

PRP Section 4100

Instructions to Firms Having a System Review

Contents

<i>Section</i>	<i>Paragraph</i>
4100 Instructions to Firms Having a System Review	
Introduction01–.06
Prior to the Review07–.18
During the Review19–.20
Completion of the Review21–.32
Fees and Expenses33–.35
Appendixes	
A. Checklist for Firms Undergoing a System Review36
B. An Illustration of a List of Accounting and Auditing Engagements37
C. Entities Administering the AICPA Peer Review Program38

Introduction

.01 The purpose of these instructions is to provide overall guidance to firms having System Reviews under the AICPA Peer Review Program (the program). Firms should be aware of their peer review responsibilities and requirements as discussed in section 1000, *Standards for Performing and Reporting on Peer Review*. Firms should pay particular attention to paragraphs .01–.19, as well as these instructions, the quality control policies and procedures questionnaire, and review guidelines. In addition, all individuals in the firm involved in the peer review should be familiar with the standards; section 2000, *Peer Review Standards Interpretations*; section 3000, *Other Guidance*; and materials relative to the aspect of the review that most directly affects their role in the firm. These individuals should be aware that peer review documents may need to be completed electronically by logging into their account on www.aicpa.org. If documents cannot be completed electronically, an alternative method acceptable to the AICPA can be used. These instructions should be used for reference on firm-on-firm reviews and reviews with association formed review teams.

.02 A System Review is required for firms that perform engagements under the Statements on Auditing Standards (SASs), *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements performed under the Public Company Accounting Oversight Board (PCAOB) standards. Engagements subject to PCAOB permanent inspection are excluded from the program (see Interpretation No. 7-1).

.03 A System Review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review,

- a. the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA. See Statement on Quality Control Standards [SQCS] No. 8, *A Firm's System of Quality Control (Redrafted)* (AICPA, *Professional Standards*, QC sec. 10).
- b. the reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

.04 A System Review is designed to test a reasonable cross section of the firm's engagements with a focus on high-risk engagements. Additionally a System Review tests significant risk areas where the possibility exists of engagements not being performed or reported on in conformity with applicable professional standards in all material respects. A System Review is not designed to test every engagement or compliance with every professional standard and every detailed component of the firm's system of quality control.

.05 A System Review also involves the review team obtaining a sufficient understanding of the reviewed firm's system of quality control with respect to each of the quality control elements in SQCS No. 8 to plan the review. SQCS No. 8 requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice. It states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm (the "tone at the top"); relevant ethical requirements (such as independence, integrity, and objectivity); acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring. It also states that the nature, extent, and formality of a firm's quality control policies and procedures should be appropriately comprehensive and suitably designed in relation to the firm's size, the number of its offices, the degree of operating autonomy allowed to its personnel and its offices, the knowledge and experience of its personnel, the nature and complexity of the firm's practice, and appropriate cost-benefit considerations.

.06 System Reviews are administered by state CPA societies and groups of state CPA societies that elect to participate, and the AICPA Peer Review Board's National Peer Review Committee. These groups are known as administering entities and are approved by the AICPA Peer Review Board (the board) to administer the program. Generally, the administering entity will contact the firm about six months before the due date of the firm's review to begin to make arrangements for the review.

Prior to the Review

.07 Firms enrolled in the program are required to have a peer review once every three years. It is the responsibility of the firm to verify that the team captain is qualified to do the review. The firm and the team captain should agree on an appropriate date for the review to commence and the anticipated exit conference date. Ordinarily, the review should be performed within 3–5 months following the end of the year to be reviewed. In most circumstances, the year-end date should not change from one triennial review period to the next. Ordinarily, the peer review year is the 12-month period ending 6 months prior to the peer review due date. The peer review due date is 3 years and 6 months after the last peer review year end, or, in the initial year, is ordinarily 18 months after a firm enrolled, or should have enrolled, in the AICPA Peer Review Program. See paragraphs .13–.19 of section 1000 for timing of the reviews.

.08 The terms and conditions of the peer review may be summarized in an engagement letter between the reviewed firm and the reviewing firm or association, if an association formed the review team.

.09 A partner or manager of the firm should be designated as liaison to provide assistance to the review team and should be available throughout the review. The designated liaison should be someone who is knowledgeable about the nature of the firm’s practice and is accountable for providing complete and accurate information to the administering entity and the peer review team. The information provided should include a complete listing of engagements within the peer review scope. Each firm should be aware that failure to represent its accounting and auditing practice accurately, as defined by the AICPA *Standards for Performing and Reporting on Peer Review*, will be deemed a matter of noncooperation with the program. As a result, the firm will be subject to a hearing before the Peer Review Board to determine if the firm’s enrollment in the program should be terminated. If the firm’s enrollment is terminated for omission or misrepresentation of information relating to its accounting and auditing practice, the matter will be referred to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct*.

.10 A reviewed firm may have legitimate reasons for excluding an engagement or certain aspects of functional areas, from the scope of the peer review, for example, when an engagement or an employee’s personnel records are subject to pending litigation. In these situations, ordinarily the reviewed firm should notify the team captain in a timely manner and submit a written statement to the administering entity, ordinarily prior to the commencement of the review, indicating (a) it plans to exclude an engagement(s) or aspect(s) of functional area(s) from the peer review selection process, (b) the reasons for the exclusion, and (c) that it is requesting a waiver for the exclusion.

.11 Provide the following to the team captain as soon as possible:

- a. The quality control document effective for the peer review year, if any.
- b. If the firm does not have a quality control document effective for the peer review year, a completed “Quality Control Policies and Procedures Questionnaire” (sec. 4300 or 4400). (Sec. 4300 is for sole practitioners with no personnel and sec. 4400 is for firms with two or more personnel.) If the questionnaire was not effective for the peer review year, the firm should also provide the previously completed questionnaire(s) that were effective for the peer review year, if any. This could be the questionnaire completed for the firm’s last peer review, which the firm should be maintaining as documentation of its system of quality control. Under certain circumstances, the team captain may request that a firm complete this questionnaire (and attach the quality control document) even if it has a quality control document. For instance, this could be requested if the team captain’s consideration of the firm’s quality control document indicates that it may not adequately address all the required elements of a system of quality control in a level of detail appropriate to the firm. This could also be requested if the team captain’s consideration of the quality control document indicates that a summary of the document would assist the team captain’s review of it.
- c. Relevant manuals, checklists, partner resumes, and background information. If the team captain performed the firm’s previous review, he or she may be familiar with the firm and, as a result, may not request partner resumes or other nonessential information.
- d. A list of accounting and auditing engagements prepared in the format shown in appendix B (sec. 4100 par. .37) to these instructions or in another suitable manner as requested by the team captain. The list should include all engagements with periods ended during the year under review and covered by the definition of an accounting and auditing practice for peer review purposes, regardless of whether the engagement reports are issued. The firm should be prepared to describe its approach to ensuring a complete and accurate engagement

listing for the firm's ongoing monitoring procedures and its approach for the peer review. If the reviewed firm has clients with operations in foreign countries or commercial audits with special performance and reporting requirements such as those subject to *Government Auditing Standards*, the firm should identify those clients on the engagement listing. The listing should separately identify each engagement, level of service, and industry for each client. Firms should understand the following to avoid common errors:

- Limited scope benefit plan audits or other audits in which the firm disclaimed an opinion are considered audits performed under SAS that should be included in the peer review scope.
 - If the firm performs the financial audit for an entity, and also performs other services for the same entity (such as the employee benefit plan audit or agreed upon procedures engagement), each of the engagements must be separately identified on the listing provided for the peer reviewer.
- e. A list of the firm's personnel, showing name, position, and years of experience (i) with the firm and (ii) in total. This list may be abbreviated for small firms or if the team captain is familiar with the reviewed firm.
- f. A completed "Managing Partner/Chief Executive Office Interview Questionnaire" (sec. 4750). The objective of the interview is to assist the peer review team in gaining an understanding of the firm leadership's involvement with its system of quality control. The questionnaire is designed to facilitate the interview and help the review team gain an understanding of management's philosophy toward and support of the quality control initiatives in the firm that will be considered by the team captain in assessing inherent and control peer review risk. The questionnaire should be completed by the firm executive who sets the tone for the firm in connection with its accounting and auditing practice. It may be completed in advance of the interview to facilitate the interview process, in which case the team captain will review the responses with the firm. (See instructions to the form in section 4750.)
- g. Other information requested by the team captain.

.12 Have available for the review team when they arrive at the firm's office (commencement date):

- a. The firm's documentation demonstrating compliance with its quality control policies and procedures for monitoring since the firm's last peer review
- b. All engagements for the year under review, including all applicable documentation required by professional standards and reports issued in connection with the engagements
- c. Latest independence representations from firm personnel (if required by the firm's policies and procedures)
- d. Documentation of all independence consultations, including the final resolution
- e. Documentation regarding the independence of any correspondent firms used during the year under review
- f. Personnel files to the extent requested by the team captain
- g. Continuing professional education (CPE) records for all personnel for the three most recent educational years
- h. Documentation regarding consultations with outside parties on accounting and auditing matters
- i. Any communications relating to allegations or investigations of deficiencies (including litigation) in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm since the firm's last peer review year end

.13 The firm should provide a comfortable, adequate working area for the review team and, if necessary, assist in coordinating accommodations for the review team.

.14 In addition to the managing partner or CEO interview, the review of the firm's quality control policies and procedures includes interviews of the reviewed firm's management and staff. The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated. The review team may perform one-on-one staff interviews or, depending on the size of the firm, focus groups (see section 4700). The team captain will arrange for the scheduling of interviews with selected members of the firm's personnel. The firm should see that this schedule is communicated to the appropriate individuals and that they understand the importance and purpose of the interviews. The review team will endeavor to have these discussions and interviews without disrupting the firm's operations.

.15 The team captain will select certain engagements for review, and request the firm to prepare a profile sheet on each engagement selected. The initial selection of engagements to be reviewed should ordinarily be provided to the reviewed firm no earlier than three weeks prior to the commencement of the peer review procedures at the related practice office or location. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review. However, at least one engagement from the initial selection to be reviewed will be provided to the firm once the review commences and not provided to the firm in advance. Careful and complete preparation of the profile sheets is important for the efficient performance of the peer review.

.16 At least one of each of the following types of engagements is required to be selected for review in a System Review:

- a. **Governmental**—*Government Auditing Standards* (GAS, also known as the Yellow Book), issued by the U.S. Government Accountability Office, requires auditors conducting engagements in accordance with those standards to have a peer review that includes the review of at least one engagement conducted in accordance with those standards.
- b. **Employee Benefit Plans**—Regulatory and legislative developments have made it clear that there is a significant public interest in, and a higher risk associated with, audits conducted pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).
- c. **Depository Institutions**—The 1993 Federal Deposit Insurance Corporation (FDIC) guidelines implementing the FDIC Improvement Act of 1991 (FDICIA) require auditors of federally insured depository institutions having total assets of \$500 million or greater at the beginning of its fiscal year to have a peer review that includes the review of at least one audit of an insured depository institution subject to the FDICIA.
- d. **Broker-Dealers**—Regulatory and legislative developments have made it clear that there is a significant public interest in, and a higher risk associated with, audits of broker-dealers. The type of broker-dealer with the highest risk is a carrying broker-dealer. Therefore, if a firm performs the audit of one or more carrying broker-dealers, at least one such audit engagement should be selected for review. It is also expected that if a firm's audits of broker-dealers include only introducing broker-dealers, the team captain should be aware of and give special consideration to the risks associated with such broker-dealer audits in making engagement selections.
- e. **Service Organizations**—Due to the reliance on Service Organization Control Reports[®], particularly SOC 1SM and SOC 2SM reports, there is a significant public interest in examinations of service organizations relevant to user entities. Therefore, if a firm performs an examination of one or more service organizations and issues a SOC 1 or SOC 2 report, at least one such engagement should be selected for review.

In complying with the requirements in the previous list, peer reviewers will ensure that the engagements selected include a reasonable cross section of the firm's accounting and auditing engagements, appropriately weighted considering risk. Thus, the peer reviewer may need to select greater than the minimum of one engagement from these industries in order to attain this risk weighted cross section. See Interpretation No. 63-1 of paragraph .63 in section 1000 (sec. 2000 question 63-1), for more information.

.17 The review of engagements will include the review of financial statements, accountants' reports, accounting and audit documentation, and correspondence, as well as discussions with personnel of the reviewed firm.

.18 Appendix A (sec. 4100 par. .36) was developed to assist firms in preparing for the review. The completion and availability of all items discussed in appendix A helps ensure an efficient review.

During the Review

.19 The designated liaison should meet with the review team at the beginning of the review to orient them to firm policies and procedures, introduce them to appropriate personnel, and provide them with a tour of the office.

.20 During the course of the review, the review team may find it necessary to discuss matters with the appropriate firm personnel. Firm personnel should be asked to be available to the review team as necessary during the course of the review.

Completion of the Review

.21 A firm that has a System Review should respond promptly to questions raised in the review in order to assist the review team in reaching its conclusions. Prior to issuing its report or finalizing Finding for Further Consideration (FFC) form(s), if applicable, the review team will communicate any matters documented on the Matter for Further Consideration (MFC) form(s), findings documented on the FFC form(s), deficiencies or significant deficiencies to be included in the peer review report, and the type of report to be issued through one or more exit conferences (ordinarily only one). The designated liaison should arrange for appropriate partners and staff to attend the exit conference. It is expected that the reviewed firm's senior management, the individuals responsible for maintaining the firm's system of quality control and the review team physically attend the exit conference. Ordinarily, the team captain should be physically present at the exit conference, unless the System Review is performed at a location other than the practitioner's office (see Interpretation No. 8-1 of paragraph .08 in section 1000 [sec. 2000]). The exit conference may also be attended by representatives of the administering entity, the board, AICPA staff, or other board-authorized organizations with oversight responsibilities.

.22 The review team should also communicate, if applicable, that the firm will be required to respond to the matters documented on the MFC form(s), findings documented on the FFC form(s), or the deficiency(ies) or significant deficiencies included in the peer review report. The review team should also communicate that the firm may be required, if applicable, to (1) take certain actions to correct the deficiencies or significant deficiencies noted in the report or (2) complete an implementation plan to address the findings noted in the FFC form(s). The review team should also discuss with the reviewed firm the implications of these steps on the acceptance and completion of the peer review and the reviewed firm's enrollment in the program. The exit conference is also the appropriate vehicle for providing suggestions to the firm that are not included in the report, FFC form(s), or MFC form(s).

.23 The firm will provide the team captain with written representations, at a minimum relating to the following matters:

- a. Situations or a summary of situations where management is aware that the firm or its personnel has not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies (including applicable firm and individual licensing requirements in each state in which it practices for the year under review) and, if applicable, how the firm has or is addressing and rectifying situations of noncompliance.
- b. Communications or summary of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates 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. The information should be obtained in sufficient detail to consider its effect on the scope of the peer review (see Interpretation No. 34-1 in section 2000). In addition, the reviewer may inquire if there are any other issues that may affect the firm's practice.
- c. Restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.
- d. Completeness of the engagement listing provided to the reviewer, including, but not limited to, inclusion of all engagements performed, whether issued or not, under Government Auditing Standards; audits of employee benefit plans; audits performed under FDICIA; audits of carrying broker-dealers; examinations of service organizations' Service Organizations Control (SOC) 1 and 2 engagements, as applicable; and availability of the engagements with periods ending during the year under review, except financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection.
- e. Discussions of significant issues from reports or communications, or both, from other practice monitoring or external inspection programs, such as that of the PCAOB, with the team captain (see Interpretations No. 40-1, 40-2, and 181-1b-1 in section 2000).
- f. Accepting responsibility for understanding, tailoring, and augmenting the quality control materials that the firm develops or adopts for use in its accounting and auditing practice.

- g. Other representations obtained by the team captain or review captain, which will depend on the circumstances and nature of the peer review.

See section 1000 paragraph .181, "Appendix B, Considerations and Illustrations of Firm Representations." Each representation previously indicated must be included in the representations letter. Additional representations may be made to indicate that no such conditions exist. The written representations should be addressed to the team captain performing the peer review, presented on firm letterhead, and signed on behalf of the firm. The written representations should be signed by those members of management whom the team captain believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control. Because the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review report that may require an adjustment to the peer review report or other peer review documents, the representations should be dated the same date as the peer review report.

.24 Ordinarily the FFC forms should be responded to by the reviewed firm during the peer review; for example, during or immediately following the exit conference. This would allow the team captain to assist the firm in developing its responses and obtaining the necessary signatures on the FFC forms and allow the team captain to review the responses at that time, all of which will expedite the process. The reviewed firm's response should describe how the firm intends to implement the reviewer's recommendation (or alternative plan if the firm does not agree with the recommendation); the person(s) responsible for implementation; the timing of the implementation; and, if applicable, additional procedures to ensure that the finding is not repeated in the future. The team captain can provide assistance in ensuring that the responses are appropriate and comprehensive. However, it is also recognized that the reviewed firm may prefer to provide its final responses after it has had the opportunity to discuss them further internally, develop a plan of action or more formally respond. In either case, the completed FFC forms should be submitted to the team captain no later than two weeks after the exit, or by the peer review's due date, whichever is earlier. FFC forms are then submitted by the team captain with the applicable working papers to the administering entity. If the reviewed firm's response is not deemed to be comprehensive, genuine, and feasible, the technical reviewer or RAB will request a revised response.

.25 The firm will receive a report on the peer review within 30 days of the exit conference date or by the firm's peer review due date, whichever is earlier. However, the firm should not publicize the results of the review or distribute copies of the report to its personnel, clients, or others until it has been advised that the report has been accepted by the administering entity as meeting the requirements of the program.

.26 If the reviewed firm receives a report with a peer review rating of *pass with deficiencies* or *fail*, the reviewed firm should respond in writing to the deficiencies or significant deficiencies and related recommendations identified in the report. The letter of response should be addressed to the administering entity's peer review committee and should describe the actions planned (including timing) or taken by the reviewed firm with respect to each deficiency in the report. The reviewed firm should submit a copy of the report, and its letter of response, to the administering entity within 30 days of the date it received the report from the team captain or by the firm's peer review due date, whichever date is earlier. Prior to submitting the response to the administering entity, the reviewed firm should submit the response to the team captain for review, evaluation, and comment.

.27 If the reviewed firm receives a report with a peer review rating of *pass* or *pass (with a scope limitation)*, a letter of response is not applicable, and the reviewed firm does not submit a copy of the report to the administering entity.

.28 Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and each party has the right to challenge each other on such matters. If, after discussion with the team captain, the reviewed firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm should contact the administering entity for assistance in the matter. If the firm still disagrees after contacting the administering entity, the firm's response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement. For more information on disagreements, please review paragraph .98 of section 1000.

.29 The AICPA Peer Review Board encourages the reviewed firm to work with the team captain to develop recommendations that both parties believe will be effective in correcting the matters, findings, and deficiencies noted during the peer review. Experience shows that improvement is more likely to occur when the letter of response describes specific actions to be taken. Therefore, a response limited to the firm's comment that it will emphasize or reemphasize a policy or procedure should be combined with more specific actions.

.30 The administering entity will not make the report on the review available to the public. A firm may be a voluntary member of one of the AICPA's audit quality centers or sections. These centers or sections mandate that firms make certain peer review documents open to public inspection as a membership requirement. Other firms may elect not to opt out of the program's process for voluntary disclosure of peer review results to state boards of accountancy (SBOAs) where the firm's main office is located. Also, firms may voluntarily instruct their administering entity to make the peer review results available to certain other SBOAs. In these cases, the firm permits the AICPA and administering entities to make their peer review results available to the public or to SBOAs, respectively.

.31 As part of the acceptance process, the firm may be requested to perform remedial, corrective actions related to the deficiencies or significant deficiencies noted in the peer review report, in addition to those described by the reviewed firm in its letter of response. If a firm does not perform the required actions, this will delay completion of the firm's peer review and could jeopardize the firm's enrollment in the program.

.32 The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. The reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. Based on the information on the FFC form, the firm may be required to have an implementation plan in addition to the plan described by the reviewed firm in its response to the findings on the FFC form(s). If a firm does not perform the required action in the implementation plan, it could jeopardize the firm's enrollment in the program. Disciplinary actions (including those that can result in the termination of a firm's enrollment in the program and the subsequent loss of membership in the AICPA and some state CPA societies by its partners and employees) will be taken only for a failure to cooperate, failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

Fees and Expenses

.33 Administering entities approved by the AICPA Peer Review Board are authorized to establish dues or registration fees within their individual jurisdictions to fund the administration of the AICPA Peer Review Program.

.34 The AICPA Peer Review Board has adopted procedures (see Interpretation No. 5h-1, "Cooperating in a Peer Review" [sec. 2000, question 5h-1]) for dropping a firm's enrollment in the AICPA Peer Review Program for failure to pay fees charged by an administering entity of the AICPA Peer Review Program.

.35 The AICPA Peer Review Board has adopted a resolution for dropping a firm's enrollment in the AICPA Peer Review Program for failing to pay the fees and expenses related to the administration of the program that have been authorized by the governing body of an administering entity.

.36

Appendix A

Checklist for Firms Undergoing a System Review

(for System Reviews commencing on or after January 1, 2009)

The following checklist is intended to assist a firm in preparing for the peer review team’s visit. The completion and availability of all items discussed will help to ensure an efficient review.

	<u>Initial</u>	<u>Date</u>
1. Verify that the team captain is qualified to perform the review.	_____	_____
2. Obtain and return the engagement letter.	_____	_____
3. Set the dates for the performance of the peer review and confirm the 12-month period to be covered by the review with the team captain.	_____	_____
4. If requested to do so, arrange for hotel accommodations for the review team and communicate details to the team captain.	_____	_____
5. Submit the firm’s background information, including the background or scheduling form provided to the administering entity, to the team captain.	_____	_____
6. If the firm contemplated excluding engagement(s) or aspect(s) of functional area(s), verify that it notified the team captain in a timely manner and submitted a written statement to the administering entity indicating		
<i>a.</i> it plans to exclude an engagement(s) or aspect(s) of functional area(s) from the peer review selection process;		
<i>b.</i> the reasons for the exclusion; and		
<i>c.</i> it is requesting a waiver for the exclusion.		
The waiver should ordinarily be obtained prior to commencement of the review. The documents should be kept with peer review documentation.	_____	_____
7. Provide the following to the team captain when available:		
<i>a.</i> The firm’s quality control document effective for the peer review year, if any.	_____	_____
<i>b.</i> In lieu of a quality control document effective for the peer review year, a completed “Quality Control Policies and Procedures Questionnaire.” If the questionnaire was not effective for the peer review year, the firm should also provide the previously completed questionnaire(s) that were effective for the peer review year, if any. This could be the questionnaire completed for the firm’s last peer review, which the firm should be maintaining as documentation of their system of quality control. Under certain circumstances, the team captain may request that a firm complete this questionnaire (and attach the quality control document) even if it has a quality control document. See .11b for further guidance.	_____	_____
<i>c.</i> A list of the firm’s personnel, showing name, position, and years of experience (i) with the firm and (ii) in total.	_____	_____
<i>d.</i> All relevant manuals, checklists, partners’ resumes and other documents to the extent requested by the team captain.	_____	_____
<i>e.</i> Completed “Managing Partner/Chief Executive Office Interview Questionnaire” (sec. 4750), unless the form will be completed during the interview.	_____	_____

	<u>Initial</u>	<u>Date</u>
8. Prepare separate schedules of the firm’s audit, review, preparation, other attestation, and compilation engagements. The schedules should include the following for each engagement:		
a. Total number of auditing or accounting hours (actual, if available, or estimated) (the hours should not include non-attest services [including tax, bookkeeping, or other assistance] provided in connection with the service)	_____	_____
b. Partner-in-charge	_____	_____
c. Nature of the client’s business or an indication of the industry in which the client operates	_____	_____
d. Period reported on or year-end date of the financial statements	_____	_____
e. Whether or not the engagement is an initial engagement	_____	_____
9. On the schedule of engagements, all audits of employee benefit plans subject to ERISA, engagements performed under <i>Government Auditing Standards</i> (including OMB A-133 single audits), audits of depository institutions with \$500 million or more in total assets, carrying broker-dealers and examinations of service organizations (SOC 1 and 2 engagements) should be highlighted. If multiple engagements are performed for the same client, they should be identified separately. In addition, engagements that involve other offices of the firm or that were performed with other firms’ assistance should be identified.	_____	_____
10. Prior to the review, the review team will ask to interview members of the firm. Arrange for the selected individuals to be available.	_____	_____
11. Complete working papers, reports, and the related financial statements for all the firm’s engagements should be available for review.	_____	_____
12. All personnel files should be available for review.	_____	_____
13. All independence representations obtained during the year should be available for review (if required by the firm’s policies and procedures).	_____	_____
14. Documentation regarding the independence of any correspondent firms used during the year should be available for review.	_____	_____
15. Documentation supporting resolution of any independence consultations during the year should be available for review.	_____	_____
16. Have available appropriate CPE records for all personnel for the three most recent educational years.	_____	_____
17. Have available communications relating to allegations or investigations of deficiencies (including litigation) in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm since the firm’s last peer review year end.	_____	_____
18. Documentation regarding consultations with outside parties on accounting and auditing matters should be available for review.	_____	_____
19. Make available the firm’s monitoring reports or related information since the last peer review, including internal inspection report, that documents the scope of the monitoring procedures, the findings, and any recommendations for corrective action.	_____	_____
20. Take appropriate measures, if any, to satisfy the firm’s obligations concerning client confidentiality.	_____	_____

.37

Appendix B**An Illustration of a List of Accounting and Auditing Engagements¹**

<i>Client Code</i>	<i>Period Covered</i>	<i>Level of Service Provided²</i>	<i>Initial Eng.</i>	<i>Industry³</i>	<i>Foreign Ops</i>	<i>Name of Partner</i>	<i>Approx. Total Hours⁴</i>
10001	9/30/12	ATAUP (Bank Director's Exam)	N	125	N	White	500
10002	10/31/12	A6	Y	165	Y	Smith	350
10003	6/30/12	A2	N	330	N	Jones	275
10005	12/31/12	A4	N	450	N	Smith	150
10005	6/30/12	R	N	260	N	Smith	110
10006	6/30/12	C-8	Y	260	N	Smith	20
20001	12/31/12	R	Y	165	N	Smith	100
20002	3/31/12	R	N	175	N	White	125
20003	4/30/12	R	N	250	N	Jones	45
20003	3/31/12	C	N	250	N	Jones	35
20004	6/30/12	C-8	N	250	N	Jones	20
30001	12/31/12	C	N	165	N	Smith	50
30002	3/31/12	CO	N	250	N	Jones	40
30003	6/30/12	CO	N	250	N	Jones	60
30004	9/30/12	PFSC	Y	250	N	Jones	40
30005	12/31/12	C	N	217	N	White	80
30006	12/31/12	C-8	N	217	N	White	<u>20</u>
		Total					<u>2020</u>

¹ Ordinarily include engagements with reports with financial statement periods ended during the peer review year.

² Denotes the level of service by using the codes set forth in this appendix.

³ Denotes the type of industry by using the codes set forth in this appendix.

⁴ Total hours should include only the time from the completed trial balance to the issuance of the accountant's or auditor's report on the financial statements. Total hours do not include clerical, computer entry, payroll services, or taxes.

Codes for Level of Service

A1	Audit Under <i>Government Auditing Standards</i> (GAS/Yellow Book) (Excluding Single Audit Act [OMB A-133] Engagements)
A2	Single Audit Act (OMB A-133) Engagement under GAS/Yellow Book
A3	All Non-Audit Engagements Under GAO
A4	Audit Performed Under the Employee Retirement Income Security Act of (ERISA) Defined Contribution Plan—Limited and Full Scope (excluding 403(b) plan) Defined Contribution Plan—Limited and Full Scope (403(b) plan only) Defined Benefit Plan—Limited and Full Scope ERISA Health and Welfare Plan Employee Stock Ownership Plan (ESOP) Other Employee Benefit Plan
A5	Audit of Federally Insured Depository Institution subject to Federal Deposit Insurance Corporation Improvement Act (FDICIA) (With \$500 Million or Greater in Total Assets at the Beginning of Its Fiscal Year)
A6	Audit ⁵
A7	Engagement of a Non-Securities and Exchange Commission (SEC) Issuer Performed in Accordance With Public Company Accounting Oversight Board (PCAOB) Auditing or Attestation Standards
PFSE	Examination of Prospective Financial Statements
PFSC	Compilation of Prospective Financial Statements
PFSAUP	Agreed-Upon Procedures of Prospective Financial Statements
ATE	Examination of Written Assertions
ATR	Review of Written Assertions
ATAUP	Agreed-Upon Procedures
SOC1	Examination of SOC 1 Engagements
SOC2	Examination of SOC 2 Engagement
R	Review of Financial Statements
C	Compilation of Financial Statements With Disclosures on Which a Report was Issued
CO	Compilation of Financial Statements That Omit Substantially All Disclosures on Which a Report Was Issued
C-8	Compilation engagements when the compiled financial statements are not expected to be used by a third party (management use only) and when an engagement letter was issued instead of a report
P	Preparation of Financial Statements With Disclosures
PO	Preparation of Financial Statements That Omit Substantially All Disclosures
IA1	Use as a ‘suffix’ for level of service codes when the engagement is performed under International Standards on Auditing (ISAs) or any other standards issued by the International Auditing and Assurance Standards Board (IAASB) (for example, A6-IA1).
IA2	Use as a ‘suffix’ for level of service codes when the engagement is performed under any other international standards on audit, assurance or related services (for example, A6-IA2)
IA3	Use as a ‘suffix’ for level of service codes when the engagement has been performed using any international accounting or reporting standards (except for International Financial Reporting Standards) (for example, A6-IA3)

⁵ Includes audits of financial statements and other audit services.

Industry Codes

005	Engagements Under Government Auditing Standards (GAS/Yellow Book) (Excluding Single Audit Act (OMB A-133) Engagements)	380	Defined Contribution Plans—Full and Limited Scope (Excluding 403(b))
013	Single Audit Act (OMB A-133) Engagements Under Government Auditing Standards (GAS/Yellow Book)	383	Defined Contribution Plans—Full and Limited Scope (403(b) Plans Only)
007	Federal Deposit Insurance Corporation Banking ⁶	390	Defined Benefit Plans—Full and Limited Scope
222	HUD Programs	400	ERISA Health and Welfare Plans
320	School Districts	403	ESOP Plans
325	State and Local Governments	405	Other ERISA Plans
		440	Carrying Broker-Dealers ⁷
110	Agricultural, Livestock, Forestry, and Fishing	216	Hospitals
115	Airlines	217	Nursing Homes
120	Auto Dealerships	230	Investment Companies and Mutual Funds
125	Banking	240	Life Insurance Companies
145	Casinos	250	Mortgage Banking
150	Colleges and Universities	260	Not-for-Profit Organizations (includes Voluntary Health and Welfare Organizations)
155	Common Interest Realty Associations		
165	Construction Contractors	268	Personal Financial Statements
175	Credit Unions	295	Real Estate Investment Trusts
180	Extractive Industries—Oil and Gas	300	Reinsurance Companies
185	Extractive Industries—Mining	308	Rural Utilities Service Borrowers
186	Federal Student Financial Assistance Programs	310	Savings and Loan Associations
190	Finance Companies	312	SOC 1 Reports
195	Franchisors	313	SOC 2 Reports
200	Property and Casualty Insurance Companies	314	SOC 3 Reports
205	Government Contractors	330	Telephone Companies
210	Health Maintenance Organizations	335	Utilities
		450	Non-carrying Broker-Dealers*
		002	Other (Describe)

⁶ Federally insured depository institutions having total assets of \$500 million or greater at the beginning of its fiscal year under Federal Deposit Insurance Corporation Improvement Act of 1991 (Title 12 U.S. *Code of Federal Regulations* [CFR] Part 363.3[a], in contrast to the \$1 billion threshold referred to in 12 CFR 363.3[b]).

⁷ Carrying broker-dealers include all broker-dealers that clear customer transactions, carry customer accounts or hold custody of customer cash or securities. Examples of carrying broker-dealers include (a) clearing broker-dealers who receive and execute customer instructions, prepare trade confirmations, settle the money related to customer trades and arrange for the book entry or physical movement of the securities and (b) carrying broker-dealers that hold customer accounts or clear customer trades for introducing broker-dealers. Non-carrying broker-dealers are those broker-dealers that do not clear customer transactions, carry customer accounts, or hold custody of customer cash or securities. Examples of non-carrying broker-dealers are (a) introducing broker-dealers that introduce transactions and accounts of customers or other broker-dealers to another registered broker-dealer that carries such accounts on a fully disclosed basis and that does not receive or hold customer or other broker-dealer securities and (b) a broker-dealer whose business does not involve customer accounts, such as proprietary trading firms, investment banking firms, and firm's that sell interest in mutual funds or insurance products. If you have any question about whether the audits you perform of broker-dealers are carrying or non-carrying, please contact the AICPA Peer Review technical hotline at prptechnical@aicpa.org or 919-402-4502, option 3.

.38

Appendix C

Entities Administering the AICPA Peer Review Program

<i>State Where Main Office of Firm is Located</i>	<i>Name of Entity Administering AICPA Peer Review Program</i>	<i>Telephone Number</i>
Alabama	Alabama Society of CPAs	(334) 834-7650
Alaska	California Society of CPAs	(650) 802-2486
Arkansas	Arkansas Society of CPAs	(501) 664-8739
Arizona	California Society of CPAs	(650) 802-2486
California	California Society of CPAs	(650) 802-2486
Colorado	Colorado Society of CPAs	(303) 773-2877, ext. 105
Connecticut	Connecticut Society of CPAs	(860) 258-4800, ext. 213
Delaware	Pennsylvania Institute of CPAs	(215) 496-9272
District of Columbia	Virginia Society of CPAs	(804) 270-5344
Florida	Florida Institute of CPAs	(850) 224-2727, ext. 250
Georgia	Georgia Society of CPAs	(404) 504-2958
Guam	Oregon Society of CPAs	(503) 641-7200
Hawaii	Hawaii Society of CPAs	(808) 537-9475
Idaho	Idaho Society of CPAs	(208) 344-6261
Illinois	Illinois CPA Society	(312) 993-0407, ext. 276
Indiana	Indiana CPA Society	(317) 726-5000
Iowa	Illinois CPA Society	(312) 993-0407, ext. 276
Kansas	Kansas Society of CPAs	(785) 272-4366
Kentucky	Kentucky Society of CPAs	(502) 266-5272
Louisiana	Society of Louisiana CPAs	(504) 464-1040
Maine	New England Peer Review, Inc.	(603) 623-3513
Maryland	Maryland Association of CPAs	(443) 632-2330
Massachusetts	Massachusetts Society of CPAs	(617) 556-4000
Michigan	Michigan Association of CPAs	(248) 267-3700
Minnesota	Minnesota Society of CPAs	(952) 831-2707
Mississippi	Mississippi Society of CPAs	(601) 856-4244
Missouri	Missouri Society of CPAs	(314) 997-7966
Montana	Montana Society of CPAs	(406) 442-7301
Nebraska	Nevada Society of CPAs	(775) 826-6800
Nevada	Nevada Society of CPAs	(775) 826-6800
New Hampshire	New England Peer Review, Inc.	(603) 623-3513
New Jersey	New Jersey Society of CPAs	(973) 226-4494
New Mexico	New Mexico Society of CPAs	(505) 246-1699
New York	New York State Society of CPAs	(212) 719-8300
North Carolina	North Carolina Association of CPAs	(919) 469-1040
North Dakota	North Dakota Society of CPAs	(701) 775-7100
Ohio	Ohio Society of CPAs	(614) 764-2727
Oklahoma	Oklahoma Society of CPAs	(405) 841-3800, ext. 3805
Oregon	Oregon Society of CPAs	(503) 641-7200
Pennsylvania	Pennsylvania Institute of CPAs	(215) 496-9272
Puerto Rico	Colegio de Contadores Publicos Autorizados	(787) 754-1950
Rhode Island	New England Peer Review, Inc.	(603) 623-3513
South Carolina	South Carolina Association of CPAs	(803) 791-4181, ext. 107
South Dakota	Oklahoma Society of CPAs	(405) 841-3800, ext. 3805
Tennessee	Tennessee Society of CPAs	(615) 377-3825
Texas	Texas Society of CPAs	(972) 687-8617

<i>State Where Main Office of Firm is Located</i>	<i>Name of Entity Administering AICPA Peer Review Program</i>	<i>Telephone Number</i>
Utah	Nevada Society of CPAs	(775) 826-6800
Vermont	New England Peer Review, Inc.	(603) 623-3513
Virgin Islands	Pennsylvania Institute of CPAs	(215) 496-9272
Virginia	Virginia Society of CPAs	(804) 270-5344
Washington	Washington Society of CPAs	(425) 586-1132
West Virginia	West Virginia Society of CPAs	(304) 342-5461
Wisconsin	Wisconsin Institute of CPAs	(262) 785-0445, ext. 3025
Wyoming	Nevada Society of CPAs	(775) 826-6800

[The next page is 4201.]