlanc  
Barbara Lewis  
Alan Long  
Tom Parry  
Andrew Pope  
Keith Rowden  
Debra Seefeld  
Marty Shannon  
Todd Shapiro  
Tom Whittle

***Absent:***

Bill Calder

***AICPA Staff:***

Karen Aylor  
Jim Brackens  
Brad Coffey  
Rachelle Drummond  
Kim Ellis  
Gary Freundlich  
Donna Roethel Freundlich  
Laurel Gron  
Jennifer Gum  
Tim Kindem  
Toni Lee-Andrews  
Sue Lieberum  
Justin Long  
Fran McClintock  
LaVonne Montague  
Tracy Peterson  
Beth Thoresen  
Tricia VanVliet  
Andrew Volz

***Observers:***

John Guido  
Mike Wagner  
Karen Welch

***Guest Participants:***

See [Exhibit 1](#)

**Agenda Item 1.1: Welcome Attendees and Roll Call of Board– Mr. Kindem/Ms. Ford**

Mr. Kindem conducted the roll call of the Board and guests. Ms. Ford called the open session to order and welcomed the Board members and all participants.

**Agenda Item 1.2: Approval of the AICPA PRB Annual Oversight Report– Ms. Seefeld**

*Discussion Summary:*

1. Ms. Seefeld thanked members of the Oversight Task Force (OTF) and staff for their dedicated work on the oversight program of the Board. Ms. Seefeld indicated the OTF reviewed and approved the document included in the materials and presented the annual report on oversight to the Board for approval.

*Resolutions:*

1. The AICPA Peer Review Board Annual Oversight Report was approved as presented subject to minor clerical edits.

*Open Items:*

None

**Agenda Item 1.3: Approval of RAB Handbook Revisions – Report Acceptance Process– Ms. Seefeld**

*Discussion Summary:*

1. Ms. Seefeld noted that a revised Agenda Item 1.3 had been provided to all open session participants that morning. Specifically, Agenda Item 1.3B was updated to allow the technical reviewer to indicate on the technical reviewer's checklists reasons why the review should be included on the consent agenda.
2. Results from RAB observations have identified inconsistencies in the way reviews are presented to RABs for acceptance that may inhibit full discussion and evaluation of a review. The OTF is proposing additions to the RAB Handbook as presented in Agenda Items 1.3A and 1.3B to enhance report acceptance guidance and promote consistency through;
  - a. Requiring that all reviews be presented at a RAB meeting and the meetings must be conducted in person or via conference call.
  - b. Outlining consent agenda criteria that will allow RAB members to vote on a group of reviews without discussion, segregated for system and engagement reviews.
  - c. Allowing for AEs to choose not to use a consent agenda.
  - d. Revising the recommendation section of the technical reviewer's checklists to indicate when a review meets all of the criteria to be placed on a consent agenda.

*Resolutions:*

1. The proposed revisions in Agenda Items 1.3A and 1.3B were approved as presented subject to the removal of item number 7 in Agenda Item 1.3B which states "is the review being included on the consent agenda," effective for reviews commencing on or after January 1, 2017, early implementation is permitted.

*Open Items:*

1. Staff will issue an Administrative Alert detailing RAB Handbook revision and discuss on both a bi-weekly AE call and a quarterly technical reviewers call.
2. The OTF will further evaluate the RAB acceptance process, including review of the administrative checklist.

**Agenda Item 1.4: Approval of Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Guidance Changes– Mr. Parry**

*Discussion Summary:*

1. Mr. Parry explained that this agenda item is in response to the Exposure Draft on Allowing Firms with no AICPA Members to Enroll in the AICPA Peer Review Program, which was approved by the Board in May 2016. The comment period for this exposure draft ended in August 2016. The Standards Task Force (STF) has considered comments received to the exposure draft and proposes that the Board approve the changes to Standards and peer review materials as presented in Agenda Items 1.4A through 1.4C. Agenda Item 1.4A includes the final changes to Standards and Interpretations. Agenda Items 1.4B and 1.4C include conforming changes to the RAB Handbook and other Peer Review Manual materials.
2. Items of note:
  - a. The STF proposes that the effective date be changed from the date included in the exposure draft to be effective upon the implementation of Phase 1 of the Peer Review Integrated Management Application (PRIMA), the PRISM replacement system, to reduce programming efforts.

- b. The appeals process for a firm with no AICPA members will be subject to fair procedures which are currently being drafted.
  - c. Peer review committee members, RAB members, national RAB consultants and technical reviewers must all be AICPA members in good standing, whether performing reviews for firms with or without AICPA members.
  - d. A large influx of non-members to the National Peer Review Committee is not expected as most AEs will transition the state programs to the AICPA program and continue their administration.
  - e. State societies will not be required to transition their programs to the AICPA program, though a fee to cover the additional programming and ongoing maintenance technology costs will likely be charged to state societies that choose to utilize PRIMA to administer their state programs.
3. Overall comments received on the exposure draft were generally supportive and are summarized in Agenda Item 1.4D with a link to the comments received.

*Resolutions:*

1. The proposed changes to the Standards and Interpretations, the RAB Handbook, and related Peer Review Manual sections as presented in Agenda Items 1.4A through 1.4C were approved as presented subject to minor clarifying edits, with effective date as discussed above.

*Open Items:*

1. Staff will issue a Reviewer Alert of the exposure draft and related changes.

**Agenda Item 1.5: Approval of Enhancing Audit Quality Initiative Conforming Guidance Changes– Mr. Parry**

*Discussion Summary:*

1. Opportunities to enhance guidance have been identified during development of PRIMA, a comprehensive online peer review process that increases efficiency, consistency and effectiveness of the Peer Review Program. The changes to standards presented in Agenda Items 1.5A through 1.5C are meant to enhance guidance through;
  - a. Clarifying the timing of a firm's initial review when they are already enrolled in the Peer Review Program, but have transitioned to performing engagements subject to peer review.
  - b. Clarifying guidance on the submission of documentation to AEs, as well as the individuals responsible.
  - c. Proposing the use of the term "Reviewed Firm Representative" to convey the appropriate person(s) within the firm to sign the MFC, FFC, and the Firm Representation letter.
2. The changes presented in Agenda Item 1.5A would be effective for reviews commencing on or after January 1, 2017. The changes presented in Agenda Items 1.5B and 1.5C would be effective with the implementation of phase I of PRIMA.

*Resolutions:*

1. The proposed changes to Interpretations and related Peer Review Manual sections as presented in Agenda Items 1.5A through 1.5C were approved as presented, with effective dates as discussed above.

*Open Items:*

1. Staff will issue a Reviewer Alert detailing the conforming guidance changes.

## **Agenda Item 1.6: Approval of Guidance Changes Related to the SSARS Omnibus – 2016– Mr. Parry**

### *Discussion Summary:*

1. Changes to the Peer Review Program Manual outlined in Agenda Items 1.6A and 1.6B are brought about by approval of the SSARS Omnibus – 2016, which incorporates compilation of prospective financial statements into AR-C section 80, previously AT section 301, among other conforming language changes. The ARSC also amended application guidance paragraph .A1 to convey references to financial statements in the SSARS should be taken as references to other financial information for engagements performed in accordance with SSARS on financial information other than historical financial statements.

### *Resolutions:*

1. The proposed changes to Standards and Interpretations as presented in Agenda Items 1.6A and 1.6B were approved as presented, effective for reviews commencing on or after January 1, 2017, early implementation is permitted.

### *Open Items:*

1. Staff will issue a Reviewer Alert detailing guidance changes related to the SSARS Omnibus – 2016.

## **Agenda Item 1.7: Approval of Technical Reviewer Acceptance of Reviews with Preparation Engagements– Mr. Parry**

### *Discussion Summary:*

1. In response to SSARS No. 21, the STF proposes changes as illustrated in Agenda Item 1.7A, which proposes allowing technical reviewers to also accept engagement reviews on behalf of the RAB if MFCs only relate to preparation engagements. Current criteria includes MFCs only if they apply to compilations. This change is being recommended to help ensure consistency over what technical reviewers can and cannot accept on the committees' behalf.

### *Resolutions:*

1. The proposed changes to Interpretations and the RAB Handbook as presented in Agenda Item 1.7A were approved as presented, effective for reviews commencing on or after January 1, 2017.

### *Open Items:*

1. Staff will issue a Reviewer Alert on the updated technical reviewer acceptance process.

## **Agenda Item 1.8: Task Force Updates**

*See Peer Review Board Open Meeting Agenda Item 1.8 for details of what was covered during this discussion.*

## **Agenda Item 1.9: Operations Directors Report– Ms. Thoresen**

### *Discussion Summary:*

1. The project to replace the PRISM system with PRIMA is in progress, with an expected launch of the first phase of changes during late February 2017. A communication strategy related to the launch of PRIMA is being finalized and will include targeted communications and training to all stakeholders.
2. Evolution of Peer Review Administration
  - a. 62 formal responses have been received from the discussion paper and follow-up supplemental paper that were released earlier this year, including letters from 32

state societies and seven State Boards of Accountancy; staff will continue to accept comments through October 31, 2016. Responses overwhelmingly support the need for change although concerns were expressed about the specific approach proposed.

- b. Staff is considering feedback, including analyzing the feasibility of suggested alternative models. A revised proposal with updated timeline will be developed and communicated in the coming months with feedback requested from states and stakeholders.

#### **Agenda Item 1.10: Report from State CPA Society CEOs– Mr. Shapiro**

##### *Discussion Summary:*

1. State Society CEOs have been discussing the “Proposed Evolution of Peer Review Administration” discussion paper. Discussions have also ensued regarding the National Peer Review Administrative Fee to Enhance Audit Quality and the approval of Allowing Firms with No AICPA Members to Enroll in the AICPA Peer Review Program Exposure Draft.
2. Mr. Shapiro noted State Societies CEOs are committed to improving audit quality, but have varying opinions on how this should be accomplished.

#### **Agenda Item 1.11: Update on National Peer Review Committee– Mr. Fawley**

##### *Discussion Summary:*

1. There has not been a NPRC meeting since the last Board meeting on August 11, 2016.
2. There are 11 large firm reviews that require oversight in 2016, four will require a panel.
3. There are two QCM reviews to be performed in 2016.
4. The NPRC’s oversight report is in process and will be presented at the October meeting. Additionally, the PCAOB inspection report on broker-dealers and results from peer review will also be discussed at the October meeting along with opportunities to help improve future results.
5. RAB calls/monitoring - Since August 11, 2016, the NPRC has held three RAB calls. During those calls: 25 reviews were presented. Of those, 16 were pass, 5 pass with deficiencies, and four were fail reports.
6. Future Meetings
  - a. Conference call on October 27, 2016
  - b. In-person Washington, D.C. meeting to be held on December 8, 2016

#### **Agenda Item 1.12: For Informational Purposes:**

1. Report on Firms Whose Enrollment was Dropped or Terminated  
*See Peer Review Board Open Meeting Agenda Item 1.12 for the list of firms dropped or terminated, no discussion occurred at the meeting.*

#### **Agenda Item 1.13: Future Open Session Meetings**

1. November 14, 2016 Open session – Conference call
2. January 31, 2017 Open session – Naples, FL
3. May 12, 2017 Open session – Durham, NC
4. August 17, 2017 Open session – Nashville, TN
5. September 29, 2017 Open session – Conference call

The meeting adjourned at 2:52pm EDT.

**Exhibit 1:  
AICPA Peer Review Board Meeting – Open Session  
Guest Participants**

Name	Organization
1. Ashley Sellers	ASCPA
2. Laurie Warwick	Ernst and Young
3. Mary Beth Halpern	MACPA
4. Michael Jack	Indiana CPA Society
5. Colin Autin	Oklahoma Accountancy Board
6. Heather Lindquist	Illinois CPA Society
7. Lorita Bill	Lorita K. Bill CPA Consulting LLC
8. Katie Cheek	TSCPA
9. Janice Hodge	Virgin Islands Board of Public Accountancy
10. Daniel Weaver	Texas State Board of Public Accountancy
11. Tiffney Duncan	Texas State Board of Public Accountancy
12. Linda McCrone	California Society of CPAs
13. Wendy Garvin	Tennessee State Board of Accountancy
14. Glenn Roe	NJCPA
15. Gerry Stifter	Gerard E. Stifter
16. Susan Vachereau	Colorado Society of CPAs
17. Beth Lyons	Massachusetts Society of CPAs
18. Michael Mixon	Georgia State Board
19. Nichole Favors	Indiana CPA Society
20. Rita Barnard	KSCPA
21. Ernie Markezin	NYSSCPA
22. D Boyd Busby	Alabama Board of Public Accountancy
23. John Dailey	NASBA
24. William Bailey	U.S. Department of Labor
25. Ellen Adkins	South Carolina Board of Accountancy
26. Cheryl Hartfield	Thomson Reuters
27. Jerry Cross	TSCPA
28. Robert Giblichman	Warady & Davis LLP
29. Gloria Roberts	Gloria P. Roberts CPA
30. Julie Salvaggio	Kentucky Society of CPAs
31. Dipesh Patel	TSCPA
32. Julie Phipps	Washington Society of CPAs
33. Heather Trower	PICPA
34. Phyllis Barker	Oregon Society of CPAs
35. Patty Hurley	Oklahoma Society of CPAs
36. Janice Gray	Gray, Blodgett & Company, PLLC
37. Sharon Romere-Nix	Thomson Reuters (PPC)
38. Lisa Brown	The Ohio Society of CPAs
39. Kathy Meyer	MSCPA
40. Mary Kline-Cueter	Kline Group PC
41. Teresa Bordeaux	AICPA

42. Paul Brown	FICPA
43. Reshoo Patel	TSCPA
44. Mike McNichols	McGowen Hurst Clark & Smith
45. Renee Graves	Vicenti Lloyd & Stutzman
46. Glen Tesch	NYS Education Department
47. Gregg Taketa	Hawaii State Board of Public Accountancy
48. Richard Hill	Mitchell Emert & Hill P.C.
49. Jill Turner	Colorado Society of CPAs
50. Pamela Ivey	Wyoming Board of CPAs
51. Janice Hodge	Benham & Hodge, PC
52. Tracy Poe	Idaho Society of CPAs