

PRP Section 7100

Guidance for Association Involvement

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Introduction

.01 Associations of CPA firms (for peer review purposes) include any groups, affiliations, or alliances of accounting firms. The term also applies to two or more firms or a group of firms (whether a formal or informal group, and whether or not a common name is used) that jointly market or sell services. Firms and other entities in the association cooperate with one another to enhance their capabilities to provide professional services (See Interpretation No. 26-1 “Associations of CPA Firms and Association Formed Review Teams,” of paragraph .26 of section 1000, *Standards for Performing and Reporting on Peer Reviews* [sec. 2000, *Peer Review Standards Interpretations*, question 26-1]).

.02 Interpretations Nos. 26-1 and 26-2 to the Standards address associations of CPA firms and association formed teams. Interpretations Nos. 21-4 through 21-17, “Independence, Integrity, and Objectivity,” of paragraph .21 of section 1000, *Standards for Performing and Reporting on Peer Reviews* (sec. 2000, *Peer Review Standards Interpretations*, questions 21-14–21-17), address some independence concerns related to association marketing materials. Paragraphs .154–.178 of the Standards address performing and reporting on peer reviews of quality control materials (QCM) and continuing professional education (CPE) programs, including triennial independent peer reviews of the system for development and maintenance of those materials for certain associations (or other providers) that issue such materials.

Level of Involvement

.03 A member firm of an association may conduct a peer review of another association member firm enrolled in the AICPA Peer Review Program, provided that the firm is not a member of a *network* as defined by Interpretation No. 26-2 and the association receives annual approval of its Association Information Form (AIF) from the AICPA Peer Review Board (board).

.04 An association has the ability to assist its members in forming review teams (association formed review teams) and provide technical assistance to such review teams, provided that the association requests and receives approval from the board. In order for an association to be approved to assist in forming review teams, the association should answer the specific questions related to making such a request in the annual AIF.

.05 A majority of the reviewers on an association formed review team, including the team captain in a System Review and the entire team in an engagement review, must be from association member firms.

.06 An association formed review team may only perform peer reviews of association member firms.

.07 The reviewed firm and administering entity (not the association) ultimately are responsible for ensuring that the firm’s peer review is scheduled, performed, and completed in a timely manner.

.08 If the association has requested permission to assist its members in the formation of review teams or provide technical assistance to the review team, and has been approved to do so by the board, the association agrees to

- a. comply with the *Standards for Performing and Reporting on Peer Reviews* established by the board, as applicable, and related administrative procedures.
- b. submit copies of the peer reviewer résumé forms (if not already in the system) to the AICPA for inclusion in the AICPA master bank of peer reviewers, which should be updated on an annual basis for each individual that it recommends to the administering entity to assign to a peer review team.
- c. verify that the peer reviewers possess the appropriate qualifications for service on the peer review team for which they are being recommended.
- d. ensure that the applicable administering entity is advised of any arrangements made for peer reviews prior to the commencement of the peer reviews, including the names of the peer reviewers and the dates the peer reviews will take place, and not change those arrangements unless authorized by the administering entity.
- e. promptly report any unresolved disagreements arising from the peer review to the entity administering the peer review.

- f. retain the records on peer reviews that must be maintained by the association, including the peer review working papers, per the document retention policy in Interpretation 25-1, “Peer Review Documentation and Retention Policy,” of paragraph .25 of section 1000, *Standards for Performing and Reporting on Peer Reviews* (sec. 2000, *Peer Review Standards Interpretations*, question 25-1).
 - g. monitor the peer reviews to make sure the peer review working papers and peer review documents are submitted to the administering entities in accordance with the established time frames.
- .09** The association understands the following:
- a. Annual approval of an AIF specifically relates to and is required for the members of an association having the ability to perform peer reviews of other members in the same association enrolled in the AICPA Peer Review Program for an AICPA approved administering entity.
 - b. Annual approval of an AIF also is required for an association requesting to provide technical assistance to review teams and assist its members in forming review teams (known as an association formed review team) to conduct reviews of association member firms enrolled in the AICPA Peer Review Program.
 - c. The reviewed firm and administering entity (not the association) ultimately are responsible for ensuring that the firm’s peer review is scheduled, performed, and completed in a timely manner.
 - d. Approval of an AIF does NOT grant the association the authority to administer the AICPA Peer Review Program and, therefore, the association is not deemed an approved administering entity.
 - e. Approval of the AIF is not an endorsement or approval of, and has no applicability to, a separate peer review program that an association may own, conduct, or administer.
 - f. If the association makes *any* representations (in brochures, directories, pamphlets, Web pages, or any marketing or selling materials) regarding its member firms to assist the firms in obtaining engagements, such representations are “objective and quantifiable.”

Requirements for Involvement

.10 An association of CPA firms and its member firms must meet certain specified independence criteria, including the following:

- a. The association, as distinct from its member firms, does not perform any professional services other than those it provides to its member firms or affiliates.
- b. The association does not make representations regarding the quality of professional services performed by its member firms unless the representations are objective or quantifiable.
- c. The association does not arrange for referrals or participating work among member firms.
- d. The association does not have any direct or material indirect financial interest or involvement in its member firms in sharing fees generated by members through the sale of products or services.
- e. The association does not exercise any direct or indirect management control over the professional or administrative functions of its member firms.
- f. The association does not meet any of the characteristics of a *network* as defined by Interpretation No. 26-2.

.11 Annually, the association must submit an AIF, which is a questionnaire requesting general information about the association, independence matters, and whether the association requests to be approved to assist its members in forming review teams or provide technical assistance to such review teams. The National Peer Review Committee (National PRC) administers this process on behalf of the board and its Association Task Force. The AIF must be approved by the Joint Association Task Force prior to the review being planned, formally scheduled, or performed.

Participating Associations for CPA Firms

.12 Administering entities can obtain a listing of associations from the Information Required for Scheduling an AICPA Peer Review form.

.13 If an administering entity receives inquiries concerning the ability of an association to assist in forming review teams or an association member firm's ability to review another member firm under the AICPA Peer Review Program, the caller should be instructed to contact the AICPA Peer Review Team at 919-402-4502.

Document Retention

.14 Associations that assist in forming peer review teams should retain the peer review documentation prepared by those teams during system and engagement reviews until 120 days after the peer review is completed (See interpretation 25-1).

.15 Additional documentation requirements are similar to those for firm-on-firm reviews; please refer to the Standards and related Interpretations for those requirements.

Independence With Respect to Shared Materials, Services, Networks and Marketing

.16 An independent review of the system for the development and maintenance of QCM or CPE programs and the resultant materials (the *QCM review* or *CPE review*) is required for an association of CPA firms when a user firm in the association will perform a peer review of another user firm in the association (See paragraph .159 of the Standards). This independent review is performed triennially and administered by the National PRC (See paragraph .160 of the Standards).

.17 The review of the QCM or CPE materials must take place before any association member firms can perform peer reviews of any other association member firms.

.18 Independence is impaired for CPA firms belonging to an association that makes representations regarding its member firms in advertisements or marketing materials (brochures, directories, pamphlets, Web pages, or any other form of marketing or selling materials), unless the representations in the advertisement are *objective* or *quantifiable*, the association has submitted the AIF to the board, and the association has received notification that the AIF was accepted (See interpretations 21-14–21-16).

.19 Independence is impaired (for the purpose of performing peer reviews) amongst firms that belong to a subassociation. A subassociation comprises members of an association (parent association) that form a group or partnership within the association for the purpose of cooperating to enhance the firm's capabilities to provide professional services (subassociation). However, members of a subassociation may perform peer reviews of nonaffiliated member firms of the parent association, so long as the parent association and subassociation do not belong to the same *network* as defined by Interpretation No. 26-2 (see interpretation No. 21-17).

.20 If a firm is a member of a network, the firm is not considered to be independent with respect to other firms within the same network. The owners and employees of network firms are also not considered to be independent with respect to other firms within the same network (see Interpretation No. 26-2).

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Appendix A

**AICPA Peer Review Program
2014 Association Information Form (AIF)
Associations of CPA Firms**

SECTION I. INFORMATION TO BE PROVIDED BY ALL ASSOCIATIONS IN WHICH MEMBERS OF THE ASSOCIATION ARE ENROLLED IN AND CONDUCT AICPA PEER REVIEW PROGRAM PEER REVIEWS OF OTHER MEMBERS OF THE SAME ASSOCIATION.

Please review the *Standards for Performing and Reporting on Peer Reviews*, related Interpretations 21 and 26, and sections 7000 and 7100 of the Peer Review Program Manual prior to completing this information. **(Please note that all associations will be billed an administrative fee of \$325 for the acceptance of this AIF.)**

General Information

Name of Association _____
 Address _____
 Executive Director _____
 Telephone/E-mail _____
 Address (if different) _____
 Contact Person _____
 Telephone/E-mail _____
 Address (if different) _____

1. Please confirm member listing as attached. If there are modifications or if there is no listing attached, please submit electronically.
2. Does the association have any general brochures, pamphlets, Web pages, or any marketing or selling materials developed by the association? Yes No

(If yes, those marketing materials may be requested prior to accepting the AIF.)

Association Website: _____

(For new associations, please attach a copy of the association's marketing materials.)

3. Please list all associations to which your association has any form of affiliation (for example, subassociation) and the members of the subassociation and describe the nature of the affiliation. (Note that a subassociation is a grouping of association member firms for the purpose of joint marketing of products or services; see Peer Review Standards Interpretation 21-17 for additional information).

4. Describe any program that results in some form of compensation to the parent association.

Independence Requirements

- 5. Does the association, as distinct from its member firms, perform any professional services other than those it provides to its member firms or affiliates? Yes No
- 6. Does the association make any representations (in brochures, directories, pamphlets, Web pages, or any marketing or selling materials) regarding its member firms (Peer Review Standards Interpretations 21-14 and 21-15)? Yes No
- 7. If the answer to question 6 is “yes,” are such representations made by the association “objective and quantifiable” (Peer Review Standards Interpretation 21-16)? Yes No Not Applicable
- 8. If the answer to question 7 is “no,” have you revised the language for such representations so that the independence requirements are met? Yes No Not Applicable

(Please note: If the answer is “no,” your AIF cannot be approved until the language has been revised to comply with the independence requirements.)

- 9. Does the association have a direct or material indirect financial interest or involvement in its member firms in sharing fees generated by members through the sale of products or services? Yes No (Referral fees are included in determining whether the association has a material indirect financial interest.)
- 10. Does the association arrange for any referrals or participating work among its member firms (that is, instead of such arrangements being made directly by the member firms involved)? Yes No Not Applicable
- 11. A member of a subassociation that engages in certain activities cannot peer review another member of the same subassociation (Peer Review Standards Interpretation 21-17). Are there any potential conflicts within the association? Yes No
- 12. If the answer is “yes” to questions 5, 9, 10, or 11 please briefly explain.

- 13. Does the association include one or more firms that share one or more of the following characteristics:
 - a. The use of a common brand name (including common initials) as part of the firm name Yes No
 - b. *Common control* (as defined by generally accepted accounting principles in the United States of America) among the firms through ownership, management, or other means Yes No
 - c. Profits or costs, excluding costs of operating the association; costs of developing audit methodologies, manuals, and training courses; and other costs which are immaterial to the firm Yes No
 - d. A common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association’s strategy and are held accountable for performance pursuant to that strategy Yes No
 - e. Significant part of professional resources Yes No
 - f. Common quality control policies and procedures that firms are required to implement and that are monitored by the association Yes No

If the association has one or more characteristics of a network, please briefly explain.

SECTION II. INFORMATION TO BE PROVIDED BY ASSOCIATIONS REQUESTING TO ASSIST THEIR MEMBERS IN FORMING REVIEW TEAMS OR TO PROVIDE TECHNICAL ASSISTANCE TO REVIEW TEAMS. IF YOUR ASSOCIATION DOES NOT PLAN TO MAKE SUCH A REQUEST, PLEASE SKIP TO SECTION III OF THIS FORM.

1. Does the association obtain annual written confirmations regarding referral fees from its member firms?
 Yes No (If the answer is "no," please explain how the association monitors correspondent fees.)

2. Does the association verify that any referral work between a reviewed firm and the reviewing firm, or between a reviewed firm and a firm with whom a member of the peer review team is associated, is not material to any of the firms involved? Yes No (If the answer is "no," please explain.)

3. Describe procedures to determine if reviewers are independent of the reviewed member firms.

4. Please provide the following information for the person(s) who will provide the assistance in forming review teams or technical assistance at the association's office:

Assistance in forming review teams

Name _____
 Telephone/Fax _____
 E-Mail Address _____

Technical assistance

Name _____
 Telephone/Fax _____
 E-Mail Address _____

5. Please indicate the number of System and Engagement Review teams the association anticipates it will assist in forming as well as the amount of technical assistance during the year. **Please attach a list of those member firms.**

| | <i>System Reviews</i> | <i>Engagement Reviews</i> |
|---------------------------------|-----------------------|---------------------------|
| Association Formed Review Teams | _____ | _____ |
| Technical Assistance | _____ | _____ |

6. Please indicate the primary source the peer reviewers and reviewed firms will consult concerning questions in the following areas:

| | <i>Association Peer Review Committee Members</i> | <i>AICPA</i> | <i>Applicable Adminis- tering Entity</i> |
|------------------------------------|--|--------------|--|
| Accounting and auditing standards? | _____ | _____ | _____ |
| Ethical standards? | _____ | _____ | _____ |
| Peer review standards? | _____ | _____ | _____ |

(Peer reviewers are required, in certain circumstances, to consult with the AICPA Peer Review Program or administering entity staff.)

7. How will disagreements that arise between a reviewed firm and the peer reviewers be resolved?

8. Will the association be submitting the peer review report and the letter of response, if applicable, and the peer review working papers to the entity administering the review? Yes No
(An answer of “no” means this will be done by the team captain.)

9. Has the association established procedures for ensuring that peer reviews performed by association formed peer review teams are performed and reported on in accordance with the peer review program’s standards and guidance? Yes No

If the answer is “yes,” do these procedures include

- a. preissuance review of the peer review working papers? Yes No
- b. preissuance review of findings for further consideration? Yes No
- c. preissuance review of the report and letter of response, if applicable? Yes No
- d. review of the documentation of any consultation matters raised during the peer review? Yes No
- e. timely submission of the peer review report and the letter of response, if applicable, and the peer review working papers to the entity administering the review (if not done so by the team captain)? Yes No

10. Please provide the following information for the person(s) who will perform the preissuance reviews and other reviews of the peer review working papers:

Name _____
Telephone/Fax _____
E-Mail Address _____

11. If the association is requesting permission to assist its members in the formation of review teams or to provide technical assistance to the review team, and has been approved to do so by the AICPA Peer Review Board, by signing Section III the association agrees to

- a. comply with the Standards for Performing and Reporting on Peer Reviews established by the AICPA Peer Review Board, as applicable, and with the related administrative procedures.
- b. verify that all reviewer resumes be entered into the online reviewer database, which should be updated on an annual basis for each individual that it recommends to the administering entity to assign to a peer review team.
- c. verify that the peer reviewers possess the appropriate qualifications for service on the peer review team for which they are being recommended.
- d. ensure that the applicable administering entity is advised of any arrangements made for peer reviews prior to the commencement of the peer reviews, including the names of the peer reviewers and the dates the peer reviews will take place and not change those arrangements unless authorized by the administering entity.
- e. promptly report any unresolved disagreements arising from the peer review to the entity administering the peer review.
- f. retain the records on peer reviews that must be maintained by the association, including the peer review working papers, per the document retention policy in Interpretation 25-1 of the Standards for Performing and Reporting on Peer Reviews.
- g. monitor the peer reviews to make sure the peer review working papers and peer review documents are submitted to the administering entities in accordance with the established time frames.

SECTION III. BY SIGNING THIS FORM, YOUR ASSOCIATION MAKES THE FOLLOWING REPRESENTATIONS (AS APPLICABLE):

The association understands the following:

- a. Annual approval of an AIF specifically relates to and is required for the members of an association having the ability to perform peer reviews of other members in the same association enrolled in the AICPA Peer Review Program for an AICPA approved administering entity.
- b. Annual approval of an AIF also is required for an association requesting to provide technical assistance to review teams and assist its members in forming review teams (known as an association formed review team) to conduct reviews of association member firms enrolled in the AICPA Peer Review Program. Approval of an AIF for an association making such a request means that the association agrees to the representations in question 11 of Section II.
- c. The reviewed firm and administering entity, not the association, are ultimately responsible for ensuring that the firm’s peer review is scheduled, performed, and completed in a timely manner.
- d. Approval of an AIF does not grant the association the authority to administer the AICPA Peer Review Program, and, therefore, the association is not deemed an approved administering entity.
- e. Approval of the AIF is not an endorsement or approval of, and has no applicability to, a separate peer review program that an association may own, conduct, or administer.
- f. If the association makes any representations (in brochures, directories, pamphlets, Web pages, or any marketing or selling materials) regarding its member firms to assist the firms in obtaining engagements, such representations are objective and quantifiable.

Name (please print) _____

Title _____

Signature _____ Date _____

Please return to

**Peer Review Operations Team
 American Institute of Certified Public Accountants
 AICPA Peer Review Program—National PRC
 Palladian I, 220 Leigh Farm Rd, Durham, NC 27707
 T. 919.402.4502 F. 919.402.4876 nprc@aicpa.org**

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