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To the National Peer Review Committee:

We have reviewed National Peer Review Committee's administration of the AICPA Peer Review Program as part of our oversight program and have issued our report thereon dated September 26, 2019. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described below were not considered to be of sufficient significance to affect the conclusions expressed in that report.

The oversight was conducted according to the procedures in the *AICPA Peer Review Program Oversight Handbook*. An oversight program is designed to improve the administering entity's administration of the AICPA Peer Review Program through feedback on its policies and procedures, and to provide resource assistance from an AICPA Peer Review Board Oversight Task Force member on both technical and administrative matters.

In conjunction with the oversight of the National PRC, the administering entity for the program, conducted on September 25 and 26, the following observations are being communicated.

### **Administrative Procedures**

On September 25 and 26, 2019, I met with Fran McClintock, Associate Director, and other NPRC staff to review the program's administration. I believe the administrative processes were being handled in a manner consistent with peer review standards.

I reviewed the status of open reviews, including reviews with corrective actions and implementation plans, which had not yet been completed. I found that open reviews were being effectively monitored for completion by the administrative staff and the peer review committee.

I reviewed the timeliness of the preparation of committee decision letters. I noted no problems in these areas.

I reviewed the policies and procedures for the granting of extensions. I found that the Associate Director and Senior Technical Manager handle extension requests with discussion from the committee when the circumstances warrant.

The administering entity has developed a backup plan to support the administrators and technical reviewers if they become unable to serve in their respective capacities.

According to discussions with Ms. McClintock and other NPRC staff, I found compliance with the working paper retention policies for completed reviews.

I met with Ms. McClintock to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their website is accurate and timely.

After the AICPA staff's review of the website material, I noted that the administering entity maintains current information as it relates to the peer review program. In addition, the administering entity has an individual who is responsible for maintaining the website and monitors the website periodically to ensure peer review information is accurate and timely.

### **Technical Review Procedures**

I met with Ms. McClintock, to discuss technical review procedures and attended a number of RAB meetings. As a result, I determined that the technical reviewers met the qualifications set forth in the guidance and the technical review procedures were being handled in a manner consistent with peer review standards,

I reviewed the reports, letters of response, if applicable, and the working papers for a number of reviews. I believe the review issues were addressed properly by the technical reviewer before reviews were presented to the committee. This helped the acceptance process to be effective and efficient.

The technical reviewers were available during the RAB meetings I participated in to answer any questions that arose.

### **CPA on Staff**

The CPA on staff is Gary Freundlich, Technical Director of the AICPA Peer Review Program.

I met with Ms. McClintock, discussed the required CPA on staff procedures, and reviewed a number of documents to complete the monitoring of the process. I determined that the CPA on staff met the qualifications set forth in the guidance and the CPA on Staff procedures were being handled in a manner consistent with peer review standards.

I reviewed the annual confidentiality agreements from all of the administering entity staff associated with the peer review. I noted that all confidentiality agreements had been obtained and signed by the staff involved with the peer review program administration.

I discussed the policies and procedures designed to maintain objectivity and skepticism to mitigate familiarity threat and safeguards that had been implemented while considering the results of the peer review.

## Oversight Program

The National PRC's peer review committee has adopted a formal oversight program that is well documented. I reviewed the document and procedures performed and found it to be comprehensive.

## Summary

My observations to enhance National PRC's administration of the program are summarized as follows:

- The prior oversight report noted document retention deficiencies within the administration of the peer review program. It was noted that significant improvements have been made and the more severe deficiencies have been corrected. However, there still appears to be minor document retention issues as it was noted that files that should not have been retained are still present in directories housing old / completed reviews; e.g. superseded reports.

It is recommended that the NPRC staff individually verify that the required documents for closed reviews are appropriately housed within PRIMA and that the files within the closed directory are purged.

- When reviewing the system for monitoring and tracking the progress of reviews through to completion there was a finding for a firm that was referred to the Peer Review Board for a termination hearing and the hearing was subsequently cancelled. A minor gap in the process for monitoring caused a significant delay in the performance of a technical review and subsequent completion of the firm's peer review. There were no other instances of this particular situation noted. The NPRC staff has already instituted changes designed to close the gap and prevent similar situations from occurring in the future.



James Smolinski, Member, Oversight Task Force  
National Peer Review Committee