



AICPA[®]

Peer Review
Program

National Peer Review Committee

2017 Annual Report on Oversight

Issued November 14, 2018

Copyright © 2018 by
American Institute of Certified Public Accountants, Inc.
New York, NY 10036-8775

All rights reserved. For information about the procedure for requesting permission to make copies of any part of this work, please email copyright@aicpa.org with your request. Otherwise, requests should be written and mailed to the Permissions Department, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110.

Introduction and Purpose

The National Peer Review Committee (National PRC) is one of approximately thirty-one Administering Entities (AEs) of the AICPA Peer Review Program (AICPA PRP). The National PRC, unlike some other AEs of the AICPA PRP, does not administer any peer review programs other than the AICPA PRP.

The purpose of this Annual Report on Oversight (report) is to provide a general overview; including statistics and information; the results of the National PRC's oversight procedures; and to conclude whether the objectives of the National PRC's oversight processes performed in calendar year 2017 were in compliance with the requirements of the program and the National PRC Policies and Procedures.

As a result of the transition to the Peer Review Information Management Application (PRIMA) system, the software program is currently unable to generate certain quantitative statistics that were included in previous reports. Accordingly, this report only includes the results of the National PRC's oversight procedures in calendar year 2017. Overall National PRC statistics for 2017 are not included in the report.

This report also discusses the history, background, composition, and procedures of the National PRC as they differ substantially from those of the other AEs. Refer to Exhibit B for the history of the National PRC.

Scope

Oversight procedures and results reported are based on the peer reviews that commenced during the calendar year.

For more information on the AICPA PRP as a whole, including the AICPA PRP's Annual Report on Oversight (Annual Report), please visit the AICPA's website at this [link](#). The Annual Report provides an overview and further information on the AICPA PRP, definitions used in this report, and the AE's own oversight responsibilities.

Facilitated State Board Access

Since peer review became mandatory for AICPA membership in 1988, fifty-three State Board of Accountancy (SBAs) have adopted mandatory peer review requirements, and many require their licensees to submit certain peer review documents as a condition of licensure. In order to assist firms in complying with SBA peer review document submission requirements, the AICPA created facilitated state board access (FSBA). FSBA allows firms to give permission to the AICPA or to their AEs to provide access to the firms' documents (listed in the following paragraph) to SBAs through a state-board-only access website. Permission is granted through various opt-out and opt-in procedures. Some SBAs now require their licensees to participate in FSBA while others recognize it as an acceptable process to meet the peer review document submission requirements.

The FSBA documents include the following:¹

- Peer review reports
- Letters of response (if applicable)
- Acceptance letters
- Letters signed by the reviewed firm accepting that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions (if applicable)
- Letters notifying the reviewed firm that required actions have been completed (if applicable)

Members of the National PRC

The National PRC is comprised of between fifteen to seventeen members who are public practitioners. Two of the members of the National PRC represent the state boards of accountancy. These two members are former state board of accountancy members and are recommended by the National Association of State Boards of Accountancy. Some of the members of the National PRC may also be members of the Peer Review Board (PRB), although it is not required. The largest four firms, when eligible, maintain seats on the National PRC, and the remaining seats represent a reasonable cross-section of those firms whose peer reviews are administered by the National PRC, which is a diverse constituency. The Chair of the National PRC is a member of the PRB's Planning Task Force and may also be a member of the PRB. See Exhibit A for a roster of the National PRC's members.

Staff of the National PRC

The National PRC's staff (staff) consists of the Chief Executive Officer; Executive Vice President, Public Practice; Vice President, Ethics and Practice Quality; Director – Peer Review Operations; Technical Director – Peer Review and CPA on Staff; Associate Directors; and an appropriate number of qualified senior managers, managers, associate managers, and administrative staff to support the activities of the National PRC and its task forces and subcommittees. The staff assists the members of the National PRC and its task forces and subcommittees in their responsibilities. The staff also assists in administration, presentation of reviews for acceptance, resolving reviewed firm/peer reviewer issues, and the oversight of processes. Additionally, the staff may be involved in other projects in cooperation with other teams at the AICPA. The National PRC is supported by AICPA peer review program staff.

¹ As of February 2015, a firm's currently accepted and prior peer review documents are available on FSBA. The documents are available if the state participated in FSBA for both review periods and the firm did not opt out of FSBA for either review.

Reviews Administered by the National PRC

The National PRC administers peer reviews for firms (and individuals) meeting any of the following criteria:

1. The firm performed or played a substantial role in (as used by the PCAOB) an engagement under PCAOB standards with a period-end during the peer review year
2. The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews
3. Firms that elect to have their review administered by the National PRC

Based on the requirements above, there is a wide variety of firms with reviews administered by the National PRC that pose different risks. Some of the differences include:

- Size of the Firm – The National PRC administers for all sizes including sole practitioners and the largest CPA firms. Most of the larger firms (over 300 personnel) in the AICPA PRP have reviews administered by the National PRC.
- System of Quality Control – Some firms have simple systems while others have complex and robust systems.
- Internal Inspections – Some firms have robust internal inspections whereby the peer reviewer can rely on the inspection to reduce the scope of the peer review. However, extensive procedures are necessary to be able to place that reliance on the internal inspection results.
- Regulatory Oversight – Some firms are only subject to regulatory oversight by one entity while others are subject to oversight by all regulators including the PCAOB and Department of Labor.
- Size of the Review Team – Some reviews are performed by only a team captain while others involve a team captain, office captains, and more than 50 team members.
- Length of Time to Perform the Review – Some reviews may be able to be performed in one day while others make take months to perform.
- Office Locations – Some firms operate in multiple states, so the review may be performed in several states at the same time or at different times throughout the review.
- Licensing Jurisdictions – Each licensing jurisdiction may have different practice monitoring requirements.

National PRC Process Overview

In order to understand the National PRC's oversight procedures, it is first helpful to have an overview of the National PRC's processes.

Scheduling

As required by the *AICPA Standards for Performing and Reporting on Peer Reviews*, peer reviewers must timely complete and update a resume that accurately reflects their reviewer qualifications, including recent industry experience. The National PRC uses this information ensure the peer review team's experience appropriately matches the firm being reviewed.

Firms to be peer reviewed receive Peer Review Information (PRI) and Scheduling (SCH) forms that request information on the firm's management and structure, audit and attest engagements, peer reviewer information, as well as dates of planned commencement and the exit conference.

This information is entered by the firms and peer reviewers in PRIMA. Once this information is received, validations related to peer reviewer qualifications and other data are performed. Any issues identified through this process are addressed by the firm, review team, or both, with the assistance of staff as necessary until all issues are resolved. A scheduling verification is sent to the firm and the team or review captain upon completion of the scheduling process. Peer reviews are then monitored for timely submission of peer review documents.

Technical Review

Upon receipt of the peer review working papers from the team or review captain, they are ordinarily assigned to a technical manager on a first in, first out order. To appropriately address the various risks mentioned on the previous page that may be different from other administering entities, all peer reviews administered by the National PRC, including those selected for oversight, are subject to a full working paper review by AICPA technical staff.

The technical review includes review of a summary review memorandum describing the major aspects of the review, a sample of engagement profiles and checklists, quality control checklists (and documents, if available), focus group/staff interviews, and other working papers. This also includes review of Single Audit engagement profiles and related engagement checklists. The technical manager completes a comprehensive technical review checklist tailored to the National PRC to document his or her procedures.

The technical reviewer's role is to anticipate questions from the Report Acceptance Body (RAB) of the National PRC, seek answers from the team or review captain, firm, or both; address issues or problems that are noted during the working paper review; and consult with staff, consultants, and others in advance of RAB presentation. The technical reviewer advises the RAB of significant matters related to the review, provides certain working papers for the RAB's review, and recommends any corrective actions, implementation plans, or reviewer performance feedback, if any.

Peer reviews meeting certain criteria, such as current or immediately previous peer review report being issued with a rating of "pass with deficiency" or "fail," are subject to a concurring review. The concurring review is generally performed by a senior manager or associate director.

All peer reviews undergo a due diligence review by a senior manager or associate director. Technical staff will address comments and questions arising from this review before the peer reviews are provided to the RAB.

Report Acceptance

The entire National PRC serves as the RAB for the peer reviews of firms with 400 or more A&A personnel. However, most of peer reviews are presented via biweekly conference calls to smaller RABs, typically comprising approximately three to five National PRC members. Each RAB includes a chair. The technical reviewer that completed the technical review is available during the RAB meeting to answer any questions the members might have. National PRC members are assigned to the calls to obtain a cross-section of firm sizes and industry experience. The role of the RAB is to consider peer reviews for acceptance on behalf of the National PRC. One week prior to a scheduled call, the National PRC members assigned to that call receive an agenda consisting of a committee spreadsheet summarizing the items being presented, the RAB member responsible for presenting each peer review, and the relevant peer review documentation for each review being presented, which includes:

- A Form C-1 summarizing relevant information about the review, as well as staff findings, such as open items that may delay acceptance and recommendations
- The peer review report
- The letter of response, if applicable
- Finding for Further Consideration (FFC) forms, if applicable
- Matter for Further Consideration (MFC) forms, if applicable
- Prior peer review report and letter of response, if necessary
- Prior peer review FFC forms, if applicable
- Other supporting documents, if necessary

The RAB package does not include the following documents for each review as required by the RAB Handbook: Summary Review Memorandum (SRM), Single Audit engagement profile and Part A checklist, firm representation letter, and Explanation of No Answers for the Guidelines for Review and Testing Compliance of Quality Control Policies and Procedures. The SRM is made available to the RAB members for reference and the other documents are made available upon request. RAB members have an opportunity to discuss the peer review with the technical reviewer and others prior to presentation to the RAB on the scheduled conference call.

Firm Peer Review Oversight Process and Procedures

The National PRC's oversight function is managed through its Oversight Task Force (OTF). The OTF comprises a minimum of three members of the National PRC with additional members added as necessary. The OTF is responsible for establishing oversight policies and procedures at least as comprehensive as those necessary to comply with those established by the PRB as set forth in the *AICPA Peer Review Program Oversight Manual* and the *AICPA Peer Review Administrative Manual*. All policies and procedures established by the OTF must be approved by the National PRC. Along with the full National PRC, the OTF evaluates whether reviews are being conducted and reported upon in accordance with the *Standards for Performing and Reporting on Peer Reviews*, and that the results of reviews are being evaluated on a consistent basis. More specifically, the OTF--

- Oversees the development, implementation, and summarization of a risk-based, annual on-site oversight plan developed and performed by National PRC technical staff, who utilize a detailed work program.
- Establishes the process that utilizes panels comprising National PRC members to oversee the review of firms that meet certain criteria and other reviews when deemed appropriate. The process is approved by the National PRC.
- Discusses and reports on the results of the oversight process to the full National PRC and other interested parties.
- Oversees reviewer qualification and performance issues related to National PRC reviews and maintains a report of all reviewers with restrictions that are performing National PRC reviews.
- Coordinates and assists with the PRB's oversight of the National PRC's administrative functions.
- Performs internal administrative oversight for the National PRC, in the years in which the PRB does not perform oversight procedures.
- Oversees the preparation of an annual report on the oversight activities of the National PRC.

- Oversees revisions to the National PRC Oversight Program and other materials used in oversight activities.
- The chair of the National PRC provides reports on its activities to the PRB.

On-Site Oversight

Each year oversight is performed on a sample of peer reviews meeting one or more risk-based criteria. The risk-based criteria are developed or reevaluated annually by the OTF. Currently, approximately 25 risk-based criteria exist that firms and team/review captains are evaluated against to assess their potential for oversight. This evaluation is qualitative as well as quantitative, and some criteria are weighted more heavily than others. They include certain criteria that, if met, result in mandatory oversight of the peer review. Currently, mandatory review includes firms with over 400 accounting and auditing personnel and those having received a report rating of fail during their last peer review.

The oversight schedule is reviewed and approved by the OTF and National PRC at regular intervals.

Oversight is generally performed on-site during review fieldwork by the National PRC's technical staff and outside consultants, if necessary. Procedures include, but are not limited to, the review of planning (risk assessment, scope, and engagement selection); selecting a sample of engagements reviewed and reperforming the steps on the peer review engagement checklists completed by the peer review team; interviews/discussions with team members to assess their qualifications and whether they understand their responsibilities; and review of testing of quality control attributes completed by peer review team and participation in select engagement, office, and firm closing meetings. A detailed Oversight Program is utilized to assist in documenting the procedures.

A full technical review (see preceding discussion) of all peer review working papers is also performed by the individual who performed the oversight. The oversight and technical review processes complement and support each other.

Off-Site Oversight

Occasionally, due to scheduling or travel constraints the oversight procedures may be performed off-site. The involvement of the technical staff and procedures performed are the same as those during an on-site oversight.

Engagement Oversight

In addition to the on-site oversights discussed above, National PRC staff or RABs may choose to select additional reviews for off-site oversight prompted by issues or concerns identified during the technical review or acceptance process. These oversights focus on one or more selected engagements or procedures. Procedures include obtaining a full set of working papers for the selected engagements and reperforming the steps on the peer review engagement checklists completed by the peer review team.

Oversight of the Peer Reviews and Reviewers

The PRB has mandated that, at a minimum, each AE is required to conduct oversight on 2 percent of all reviews performed in a 12-month period of time. That 2 percent must be comprised of at least 2 system and 2 engagement peer reviews. In addition, a minimum of 2 system reviews must be conducted on-site. As described in the National PRC's plan of administration (POA) submitted to and approved by the PRB OTF, oversight of engagement reviews was not deemed necessary

due to the small number of engagement reviews performed and due to the full working paper technical reviews already performed on all reviews submitted.

The National PRC’s goal is to perform oversight of between 8% and 10% of all reviews performed in a calendar year. The National PRC requires oversight on all firms with 400 or more A&A professionals. All of these reviews are presented to the full committee with some of them requiring a panel (see following section) if the firm meets other established criteria. The number of reviews each year that fall into this category fluctuates based on the timing of the firms who meet the criteria. Since the required oversights on firms with 400 or more A&A professionals typically meet the minimum oversight requirements established by the PRB, the National PRC believes that performing oversight on 8-10% of all reviews performed appropriately addresses other risks present in those reviews.

Type	National PRC		
	Oversights Conducted		
	2017	2016	2015
On-site requiring presentation to full committee	10	9	3
Other on-site	8	12	6
Off-site	1	1	2
Engagement	5	4	11
Total	<u>24</u>	<u>26</u>	<u>22</u>
% of peer reviews conducted during year	9.8%	12.4%	9.6%

During the oversight process, the oversight team provides informal feedback as a part of the ongoing exchange between AICPA staff and peer reviewers. Although these interactions are generally positive, the opportunity is taken, when warranted, to issue formal feedback in an attempt to educate and remediate future peer review performance.

Enhanced Oversight

The PRB requires enhanced oversights performed by Subject Matter Experts (SMEs). The objective of the enhanced oversights is to ensure that peer reviewers are identifying all material issues in must-select engagements, including whether engagements are properly identified as non-conforming. Each review selected for an enhanced oversight focuses exclusively on one must-select engagement from that review.

Reviews administered by the National PRC are included in the population of reviews subject to enhanced oversight. The sample of enhanced oversights completed each year includes a random sample designed to achieve a 90 to 95 percent confidence level and a targeted sample based on certain risk criteria established by the PRB OTF. If a reviewer was already selected twice in the random sample, they were not selected again in the targeted sample. The National PRC takes the results from the enhanced oversight into consideration when considering the acceptance of the review. Enhanced oversights with poor results indicate a risk factor for the reviewer and are taken into account when considering oversight by the National PRC. For more information about enhanced oversights please refer to the AICPA’s PRP Annual Oversight Report which can be found [here](#).

Use of Panels

A panel of at least three National PRC members oversees the peer reviews of firms annually inspected by the PCAOB and with more than 1,000,000 accounting and auditing hours for engagements not subject to PCAOB permanent inspection. In addition, panels are assigned to other reviews by the National PRC OTF when appropriate in other circumstances or when requested by a firm. Reviews with oversight panels assigned are also presented to the full National PRC for acceptance.

Panel members are appointed by the National PRC, its chair or the OTF with assistance from staff. Panel members are selected based on various factors, including size of firm and industry experience of the panel member's firm and of the firm under review. Panel members must be independent of the reviewed firm and the review team members.

The panel is supported by National PRC staff that assists it in carrying out its duties. This responsibility includes coordination and facilitation of discussions between the reviewed firm, its reviewers, and the panel. It includes the performance of the full technical review of the working papers.

The panel typically participates in calls to understand and provide feedback on the planning, interim, and final phases of the peer review. The scope of the peer review is ordinarily approved by the panel prior to the review's commencement. The panel may also consider the appropriateness of the review team's conclusions and may consult with the review team or the reviewed firm concerning matters resulting from the review. Generally, the panel chair will participate in the peer review exit conference to inform the reviewed firm and review team of the panel's recommendation on acceptance. Once the review is complete, the panel chair presents the review and the panel's conclusions, including whether the panel recommends its acceptance, to the National PRC.

Administrative Oversight

An external review of the administrative functions of the National PRC was conducted in September 2018 by Suzanne Heidenreich, a member of the Peer Review Board Oversight Task Force. Ms. Heidenreich is not a member of the National PRC nor is her firm's peer review administered by the National PRC. The objective of the oversight was to determine if the National PRC is following the administrative and report acceptance procedures established by the PRB for the AICPA PRP and the National Peer Review Committee Policies & Procedures Manual. A comprehensive oversight work program was utilized by the reviewer in the conduct of the review.

The oversight procedures included the following:

- Evaluation of various policies and procedures for administering the AICPA PRP.
- Evaluation of a sample of peer review documents and applicable working papers assembled by technical staff on a post-acceptance basis. This evaluation was focused on the accumulation of matters for RAB consideration.
- Inquiries of certain technical reviewers and key staff involved with administration.

The observations and recommendations of the administrative review are summarized as follows:

- Procedures for issuing committee decision letters to firms should be reviewed to provide reasonable assurance that the letters are in compliance with current wording requirements.

The National PRC has evaluated this observation and has reviewed the process for accepting reviews. Staff have been training on how to properly modify the committee decision letters.

An internal review of the administrative functions of the National PRC was conducted in September 2017 by the National PRC OTF. The review encompassed the calendar year ending December 31, 2016. The objective and procedures of the review were the same as those discussed above.

The observations and recommendations as a result of the internal inspection are summarized as follows:

- Instances were noted where peer review documents were retained longer than allowed by the Peer Review Standards.

The National PRC has evaluated this observation and revised procedures to address documents distributed to the National PRC that are included on the AICPA Extranet SharePoint. Existing documents were deleted and all documents going forward will be removed within 30 days of posting. Documents retained in PRIMA are outside the control of the National PRC.

The oversights were a valuable process that revealed opportunities to enhance the effectiveness and efficiency of the administration of the program. The National PRC will continue to assess opportunities to improve its processes and procedures.

All related letters and responses are available online on the [NPRC website](#).

Annual Verification of Reviewers' Resumes

A critical element in appropriately matching peer reviewers with reviewed firms is ensuring that reviewers' resumes are accurate and updated annually. Verification must include the reviewers' qualifications and experience related to must-select engagements. Specifically, the verification procedures must include, but are not limited to (1) calling or writing peer reviewers and requesting them to provide specific information, such as the number of engagements they are specifically involved with and in what capacity, (2) determining from the peer review computer system whether the peer reviewer's firm actually performed those engagements during its last peer review, (3) verification of license to practice, and (4) verification of continuing professional education (CPE) topics and credits. Ordinarily, an experienced technical reviewer or AE peer review committee member should perform the verification. Detailed procedures, along with practice aids such as forms, letters, and other materials are provided in the AICPA Peer Review Program Oversight Handbook, Administrative Manual, and other sources.

AEs are required to verify this information within a sample of reviewers' resumes on an annual basis, such that all resumes should be verified over a three-year period. At a minimum, one third of the active reviewer resumes must be reviewed in year one of the three-year cycle, a total of two thirds by year two, and 100% by year three. The population of reviewers to be verified by the National PRC includes reviewers within firms having 400 or more professionals and reviewers

performing exclusively National PRC peer reviews in the capacity of team captain, review captain, or team member.

<u>Disposition</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Suspended for noncooperation with verification process	8	7	9
Voluntarily removed/became inactive	20	15	14
Verified	126	88	116
Total	<u>154</u>	<u>110</u>	<u>139</u>
% of National PRC reviewers selected for verification	47%	30%	40%

In all three years, the process resulted in several modifications to reviewers' resumes.

Peer Reviewer Performance

Staff utilizes the peer review computer system to monitor the status of reviews, enrolled firms, and peer reviewer performance. Difficulties encountered on reviews with enrolled firms and peer reviewers are discussed during bi-weekly staff meetings, as well as with the Technical Director of Peer Review; RABs; the National PRC Chair; and the full PRC, as necessary. In considering peer review documents for acceptance, the National PRC evaluates the reviewer's performance on each peer review. In addition to the National PRC's evaluation, the PRB and AICPA staff also evaluate and track reviewers' performance on peer reviews.

On occasion, weaknesses will be noted in the performance of reviewers. In such circumstances, the National PRC or its RABs advise the reviewers of the weaknesses noted so that improvements are made on reviews performed in the future. Performance matters are initially communicated to the reviewer through the use of a reviewer feedback form issued by the National PRC or RAB. The reviewer feedback form is designed to give reviewers positive and constructive feedback directly from the National PRC or RAB. Reviewer feedback forms document a reviewer's performance on individual reviews and provide the National PRC and the OTF with useful evidence to determine whether a pattern of weaknesses is evident in the reviewer's performance. Formal reviewer feedback included, but was not limited to, issues noted related to documentation, underdeveloped risk assessments, low scope, failure to consult, inappropriate disposition of findings, and insufficient identification of systemic cause and engagements not performed or reported in conformity with professional standards in all material respects.

If serious weaknesses in the reviewer's performance are noted on a particular review, or if a pattern of poor performance by a particular reviewer is noted, then the PRB or National PRC, depending on the particular circumstances, will consider the need to impose corrective actions on the service of the reviewer through the issuance of the performance deficiency letter. If performance issues continue to be present once a performance deficiency letter is issued, then the National PRC will consider referring the reviewer to the PRB for removal.

Peer Reviews of Quality Control Materials (QCM)

The National PRC is responsible for the administration of QCM reviews, including acceptance of the resultant QCM review reports. QCM reviews have inherently higher risks due to firm use of and reliance on the QCM. In response to that higher risk and public interest in the process to evaluate QCM, the National PRC created the QCM Task Force for added involvement in the administration and acceptance process. The task force's involvement includes facilitating

oversights of QCM reviews, developing practice aids, and recommending enhancements to the standards, interpretations, and other guidance related to QCM reviews.

Oversight and Acceptance Process

Similar to peer reviews of firms, QCM reviews undergo full working paper technical reviews and concurring reviews. In addition, all QCM reviews are subject to oversight. Oversight is intended to corroborate the review team's overall review results to provide the National PRC (as the acceptance body) with comfort that the review team's overall procedures have detected any issues with the system to develop and maintain the materials or with the resultant materials. To provide this corroboration, oversight entails reviewing a sample of the QCM opined upon in the report, focusing on the areas of the materials that were reviewed or tested by the review team.

Oversight is performed by a panel that is typically composed of a chair and 2 – 4 other members. A member of the QCM Task Force is generally the chair of the panel. The other panel members can be solicited either from the task force, the National PRC, or the PRB on an as needed basis. Oversight encompasses reviewing and approving the review team's planned review procedures and scope prior to the commencement of fieldwork (including the risk assessment and planning portions of the Team Captain's Checklist and SRM), reviewing other peer review documentation as considered necessary, and performing a review of a sample of the QCM opined upon in the report.

In addition to panel oversight, staff will perform on-site oversight procedures on all QCM reviews. The on-site visit will include observing and reviewing the QCM reviewer's procedures for testing the functional aspects of the provider's system for developing and maintaining QCM. Staff on-site oversight is performed in addition to oversight by a panel. The panel may judgmentally determine that due to the higher risk nature of a QCM review, a panel member should perform the on-site oversight procedures.

Oversight was performed on three QCM reviews in 2017, two QCM reviews in 2016, and four QCM reviews in 2015.

Once technical, concurring, and oversight reviews are completed, QCM reviews are presented to the full National PRC for acceptance with a recommendation from the panel.

Exhibit A

NATIONAL PEER REVIEW COMMITTEE ROSTER

Michael Fawley, **Chair**
BDO USA, LLP
Atlanta, GA

Brian Bluhm
Eide Bailly LLP
Minneapolis, MN

John Edwardson
RSM US LLP
Minneapolis, MN

Erica Forhan
Moss Adams LLP
Seattle, WA

Vincent Gaudio
Buchbinder Tunick & Company LLP
New York, NY

Jeffrey J Gendreau
Baker Tilly Virchow Krause LLP
Minneapolis, MN

Daniel Goff
Goff Backa Alfera & Company, LLC
Pittsburgh, PA

Shawn Hanrahan
Deloitte & Touche LLP
Boston, MA

Mark Hobbs
The Hobbs Group, PA
Columbia, SC

Keith Malinowski
Grant Thornton LLP
Charlotte, NC

David Maraldo
Ernst & Young LLP
Cleveland, OH

Raymond Nowicki
Nowicki and Company, LLP
Buffalo, NY

Catherine M. Schweigel
CliftonLarsonAllen LLP
Milwaukee, WI

Arthur (Art) L. Sparks
Alexander Thompson Arnold PLLC
Union City, TN

Michael J Wagner
PricewaterhouseCoopers, LLP
New York, NY

Richard E. Wortmann
RW Group LLC
Kennett Square, PA

AICPA Staff

Barry C. Melancon, President & Chief Executive Officer

Susan S. Coffey, Executive Vice President – Public Practice

James W. Brackens, Jr., Vice President Ethics and Practice Quality

Gary Freundlich, Technical Director and CPA on Staff

Beth Thoresen, Director of Operations

Chris Ellis, Manager – Peer Review Operations

Frances McClintock, Associate Director

Sue Lieberum, Associate Director

Rachelle Drummond, Senior Manager

Tim Kindem, Senior Manager

LaVonne Montague, Senior Manager

David Andrews, Manager

Karen Aylor, Manager

Ivory Bare, Manager

Jaime Beasley, Manager

Brad Coffey, Manager

Jennifer Dintsch, Manager

Laurel Gron, Manager

Jennifer Gum, Manager

Lisa Joseph, Manager

Justin Long, Manager

Susan Rowley, Manager

Karl Ruben, Manager

Tracy Peterson, Manager

Tricia VanVliet, Manager

Andrew Volz, Manager

Exhibit B

History of the National PRC

A system of internal inspection was first used regularly in the early 1960s when a number of large firms used it to monitor their accounting and auditing practices and to make certain their different offices maintained consistent standards. Firm-on-firm peer review emerged in the 1970s. No real uniformity to the process existed until 1977, when the AICPA's Governing Council established the Division for CPA Firms to provide a system of self-regulation for its member firms. Two voluntary membership sections within the Division for CPA Firms were created, the SEC Practice Section (SECPS) and the Private Companies Practice Section (PCPS).

One of the most important membership requirements common to both Sections was that, once every three years, firms were required to have a peer review of their accounting and auditing practices to monitor adherence to professional standards. The requirements also mandated that the results of peer review information be made available in a public file. Each Section formed an Executive Committee to administer its policies, procedures, and activities and a peer review committee to create standards for performing, reporting, and administering the peer reviews.

AICPA members voted overwhelmingly to adopt, effective in January 1988, mandatory peer review and the AICPA Quality Review Program was created. Firms were given a choice between enrolling in the newly created AICPA Quality Review Program or becoming a member of the Division for CPA Firms and undergoing an SECPS or PCPS peer review. Firms enrolling in the AICPA Quality Review Program that had audit clients would now undergo on-site peer reviews to evaluate the firm's system of quality control, which included a review of selected audit and accounting engagements. Firms without audit clients that only performed engagements under the attestation standards or accounting and review services standards would undergo off-site peer reviews. The off-site peer reviews also included a review of selected engagements to determine if they were in compliance with professional standards.

From its inception, the peer review program has been designed to be educational and remedial in nature. The objective of the process is to identify and correct any deficiencies within the firms. For firms that perform audits and certain other engagements, the peer reviewer performs procedures that provide them with a reasonable basis for expressing an opinion on whether or not the reviewed firm's system of quality control for its accounting and auditing practice has been designed appropriately and whether the firm is complying with that system.

In 1990, a new amendment to the AICPA bylaws mandated that AICPA members who practice public accounting with firms that audit one or more SEC clients must be members of the SECPS. In 1994, AICPA Council approved a combination of the PCPS Peer Review Program and the AICPA Quality Review Program under the name AICPA Peer Review Program governed by the AICPA Peer Review Board (PRB), which became effective in 1995. Thereafter, the PCPS, which, as a result of this vote, no longer had a peer review program.

The Sarbanes-Oxley Act of 2002 established the PCAOB as a private sector regulatory entity to replace the accounting profession's self-regulatory structure as it relates to public company

audits. One of the PCAOB's primary activities is the operation of an inspection program that periodically evaluates registered firms' SEC issuer audit practices.

As a result, effective January 1, 2004, the SECPS was restructured and renamed the AICPA Center for Public Company Audit Firms (CPCAF). The CPCAF Peer Review Program became the successor to the SECPS Peer Review Program, with the objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with, and inspected by, the PCAOB. Because many state boards of accountancy and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAF Peer Review Program provided the mechanism (along with the PCAOB inspection process) to allow member firms to meet their state board of accountancy licensing and other state and federal governmental agency peer review requirements.

Because both programs (AICPA and CPCAF PRPs) were only peer reviewing non-SEC issuer practices, the PRB determined that the two programs could be merged and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved revised *AICPA Standards for Performing and Reporting on Peer Reviews (standards)* effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the programs at which time the CPCAF Peer Review Program was discontinued, and the AICPA PRP became the single program for all AICPA firms subject to peer review. Upon the discontinuance of the CPCAF Peer Review Program, the activities of the former program were succeeded by the National PRC, a committee of the AICPA PRB.

The National PRC became one of the forty-two administering entities of the AICPA PRP (now forty-one approximately 35 administering entities). The mission of the National PRC is achieved through supporting the PRB in meeting its mission, which is stated as follows:

The PRB is dedicated to enhancing the performance and quality of accounting, auditing and attestation engagements performed by AICPA members and their firms which are enrolled in the AICPA PRP. The PRB seeks to attain its mission through education and remedial corrective actions which serves the public interest and enhances the significance of AICPA membership.

The National PRC supports this mission by fulfilling its responsibilities as a task force of the PRB and as an AE.

Exhibit C

Common Acronyms

AE	Administering Entity
AICPA	American Institute of Certified Public Accountants
CPA	Certified Public Accountant
CPE	Continuing Professional Education
CPCAF PRP	Center for Public Company Audit Firms Peer Review Program
EAQ	Enhancing Audit Quality
ECTF	Education and Communication Task Force
EQCR	Engagement Quality Control Review
ERISA	Employee Retirement Income Security Act
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FFC	Finding for Further Consideration
FSBA	Facilitated State Board Access
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office (U.S.)
IP	Implementation Plan
MFC	Matter for Further Consideration
NPRC	National Peer Review Committee
OTF	Oversight Task Force (AICPA Peer Review Board)
PCAOB	Public Company Accounting Oversight Board
PCPS	Private Companies Practice Section
POA	Plan of Administration
PRIMA	Peer Review Information Management Application
PRISM	Peer Review Information System Management
PRB	Peer Review Board (AICPA)
PRP	Peer Review Program
QCPP	Quality Control Policies and Procedures
RAB	Report Acceptance Body (Administering Entity Peer Review Committee)
SASs	Statements on Auditing Standards
SBA	State Board of Accountancy
SEC	Securities and Exchange Commission (U.S.)
SECPS	Securities and Exchange Commission Practice Section
SEFA	Schedule of Expenditures of Federal Awards
SOC	Service Organization Control
SME	Subject Matter Expert
STF	Standards Task Force
SQCS	Statements on Quality Control Standards
SRM	Summary Review Memorandum
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statements on Standards for Accounting and Review Services