Peer Review Board Open Session Materials

January 30, 2019
Scottsdale, AZ
AICPA Peer Review Board
Open Session Agenda
Wednesday January 30, 2019
Scottsdale, AZ

Date: Wednesday, January 30, 2019
Time: 9:30AM – 12:00PM Mountain Time
Meeting room: Grande Ballroom D
Conference call number: External: 855 880 1246 (US Toll Free) AICPA Staff: 408 638 0968
Meeting ID: 919 402 2199

1.1 Welcome Attendees and Roll Call of Board** – Mr. Kindem/Mr. Parry
1.2 Approval of Revisions to Chapter 3 of the Oversight Handbook* - Mr. Bluhm
1.3 Approval of Revisions to Qualification Requirements for Technical Reviewers and RAB Members* - Mr. Bluhm
1.4 Approval of Guidance for Program Administration Non-Compliance and Fair Procedures* - Mr. Bluhm
1.5 Approval of Changes to the Summary Review Memorandum and Other Related Updates* - Mr. Pope
1.6 Approval of Revised Guidance Related to Quality Control Material Reviews* - Mr. Pope
1.7 Approval of Revisions to the RAB Handbook Related to Corrective Actions and Implementation Plans* - Mr. Pope
1.8 Approval of Revised Guidance Related to SSARS No. 24* - Mr. Pope
1.9 Task Force Updates*
   • Standards Task Force Report – Mr. Pope
     o A – Update on Clarified Peer Review Standards*
     o B – Update on Engagement Checklist Risk Assessment Questions*
   • Oversight Task Force Report – Mr. Bluhm
     o C – RAB Observations Summary*
   • Education and Communication Task Force Report – Ms. Kerber
1.10 Uniform Accountancy Act (UAA) Model Rules on Peer Review* - Mr. Freundlich
1.11 Operations Director’s Report** – Ms. Thoresen
1.12 Report from State CPA Society CEOs** – Ms. Birmingham
1.13 Update on National Peer Review Committee** – Mr. Fawley
1.14 Other Business** - Mr. Parry
1.15 For Informational Purposes*:
   A. Report on Firms Whose Enrollment was Dropped or Terminated*
   B. Approved 2019 Association Information Forms for Associations of CPA Firms*
   C. Updates to the AICPA Peer Review Program Question & Answers*
   D. Compliance Update - Firm Noncooperation*
1.16 Future Open Session Meetings**
   A. May 3, 2019 Open session – Durham, NC
   B. August 8, 2019 Open session – Washington, DC
   C. October 24, 2019 Open session - Teleconference

* Included on SharePoint
** Verbal Discussion
Revisions to Oversight Handbook – Rewrite of Chapter 3

Why is this on the Agenda?
In August 2018, the Peer Review Board (PRB) approved revisions to Chapter 3 of the Oversight Handbook. The revisions were intended to remove outdated guidance and provide clarifying and revised guidance for use by Administering Entities (AEs) related to peer review oversight committees (PROCs). After PRB approval, we received feedback, including concerns from NASBA, State Boards of Accountancy (SBOAs) and AEs. AICPA staff worked with NASBA staff, some SBOA Executive Directors and AEs to better understand the issues and develop new guidance that partially addresses the concerns communicated to us.

Due to the extensive changes and shift in focus, Agenda Item 1.2A is a complete rewrite of Chapter 3. Although it does not include track changes from the August 2018 guidance, the August guidance is included for reference purposes (Agenda Item 1.2B).

The revisions include:
- Directing the guidance towards AEs.
- An introduction and background section, including confidentiality requirements imbedded in the AICPA peer review program (PRP).
- Acknowledging that many state boards have an oversight requirement and they determine who can serve on a PROC or as an administrative liaison.
- Clarifying that the AICPA determines what information is deemed confidential.
- Specifying the information an AE can provide to PROC members and state board administrative liaisons.
- Reiterating to AEs the importance that certain peer review information must be kept confidential.
- Additional information related to conflicts of interest.
- Updated confidentiality letters.

A revised confidentiality letter for PROC members (Agenda Item 1.2C) and a new confidentiality letter for administrative liaisons (Agenda Item 1.2D) are included.

Oversight Task Force (OTF) Consideration
The OTF considered what the best strategy would be for issuing revised guidance. The OTF recognizes there will likely be additional questions it will need to address after this meeting, considering this is the first time many will have had an opportunity to see the rewrite.

Considering the feedback received to date, and the need for immediate revision, the OTF determined it is appropriate to issue revised guidance now, and continue to consider additional feedback received, and as appropriate, address again at future PRB meetings.

The OTF anticipates that feedback received after this meeting would most likely be related to implementation, process efficiencies, further clarifications, etc., and there will not be changes to the overarching confidentiality requirements of the PRP since it is not within its or the PRB’s authority to make such changes. The OTF also believes that any further changes after this meeting would likely not be overly burdensome for the AEs.
Feedback Received
Feedback was received from various NASBA staff, an advisory group of SBOA executive directors, and AEs. Additional feedback may be forthcoming.

PRIMA Impact
None.

AE Impact
AEs should review the guidance to determine if there is an immediate impact to any current procedures that include PROCs or administrative liaisons. AEs are not required to obtain new confidentiality letters until either (1) the annual letter needs to be signed or (2) when a new PROC member or administrative liaison is appointed by a state board.

Confidentiality letters are submitted with AE Plans of Administration. When a RAB observation is scheduled, staff reviews those letters. Except as noted in the guidance, if a PROC member is planning to attend a RAB meeting and there is no signed confidentiality letter, the PROC member will be prohibited from participating and the AE may receive a comment in its RAB observation report.

Communications Plan
Relevant stakeholders will receive targeted communications regarding this clarified guidance. For example, how the confidentiality letters can be accessed, will be communicated to AEs through an administrative alert and during an AE monthly call.

NASBA and SBOAs will be notified through a monthly communication issued by the AICPA State Regulatory and Legislative Affairs team.

Manual Production Cycle (estimated)
N/A

Effective Date
Effective upon approval and issuance by the PRB.

Board Consideration
Discuss and consider any additional feedback at the meeting and then approve revised Chapter 3 (Agenda Items 1.2A, 1.2C and 1.2D).
CHAPTER 3
Confidentiality of Peer Review Information in the Regulatory Environment

This guidance should be followed by all administering entities (AEs).

A. Introduction and Background

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.

2. Over time, recognizing the remedial value of the peer review process, state boards of accountancy (SBOAs) began incorporating peer review requirements into their state laws, regulations and administrative policies.

3. SBOAs also began recognizing that one way a firm may meet those requirements was by undergoing an AICPA peer review program (PRP) review administered by entities approved and oversighted by the AICPA.

4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.

5. Although the AICPA Peer Review Board (PRB) was bound by confidentiality provisions imbedded into the peer review process, it fully supported SBOAs need and ability to monitor the PRP.

6. With the confidentiality provisions in mind, and SBOAs communicating their objectives, the PRB was able to be transparent with peer review information to an individual or group monitoring the PRP for an SBOA with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality parameters imbedded in the PRP.

7. Working collaboratively, AEs and SBOAs that requested to do so, entered into an oversight relationship with the AE that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (Standards). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).

8. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.

9. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by Standards and related Interpretation 146-3. This Chapter’s focus is primarily on the types of confidential information that can be made available to PROCs solely for the purpose of overseeing an AE (information that would not otherwise be available to the PROCs).

10. PROCs are established by SBOAs. It is solely up to the SBOA to determine who serves on its PROC.
11. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must avoid providing confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.

12. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE should not provide confidential information to a PROC member.

13. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts, and not be provided confidential information or allowed to attend such meetings.

14. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.

B. Peer Review Information – Publicly Available vs. Confidential

1. Paragraph 146 of the Standards, indicates the AE and the AICPA may disclose the following information:

   a) The firm’s name and address,
   b) The firm’s enrollment in the program,
   c) The date of acceptance and period covered by the firm’s most recently accepted peer review; and
   d) If applicable, whether the firm’s enrollment in the program has been dropped or terminated.

2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.

3. AEs must adhere to the paragraph 146 of the Standards and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable benchmark and may result in the PRB Oversight Task Force (OTF) administering fair procedures.

4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms, (SBOAs and AEs with complying with the Standards and guidance.

5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:

   a) Peer review report which has been accepted by the AE,
   b) The firm’s letter of response accepted by the AE (if applicable),
   c) The acceptance letter from the AE,
   d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.

6. To facilitate firms complying with SBOA laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process, but may also occur at other times.

C. Statutory/Regulatory Oversight Requirements

1. As most SBOAs require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain SBOAs also have a statutory/regulatory requirement or Board Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the SBOA’s peer review licensure requirements.

2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.

3. SBOAs are encouraged to determine and communicate their oversight objectives to the AE along with the SBOA’s process for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives.

4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.

   a) The PRB fully supports the SBOAs’ ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs’ ability to administer the PRP in accordance with Standards and guidance.

   b) SBOA’s may choose to designate PROCs or PROC members from other state boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms’ peer reviews to RABs for acceptance, discussion, etc. even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.

   c) Ordinarily, employees of SBOAs may not have access to confidential information¹. However, SBOAs may choose to designate an individual (hereinafter referred to as an administrative liaison) or liaisons to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative

¹ SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with employees of such SBOAs may have a conflict of interest and may not be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the individual employee otherwise has no conflict of interest, the AE may provide such individual employee the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an individual employee would also be required to sign a confidentiality letter.
liaison is determined by the SBOA and may be an employee or designee of the state board. However, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph 146 of the Standards and certain documents and reports that do not contain confidential information.

d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overseeing the AE.

D. Independence and Conflicts of Interest (for Peer Review Purposes)

1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.

2. Independence

   a) Independence of mind (fact) - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

   b) Independence in appearance – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.

   c) Safeguards – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.

3. Conflict of Interest

   a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or

   b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.
c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
   i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

E. Confidentiality Letters

1. PROC members (and administrative liaisons that ordinarily are not given access to confidential information) are required to annually sign a confidentiality letter (Exhibit 3-1 and Exhibit 3-2) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.

2. AEs should maintain a current roster of PROC members and administrative liaisons as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.

   a) Except as provided in E.2.(be), the AE may only provide a PROC member access to information allowed in paragraph 146 of the Standards and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
   b) Although administrative liaisons are not permitted to obtain confidential information, signing the confidentiality letter is an additional safeguard in case they inadvertently receive such information.
   c) In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.

2. PROC members that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:

   a) PROC members who are deemed by the SBOAs, AEs or PRB to have a conflict of interest (see Sections D and G of this Chapter).
      i. Signing confidentiality letters or recusals are not deemed as appropriate safeguards when there is a conflict of interest.
   b) PROC members who do not sign confidentiality letters (when state law or regulation doesn’t specifically prohibit signing such letters).
c) When situations occur such that conflicts of interest are encountered with PROC members who otherwise do not have a conflict of interest (such as when the peer review of a firm of which the PROC member is associated is being considered for acceptance by a RAB).
   i. AEs should work collaboratively with SBOAs in identifying such situations.
   ii. AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).

3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC’s ability to perform its oversight functions, including, but not limited to:
   a) Standards, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
   b) AE peer review committee/RAB meeting schedules.
   c) Statistical data available.
   d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
   e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

G. PROC Members and Administrative Liaisons - Violations of Confidentiality Letters

1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members or administrative liaisons. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.

   a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be given access to confidential information or be allowed to attend meetings where such information is discussed.

H. Examples of Conflict of Interest

1. The following is a list of examples where the PRB has determined the PROC member has a conflict of interest or independence is impaired and should not be given access to confidential information or be allowed to attend portions of the meetings where such
information is discussed.

a) Active SBOA members have a conflict of interest. Generally, due to practice mobility, an active SBOA member from one state is likely deemed to have a conflict of interest in all states, not just the state where serving on the SBOA.

b) Individuals (employees, consultants, volunteers or others) who perform enforcement related work for regulatory or governmental bodies, professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups unless the individual can first demonstrate to the satisfaction of the PRB that:
   i. They are not performing enforcement work or otherwise significantly involved in such work; and
   ii. They are not involved in making recommendations to the SBOA, or have influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters or have access to such information; or
   iii. They only assist SBOAs with administrative matters such as assisting with writing their laws and regulations.

c) Ordinarily when a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversighted, unless appropriate safeguards are in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member’s firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member’s firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member’s firm.

d) A PROC member is deemed to have a conflict of interest when his or her firm’s peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not be given confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.

e) If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to attend a meeting. All relevant information should be provided including what appropriate safeguards are in place as applicable.
CHAPTER 3 (PREVIOUSLY APPROVED AT AUGUST 2018 PRB MEETING)

State Board of Accountancy Peer Review Oversight Committees (PROC)

A. Statutory/Regulatory Requirement

I. Several state boards of accountancy (SBOAs) have a statutory/regulatory requirement to oversight the sponsoring organizations/entities administering peer review programs that are intended to meet the SBOA’s peer review licensure requirements. Accordingly, since all SBOAs that require peer review accept the AICPA Peer Review Program (program), it is in the best interest of the program and our joint (with SBOAs) mandate to protect the public that we cooperate in the establishment of a mutually acceptable oversight process.

II. In order to provide reasonable assurance that peer reviews are being conducted and administered in accordance with peer review standards, SBOAs may appoint a Peer Review Oversight Committee (PROC).

III. SBOA’s may designate other state board PROCs or state board national/regional or similar PROCs to achieve the oversight objectives of an administering entity.

IV. PROC members should meet all qualifications in Section B of this chapter.

V. Administering entities should understand the statutory/regulatory requirements for all states it administers peer review. When there are statutory/regulatory differences with guidance contained in this chapter, the statute/regulatory guidance ordinarily takes precedence. If the administering entity becomes aware of such differences, it should contact AICPA staff to discuss. When the statute or regulations do not include guidance on peer review oversight committees, this guidance should be followed by the PROC and administering entity.

B. Peer Review Oversight Committee (PROC) Qualifications

PROC members shall:

1. Not include individuals who are members or employees of any SBOA; any individuals who perform enforcement related work for regulatory or governmental bodies, professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board, or state professional ethics committee) or similar groups or subgroups.

2. Not include individuals that are from the same firm as the technical reviewer, committee or RAB members due to potential conflicts of interest. Exceptions may be granted by the AICPA Oversight Task Force (OTF) if the board and administering entity can demonstrate appropriate safeguards are in place to address objectivity, independence (in appearance and fact), and other familiarity threats.

3. Be required to annually sign a confidentiality agreement (Exhibit 3-1) indicating they will not divulge any information, except as allowable by law, to the board that would identify any firm, licensee, or peer reviewer/reviewing firm or other information obtained from the oversight of the administering entity. For example, if the law permits the board access to peer review reports, it would be acceptable for a PROC to inform the board that a firm received a consecutive non-pass report. It would not be acceptable for the PROC to
discuss or report to the board detailed information about the performance or acceptance of that review.
   a. Failure to sign a confidentiality agreement will limit the PROC access to only information allowed in paragraph .146 of the standards unless the firm has given the administering entity written permission to provide specific objective information to the PROC or board.

C. Peer Review Oversight Committee Access and Responsibilities
The administering entity may provide PROC members that meet the qualifications in Section B, access to the following:

1. Standards, procedures, guidelines, training materials and similar documents prepared for the use of reviewers, reviewed firms, and administering entities.
2. Administering entity peer review committee and report acceptance body (RAB) meetings and materials including minutes of such meetings.
3. Statistical data available concerning the results of reviews including, but not limited to, the number and type of corrective actions required, and the number, nature and extent of the monitoring procedures applied.
4. Reports such as, but not limited to, benchmark and monitoring reports, RAB observation reports, oversight reports performed on reviewers including enhanced oversights, and other oversight reports from the OTF.

Procedures that may be performed by the PROC include, but are not limited to:

- Visiting the sponsoring organizations of the approved peer review program;
- Reviewing sponsoring organization procedures for administering the program;
- Meeting with a sponsoring organization’s RAB during consideration of the peer review documents;
- Reviewing the sponsoring organization’s compliance with the program.

PROC members must recuse themselves and not participate in any discussion related to their firm’s peer review or if a conflict of interest with the reviewing firm, reviewer, or the reviewed firm exists.

PROCs should provide the SBOA with a report on procedures, conclusions and recommendations, if applicable. To enhance the quality of the peer review program, the reports should be shared with the administering entity peer review committee and AICPA Oversight Task Force. Reports should not identify names of firms, reviewers, technical reviewers, committee members or anyone else involved in the administration or performance of peer reviews.
Illustrative Confidentiality Letter—State Board Peer Review Oversight Committee (PROC)

[Date]

[Address of PROC member]

Dear [Mr./Ms.] [Last Name of PROC member]:

On behalf of the [Name of Administering Entity] peer review committee, we welcome the [Name of State Board of Accountancy] Peer Review Oversight Committee (PROC). We recognize that you have a responsibility to exert your efforts towards achieving the PROC’s objectives through various oversight procedures and reporting to the [insert name of state(s)] state board(s) of accountancy (board). The [Name of Administering Entity Peer Review Committee] supports and will assist with your efforts.

Administering Entity Responsibilities
As an administering entity of the AICPA peer review program (PRP), we have an obligation to adhere to the confidentiality requirements described in the AICPA Standards for Performing and Reporting on Peer Reviews (Standards). We are prohibited from providing confidential information unless you (1) annually sign a confidentiality letter, (2) agree to recuse yourself from portions of meetings when there is a conflict of interest or impairment to independence, and (3) agree not to divulge any information obtained solely from the oversight of the administering entity to a board or to anyone that would identify any firm, licensee, peer reviewer/reviewing firm or other information with the understanding that you are not prohibited from divulging information to the board as permitted in the Standards, Interpretations, and guidance and Facilitated State Board Access (FSBA).

By signing this letter, you agree not to use any information obtained from the oversight of the administering entity in any way not related to meeting the objectives of the oversight and peer review process. If you violate the conditions of this confidentiality letter we have an obligation to report this to the board and, where appropriate, the AICPA, of any known or potential violations. Until such potential violation is resolved with the board and, if necessary, AICPA, we are prohibited from providing you access to confidential information or allow you to attend any meetings where such information is discussed.

Please confirm your acknowledgement and agreement to adhere to the confidentiality requirements and your related responsibilities by signing this letter in the space provided and return it to me. If you have any questions, please feel free to contact me at [phone number].

Sincerely,

[Administering Entity’s Peer Review Committee Chair]

Signature: ____________________________ Date: _________________________________
By signing below, I acknowledge and agree to adhere to the confidentiality requirements and related responsibilities, including but not limited to:

I acknowledge and agree that, as an administrative liaison of (Name of State Board of Accountancy), the following information may be provided to me:

- The firm’s name and address.
- The firm’s enrollment in the program.
- The date of acceptance and period covered by the firm’s most recently accepted peer review.
- If applicable, whether the firm’s enrollment in the program has been dropped or terminated.
- Certain reports, such as Report Acceptance Body (RAB) Observation reports, and data that do not contain information that may identify a firm, licensee, or peer reviewer/reviewing.
- Specific objective information once the firm has provided the (Name of Administering Entity) written permission.

I also agree to sign a confidentiality letter annually.

I further agree that if confidential information was inadvertently provided to or obtained by me, such information would not be divulged to the board or others.

[Administrative Liaison]

Signature: _____________________________ Date: ___________________________
Agenda Item 1.3

Proposed Revisions to Clarify Technical Reviewer and Committee Member Qualifications and Requirements

Why is this on the Agenda?
Staff is proposing revisions to clarify the technical reviewer and committee member qualifications and requirements in the Report Acceptance Body Handbook.

Agenda Item 1.3A addresses technical reviewers and committee members that engage, or plan to engage, in certain activities that may prohibit them from serving as a technical reviewer or committee member. Individuals involved in enforcement areas of the profession who have a conflict of interest may not serve on a committee or report acceptance body.

Agenda Item 1.3B includes revisions to the appointment and confidentiality letters for committee and RAB members. The revisions reflect the changes in Agenda Item 1.3A.

Agenda Item 1.3C is a new confidentiality letter for technical reviewers that are not employees of an administering entity. As a result of evolution, all technical reviewers are required to annually sign a confidentiality letter.

Feedback Received
Feedback received from various technical reviewers and CPAs on staff have been included in the revisions being presented.

In addition, the Oversight Task Force (OTF) discussed if Agenda Item 1.3C, confidentiality letter for technical reviewers, should be signed by all technical reviewers (both consultants and administering entity (AE) employees). The OTF decided Agenda Item 1.3C was applicable to only technical reviewers that were not AE employees (consultants).

The OTF requested staff propose revisions to the existing confidentiality letter for employees of AE which was approved at the August 2018 PRB meeting. OTF suggested the proposed revisions should include the content of some of the bullets in the confidentiality letters in the agenda materials. The letter should be presented to the PRB at the May 2019 meeting.

Communications Plan
Relevant stakeholders will receive targeted communications regarding this clarified guidance. For example, this item, including how the confidentiality letters can be accessed, will be communicated to administering entities through an administrator alert and during an AE biweekly call.

Manual Production Cycle (estimated)
Will be included in the next update to the manual.

Effective Date
Effective upon approval.

Board Considerations
Please review and approve the following agenda items:
1. Agenda Item 1.3A – Proposed Revisions Clarifying Technical Reviewer and Committee Member Qualifications and Requirements
2. Agenda Item 1.3B – Committee or RAB Appointment and Confidentiality Confirmations
3. Agenda Item 1.3C - Confidentiality Letter if Technical Reviewer is Not an Employee of the Administering Entity
Proposed Revisions Clarifying Technical Reviewer and Committee Member Qualifications and Requirements

Committee Member Qualifications
The following revisions would be included in Section 1 (“Formation”) of Chapter 1 within the Report Acceptance Body (RAB) Handbook, which outlines activities that would prohibit individuals from serving on a Peer Review Committee or RAB.

An administering entity appoints a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs), whose members are not required to be, but may be, members of the committee as well (sec. 1000, Standards for Performing and Reporting on Peer Reviews, par. .132). It is recommended that the administering entity document its committee and RAB structure and relationship.

The board prohibits the following individuals from serving on a committee or RAB: This includes, but is not limited to, individuals currently serving as a member, employee, consultant, volunteer (or other similar arrangement) of:

- A member of the AICPA or state CPA society ethics committee,
- The AICPA Joint Trial Board,
- A member of any state board of accountancy (or other regulatory agencies, governmental bodies or similar groups or subgroups) are prohibited from serving on a committee or RAB.
- An individual performing enforcement related work for any of the prior mentioned.

An individual should contact the administering entity or AICPA peer review staff if there is uncertainty as to whether he or she may be prohibited from serving on a peer review committee or RAB.

Technical Reviewer Qualifications
The following revisions would be included in Section 1 (“Technical Reviewer Qualifications”), Subsection C (“Independence, Confidentiality, and Conflict of Interest”) of Chapter 2 within the RAB Handbook.” The previous intent of the AICPA Peer Review Board (PRB) was that the guidance related to the prohibition of those performing enforcement related work from serving on a peer review committee or RAB also be applicable to technical reviewers.

C. Independence, Confidentiality, and Conflict of Interest

Individuals that perform enforcement related work as a member, employee, consultant, volunteer (or other similar arrangement) of the AICPA or state CPA society ethics committee, the AICPA Joint Trial Board, a state board of accountancy (or other regulatory agencies, governmental bodies or similar groups or subgroups) are prohibited from performing technical reviews.
An individual should contact his or her relevant administering entity or AICPA peer review staff if there is uncertainty as to whether he or she is prohibited from serving as a technical reviewer.

Technical reviewers are subject to the same independence, confidentiality, and conflict of interest rules that apply to committee and report acceptance body (RAB) members. See guidance in chapter 1, sections V and VI. This includes, but not limited to, annually signing a confidentiality letter.
Agenda Item 1.3B

The following exhibit is located in Chapter 1 of the RAB Handbook (Peer Review Program Manual Section 3300):

**Exhibit 1-1 — Committee or RAB Appointment & Confidentiality Confirmation**

[Date]

[Name and Address of Committee Member]

Dear [Mr. or Ms.] [Last Name of Committee or RAB Member]:

It is my pleasure to formally notify you that you have been appointed to serve on the [Administering Entity Peer Review Committee] for the [period] committee year. We know you have many demands on your volunteer time. We appreciate your willingness to use a part of that time to serve our profession. We hope you benefit as much by your volunteer service as much as the committee benefits from having individuals willing to volunteer.

Committee membership in a professional association such as the [Administering Entity] provides you with an opportunity to serve the accounting profession in various interesting and worthwhile assignments. If you accept membership on the committee, as a committee member, you have a responsibility to exert your efforts towards achieving the committee’s objectives through preparation for and attendance at its meetings and participation in its deliberations. In particular, you also have an obligation to adhere to the confidentiality requirements described in the AICPA’s *Standards for Performing and Reporting on Peer Reviews* (standards). Thus, you agree not to divulge or keep information concerning each reviewed firm or any of its clients or personnel, peer reviewer/reviewing firm or other information including the findings of the review and the reviewed team that is obtained as a consequence of the review, confidential result of your responsibilities. You agree not to discuss or disclose such information to anyone not involved in carrying out the review or administering the AICPA Peer Review Program (program) or use it in any way not related to meeting the objectives of the Program.

If you perform, or plan to perform, enforcement related work as a member, employee, consultant, volunteer (or other similar arrangement) of the AICPA or state CPA society ethics committee, AICPA Joint Trial Board, a state board of accountancy or other regulatory agencies, governmental bodies or similar groups or subgroups, you agree to notify the [Administering Entity Peer Review Committee] immediately. Such involvement would prohibit you from serving on the committee.

Please confirm your acceptance of this appointment and the responsibilities and obligations it entails by signing a copy of this letter in the space provided and returning it to me. If you have any questions, please feel free to call me.

Sincerely,

[Name]

[Title]
I understand that each Committee or RAB member charged with the responsibility for accepting reviews should:

- Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a committee member reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm’s accounting or auditing engagements or carrying out a quality control function on the firm’s accounting or auditing engagements (Interpretation No. 132-1a).

- Associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of pass on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months. If a committee member’s firm’s most recent review was a Report Review, then the member is not eligible to be charged with the responsibility for acceptance of any peer reviews (Interpretation No. 132-1b).

- Demonstrate proficiency in the standards, interpretations, and guidance of the program by completing training that meets the team captain training requirements established by the board within 12 months prior to serving on the committee or during the first year of service on the committee (Interpretation No. 132-1c).

- Be an AICPA member in good standing, whether conducting report acceptance body duties for firms with or without AICPA members (Interpretation No. 132-1d).

- Prohibited from informing the administering entity when performing or planning to performing enforcement related work including, but not limited to, serving as a member, employee, consultant, volunteer (or other similar arrangement) of:
  - The AICPA or state CPA society ethics committee
  - The AICPA Joint Trial Board
  - A state board of accountancy or other regulatory agencies, governmental bodies or similar groups or subgroups.

- Adhere to the confidentiality requirements of the Standards for Performing and Reporting on Peer Reviews
• Mitigate familiarity\(^1\) threats that can exist among Committees/RABs, technical reviewers, peer reviewers and firms by following the safeguards in accordance with (Name of the administering entity) policy and procedures.

I accept this appointment and the responsibilities and obligations, included but not limited to, those, outlined above, it entails

Signed: _______________________________________

Date: __________

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\(^1\) Familiarity threats are defined as “the threat that, due to a long or close relationship with a client, a member will become too sympathetic to the client’s interests or too accepting of the client’s work or product” (ET 1.000.010.12).
Confidentiality Letter if Technical Reviewer is Not an Employee of Administering Entity

[Date]

[Name and Address of Technical Reviewer]

Dear [Mr. or Ms.] [Last Name of Technical Reviewer]:

As a technical reviewer, you have a responsibility to meet all qualifications and an obligation to adhere to the confidentiality requirements described in the AICPA’s Standards for Performing and Reporting on Peer Reviews (standards). Thus, you agree not to divulge information that would identify any firm, its clients or personnel, peer reviewer/reviewing firm or other information obtained as a result of your responsibilities. You agree not to discuss or disclose such information to anyone not involved in carrying out the review or administering the AICPA Peer Review Program (program) or use it in any way not related to meeting the objectives of the Program.

If you perform, or plan to perform, enforcement related work as a member, employee, consultant, volunteer (or other similar arrangement) of the AICPA or state CPA society ethics committee, AICPA Joint Trial Board, state board of accountancy or other regulatory agencies, governmental bodies, or similar groups or subgroups, you agree to notify the [Administering Entity Peer Review Committee] immediately. Such involvement would prohibit you from performing technical reviews.

Please confirm your acceptance of the responsibilities and obligations it entails by signing a copy of this letter in the space provided and returning it to me. If you have any questions, please feel free to call me.

Sincerely,

[Name]

[Title]

I understand that as a technical reviewer charged with the responsibility to assist a RAB in its report acceptance and oversight functions, I should:

- Demonstrate proficiency in the standards, interpretations, and guidance of the program by completing within the 12 month period preceding the commencement of the technical review 1 or more training courses that are applicable to the type of peer review being evaluated and that meet the
requirements of the team captain or review captain training established by the board (Interpretation No. 132-1a).

- Demonstrate proficiency in the standards, interpretations, and guidance of the program by completing an introductory technical reviewer training course developed by the AICPA ordinarily within 12 months prior to serving as a technical reviewer. Additionally, I will complete or attend one of the following options in every calendar year thereafter:
  - a technical reviewer update training course developed by the AICPA
  - the annual Peer Review Conference

- Be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members (Interpretation No. 132-1d).

- Participate in at least one peer review each year, which may include participation in an on-site oversight of a System Review (Interpretation No. 132-1b).

- Have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed

- Inform the administering entity when performing or planning to perform enforcement related work as a member, employee, consultant, volunteer (or other similar arrangement) of:
  - The AICPA or state CPA society ethics committee
  - The AICPA Joint Trial Board
  - A state board of accountancy or other regulatory agencies, governmental bodies or similar groups or subgroups.

- Adhere to the confidentiality requirements of the Standards for Performing and Reporting on Peer Reviews.

- Mitigate familiarity threats¹ that can exist among Committees/RABs, peer reviewers, and firms by following safeguards in accordance with (Name of the administering entity) policy and procedures.

---

¹ Familiarity threats are defined as “the threat that, due to a long or close relationship with a client, a member will become too sympathetic to the client’s interests or too accepting of the client’s work or product” (ET 1.000.010.12).
I accept this appointment and the responsibilities and obligations, included but not limited to, those outlined above.

Signed: _________________________________

Date: _________
Agenda Item 1.4

Guidance for Program Administration Non-Compliance and Fair Procedures

Why is this on the Agenda?

Background
The evolution of peer review administration is part of the AICPA’s Enhancing Audit Quality (EAQ) initiative, with the objective to ultimately improve audit performance by increasing the consistency, efficiency and effectiveness of the AICPA Peer Review Program (Program) administration.

As part of evolution, on February 2, 2018, the Peer Review Board (PRB) approved administering entity (AE) benchmarks. These benchmarks include qualitative, objective and measurable criteria which may be modified over time due to advances in technology and other factors. Beginning July 2, 2018, AEs are expected to self-monitor their performance against the benchmarks during the pilot period, which will run from July 2, 2018 – June 30, 2019. AEs will report their results to the Oversight Task Force (OTF) quarterly. During the pilot, OTF will monitor benchmarks and reporting requirements in addition to AE feedback to determine if modifications are needed. The AICPA and the OTF are committed to the success of every AE and may be called upon at any time to provide consultation or additional guidance.

Agenda Item 1.4A – Program Administration Non-Compliance and Fair Procedures
All AEs are expected to administer the Program in accordance with standards, interpretations, AE benchmarks and other guidance established by the PRB. The guidance in agenda item 1.4A describes categories of non-compliance, including the impact, and steps in fair procedures. Examples of non-compliance are also included but are not intended to be all inclusive. Exhibit 1 provides a flow chart and an illustrative example of fair procedures.

It is important to note that AEs will have multiple opportunities to work with the AICPA and the OTF prior to undergoing fair procedures. The AICPA and the OTF want all AEs to succeed and will work closely with any AE that may experience issues with benchmark compliance.

Feedback Received
Both the Administrator’s Advisory Task Force (AATF) and the Technical Reviewer’s Advisory Task Force (TRATF) provided feedback in addition to external stakeholders. Their feedback was discussed by the OTF and applicable revisions were made to this final version.

PRIMA Impact
None.

AE Impact
AEs will be subject to fair procedures effective July 1, 2019.

Communications Plan
Once approved by the PRB, this guidance will be:

- Posted in the Evolution folder on SharePoint
- Discussed on a future monthly AE call
- Included in an administrative alert

**Manual Production Cycle (estimated)**
N/A

**Effective Date**
July 1, 2019

**Board Consideration**
The PRB should discuss and approve this guidance.
Program Administration Non-Compliance and Fair Procedures

Administering entities (AEs) are required to develop policies and procedures to address how the AE will administer the AICPA Peer Review Program (Program) to comply with standards, interpretations, AE benchmarks and other guidance established by the Peer Review Board (PRB).

AE responsibilities
Each AE is responsible for monitoring compliance with guidance including reporting on benchmarks to the Oversight Task Force (OTF). The benchmarks include qualitative and measurable criteria which may be modified over time due to advances in technology and other factors. Although these benchmarks may seem new, they have always been expected and implied. The AICPA and the OTF are committed to the success of every AE and may be consulted throughout the process.

If an AE is not in compliance with a benchmark, the AE should determine the cause of the non-compliance. If a pattern of non-compliance exists for any individual benchmark, the AE should also explain the planned remediation and timing. The AICPA and the OTF can assist with tasks such as, root cause analysis, brainstorming, sharing best practices from other AEs and developing the remediation plan.

Categories of non-compliance
1. Matter – Typically one or more “no” answers regarding compliance with a benchmark on the AE Benchmark Summary Form.
2. Finding – One or more related matters that result from a condition in the AE’s administration or compliance with it such that there is more than a remote possibility that the Program is not administered in compliance with standards, interpretations, AE benchmarks and other guidance established by the PRB.
3. Deficiency – One or more findings that due to the nature, root cause or pattern, could create a situation in which the AE would not have reasonable assurance of administering the Program in compliance with standards, interpretations, AE benchmarks and other guidance established by the PRB.

Impact of non-compliance
A pattern exists when consistent non-compliance with a benchmark results in a finding or deficiency. A pattern of non-compliance will require the AE to develop a remediation plan. When remediation is required, the CPA on staff should immediately take required actions, and the society’s or the organization’s CEO should oversee the remediation. The AICPA and the OTF can assist with the development of the remediation plan and timing.

The OTF will consider the implications of non-compliance with administration of the Program, in addition to the nature, root cause and relative importance in the specific circumstances. An AE may move into probation status if the OTF determines the non-compliance is significant or the AE has an insufficient remediation plan. “Probation” status may require additional oversight and the AE could be responsible for reimbursing expenses incurred during the external oversight of the remediation.

Fair procedures will be followed; which will provide the AE an opportunity via multiple steps to remedy the situation(s) that created the non-compliance. When appropriate and timely remediation is not achieved, a society (or an organization) may lose its qualification to be an AE.
Examples of non-compliance
The examples of non-compliance listed below are not intended to be all inclusive.

- Incomplete submission of the quarterly AE Benchmark Summary Form or Plan of Administration (POA) resulting in OTF deferral
- Submission of the quarterly AE Benchmark Summary Form or POA more than seven calendar days after due date
- Not completing the required annual minimum number of oversights by the due date
- OTF AE oversight report identifies a deficiency
- Engaging or using technical reviewers who do not possess appropriate experience and training
- Technical reviewer and Committee/RAB members not applying appropriate level of objectivity and skepticism (familiarity threat)
- RABs accepting reviews without the presence of members who have current experience in must-select engagements or fewer than three members
- Not appropriately addressing reviewer performance issues
- RAB observation report comments consistently repeated in subsequent observations
- Releasing confidential peer review information to an external party without written permission from the firm
- Not responding timely to requests from the OTF or AICPA staff

Fair Procedures
The process for fair procedures comprises multiple steps which includes required remediation. The OTF will ascertain the reasonableness of a remediation plan or help design it. If the OTF determines remediation is not successful, the AE’s qualification to administer the Program may be terminated. After one year, if an AE can demonstrate how the AE will comply with standards, interpretations, AE benchmarks and other guidance established by the PRB, the AE may be reinstated if approved by the PRB.

Exhibit 1 provides a flow chart and an illustrated example of fair procedures.

Steps in Fair Procedures:

Step 1: Increased monitoring performed remotely by AICPA staff. The OTF will evaluate the increased monitoring and determine if remediation is successful or proceed to Step 2. If remediation is successful, the AE will be in good standing.

Below are examples of increased monitoring activities.

- Accelerated RAB observations to include all reviews presented to RAB. (Second RAB observation to occur no sooner than 30 days after the first.)
  - Procedures include reviewing RAB materials, observing the RAB meeting and preparing the report.
- Monitor status of open reviews monthly during this period.

Step 2: Probation. Increased monitoring performed by AICPA staff and/or OTF member. Depending on the nature of the non-compliance and the oversight deemed necessary by the OTF, costs incurred because of the oversight could be the responsibility of the AE. These costs may include a reasonable hourly rate for AICPA staff and/or OTF member time and/or travel expenses. The OTF will evaluate the
increased monitoring and determine if remediation is successful or proceed to Step 3. If remediation is successful, the AE will be in good standing.

Below are onsite activities that may occur with increased monitoring during the probation period. Multiple activities, including repetitions, may be required. As mentioned above, the AEs could be expected to reimburse the AICPA and OTF members for time and expenses incurred. Actual hours, rates and resulting costs may vary greatly.

- Travel to AE for in-person observation (time estimate – 4 to 10 hours)
- RAB meeting observation – procedures include reviewing materials, observing the meeting and preparing a report to the OTF (time estimate – 10 to 15 hours)
- Test AE’s compliance with administrative procedures (time estimate – 4 to 6 hours)
- Committee meeting observation (time estimate – 1 to 3 hours)

**Step 3: Referral to OTF hearing panel to determine whether:**

- The AE’s qualification to administer the Program will be terminated (with its administration transitioned to another AE), or
- The AE will be allowed to continue to remediate (i.e., return to Step 2).

The OTF hearing panel will consist of the OTF chair and at least two OTF members.

**Step 4: Appeal of OTF hearing panel decision to PRB.**

- An AE will have the right to appeal a decision of the OTF hearing panel to terminate the AE’s qualification to administer the Program or continue remediation.
- Such request must be received within 30 calendar days of the date of the notice of the decision, be in writing, emailed to AICPA staff and explain the AE’s reasons why the OTF hearing panel’s decision should be modified or set aside.
- The PRB hearing panel will consist of at least three PRB members who do not also serve on the OTF.
Fair procedures flowchart

**Step 1:** The AICPA staff remotely performs increased monitoring.

**Step 2:** Probation — The AICPA staff and/or OTF member performs increased monitoring.

**Step 3:** Referral to OTF hearing panel

**Step 4:** Appeal of OTF hearing panel decision to PRB
SRM Revisions and Other Related Updates

Why is this on the Agenda? Staff proposes Peer Review Program Manual (PRPM) updates to:

- **Eliminate Data Already Captured by PRIMA, Update to PRIMA and Incorporate Other User Feedback:**
  - PRP 4800 Summary Review Memorandum (SRM) – Attachment 1.5A
  - PRP 4900 Team Captain Checklist (TCC) – Attachment 1.5B
  - PRP 6300 Review Captain Summary (RCS) – Attachment 1.5C

- **Move PRP 4800 SRM’s “Scope of Work Performed” schedule to Practice Management Toolkit:**
  The data captured is already captured in PRIMA. We understand that some reviewers prefer to initially obtain (for instance, from potential peer review clients) or complete this schedule manually prior to PRIMA input. However, maintaining the schedule in the PRPM has led to some confusion. It will be moved to the Practice Management Toolkit and continue to include the reminder that the information must be completed in PRIMA.

- **Eliminate Documents from PRPM:**
  The data captured in the following documents is already captured in PRIMA and it is not necessary to maintain them elsewhere:
  - PRP 4950a & b (MFC), 4960a & b (FFCs), 4850 DMFC), and similar Engagement Review documents

Feedback Received
Staff obtained feedback from the AATF, TRATF and STF.

**PRIMA Impact**
None expected

**AE Impact**
None expected

**Communications Plan**
A Reviewer Alert article will be sent out the month the updates are released.

**Manual Production Cycle (estimated)**
The next PRPM update; currently estimated to be April 2019.

**Effective Date**
For reviews commencing on or after May 1, 2019

**Board Considerations**
Review and approve proposed changes outlined in the Agenda items 1.5A through 1.5C.
PRP Section 4800

Summary Review Memorandum (SRM)

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<th>Reviewed Firm’s Name</th>
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<tbody>
<tr>
<td>Firm Number</td>
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<tr>
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<tr>
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<tr>
<td>Commencement of Review</td>
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<tr>
<td>Exit Conference</td>
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<tr>
<td>When was the report submitted to the reviewed firm?</td>
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<tr>
<td>What is the report rating? Was the general nature of the report?</td>
<td>Pass ☐ Pass with deficiency(ies) ☐ Fail ☐</td>
</tr>
<tr>
<td>If the report was pass with deficiencies or fail, what were the reasons?</td>
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<td>Additional reasons:</td>
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<td>Did the report have a scope limitation?</td>
<td>Yes ☐ No ☐</td>
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<tr>
<td>How many Matter for Further Consideration (MFC) forms were issued to the firm?</td>
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<td>How many Finding for Further Consideration (FFC) forms were issued to the firm?</td>
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<td>Team Captain</td>
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<td>Date</td>
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GENERAL NATURE OF REPORT CODES:

1. Pass
2. Pass with deficiency(ies)
REASON REPORT CODES:

350. Leadership Responsibilities for Quality Within the Firm (the “Tone at the Top”)
351. Relevant Ethical Requirements
352. Engagement Performance
353. Human Resources
355. Monitoring

Instructions

.01 This section of the manual contains a summary review memorandum for System Reviews. The purpose of the summary review memorandum is to document (1) the planning of the review, (2) limited information related to the scope of the work performed, (3) the support for the type of report issued, and (4) items communicated to senior management of the reviewed firm that were not deemed of sufficient significance to affect the report, including support for Findings for Further Consideration (FFC) forms. This documentation is required to enable the administering entity to exercise its oversight function in an effective and consistent manner.

.02 The attached form, if properly completed, ordinarily should provide the documentation necessary to meet these objectives. If there is insufficient space to fully describe any matters, additional sheets should be used and attached to the form.

.03 Questions regarding the use of this form or any other materials or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.

.04 This form must be completed on all AICPA Peer Review Program (PRP) System Reviews and must be submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm under review or by an approved association of CPA firms.

Planning

Firm Description

A. A&A Personnel Profile

Enter the number of personnel (including non-CPAs) that provide A&A services below. Note: If the firm has more than one office, provide a breakdown by office and add additional sheets as necessary.

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Page 2
Agenda Item 1.5A

A&A Partners (or equivalent)  ____________________________  ____________________________  ____________________________  ____________________________  ____________________________
A&A Managers (or equivalent)  ____________________________  ____________________________  ____________________________  ____________________________  ____________________________
A&A Other Personnel fn 1  ____________________________  ____________________________  ____________________________  ____________________________  ____________________________
A&A Leased or Per Diem fn 2  ____________________________  ____________________________  ____________________________  ____________________________  ____________________________
Total A&A  ____________________________  ____________________________  ____________________________  ____________________________  ____________________________

Comments:
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C. Identify service arrangements, if any, with non-CPA owned entities with which the reviewed firm is closely aligned through common employment, leasing of employees, equipment, facilities, or other similar arrangements:


Composition of Review Team

A. Identify the team members who reviewed the following engagements, if applicable:

- Audits Subject to the Single Audit Act:
- Other Audits Subject to Government Auditing Standards (GAS):
- Employee Benefit Plans Audits Subject to ERISA:
- FDICIA Audits of Federally Insured Depository Institutions:
- Broker-Dealer Audits:
- Service Organization Control (SOC) engagements:
- Other team members not identified above, who:
  - reviewed engagements, or
  - were used to determine whether an engagement from a must-cover industry should be selected for review:

Any differences between the team members listed above and those approved in PRIMA to perform the peer review should be eliminated by adding/ deleting team members in PRIMA.

A. Note: Select areas of experience for the levels of service, practice areas and industries relevant to the reviewed firm’s practice.

In the Industries section, identify the team members’ experience that correlates to the firm’s three largest engagements or areas that represent 10 percent or more of the firm’s practice hours as noted on the scheduling form.

Use the codes in “Codes Used in PRIMA” article in the PRIMA knowledge base “Help” screen at https://prima.aicpa.org. 

Page 4
1. Team Captain

Levels of Service/ Practice Areas of Experience

Industry Areas of Experience

2. Team Member

Levels of Service/ Practice Areas of Experience

Industry Areas of Experience

3. Team Member

Levels of Service/ Practice Areas of Experience

Industry Areas of Experience

4. Team Member

Levels of Service/ Practice Areas of Experience
Industry Areas of Experience

5. Team Member

Levels of Service/Practice Areas of Experience

Industry Areas of Experience

6. Specialist

Levels of Service/Practice Areas of Experience

Industry Areas of Experience

7. Specialist

Levels of Service/Practice Areas of Experience

Industry Areas of Experience

Other Planning
A. Describe any matters of firm or individual regulatory noncompliance within the three years preceding the firm’s current peer review year-end and through the date of the exit conference. Discuss how the firm is addressing the matter, the effect on the firm’s accounting and audit practice, any consultations with the administering entity (AE), and the impact on your risk assessment and scope of the peer review.

If any licensing exceptions are noted, prepare an MFC. Ensure the firm’s representation letter is tailored for significant matters (PRP Section 1000, paragraph .208, Appendix B, “Considerations and Illustrations of Firm Representations”).

Guidance on the types of matters to be addressed:
1. Noncompliance with the rules and requirements of state board(s) of accountancy or other regulatory bodies by the firm or its personnel.
   (Consider applicable firm and individual licensing requirements in each state in which the firm or individual practiced for the year under review.)
2. 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 or its personnel.
   (Consider communications from bodies such as PCAOB, SEC, GAO, Department of Labor, any state board of accountancy, AICPA or state society professional ethics committee, or any other government agency.)
3. Any restrictions or limitations on the firm’s or its personnel’s ability to practice public accounting that were imposed by or agreed to with other regulatory, monitoring, or enforcement bodies.

B. If the firm was previously reviewed, read the prior report, and any findings reflected in the FFC form(s) and the firm’s letter of response, if applicable. Discuss any relevant items with the firm and document the following:

- Summary of the actions taken by the firm in response to any findings, deficiencies or sig-
Significant deficiencies

• Evaluation of whether the actions taken addressed the systemic cause of the finding, deficiency, or significant deficiency

• If the firm did not perform the actions documented in its prior review responses, evaluation of whether sufficient alternative procedures were performed and if not, whether there are deficiencies in the firm’s system of quality control such as leadership responsibilities for quality within the firm (tone at the top)

• Consideration of whether such matters require additional emphasis in the current review and how that will be done

C. If the firm or selected engagements have been or are currently being inspected or reviewed by a governmental or other regulator, or the PCAOB, discuss any findings, including those that may have been communicated orally or in draft form with appropriate firm personnel. Document the effects, if any, the findings could have on the planning and performance of review procedures. See Int. 40-1 and 40-2.

D. 1. If the firm uses quality control materials (QCM) developed by a third party, identify the provider(s) and the type of practice aids used. Briefly describe the extent to which the firm uses the provider’s materials, including areas that are either customized or in which firm developed materials are substituted. Also describe the firm’s procedures for updating and modifying these materials.
2. If the third-party QCM provider(s) underwent a QCM review under the Standards for Performing and Reporting on Peer Reviews (QCM review) or an examination of QCM under the SSAEs (examination of QCM), describe your consideration of the QCM review report(s). Document the QCM review scope of work and date of the engagement review. If the provider received a report other than “pass,” determine the impact of the report on the reviewed firm’s peer review risk and scope of work. See Int. 42-2 and 42-3.

3. If the firm uses third-party QCM that were not subject to a QCM review, or examination of QCM, or were not included in the scope of either engagement’s QCM review, describe the firm’s procedures for ensuring the reliability of the QCM. See Int. 42-3.

4. If the firm uses internally-developed QCM that did not undergo a separate QCM review or examination of QCM, summarize the firm’s procedures for the developing, updating, and ensuring the reliability of the QCM. See Int. 42-3.
E. After evaluating the design of the firm’s system of quality control using the Guidelines for Review of Quality Control Policies and Procedures (Sections 4500 and 4600), develop and document a plan for the nature and extent of compliance testing to be performed using the Guidelines for Testing Compliance with Quality Control Policies and Procedures (Sections 4550 and 4650).

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F. Document your risk assessment of the firm. Consider all of the risk assessment requirements and related guidance in the standards, interpretations, and supplemental guidance to develop a risk assessment to support your engagement selections. Specifically, this includes, but is not limited to PRP Section 1000, paragraphs .38–.63 and the related interpretations of section 1000 should be considered and documented.

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Page 10
G. Briefly describe and assess the firm’s approach to ensuring completeness of the engagement listing. This listing should include engagements with periods ending during the year under review whether issued or not.

H. Briefly describe how the firm monitors non-attest services provided to attest clients and meets the documentation requirements to ensure independence is not impaired.

I. Based on your responses to the previous questions, describe your planned selection of office(s) and engagement(s) for review to reduce peer review detection risk to an acceptably low level. Include how the scope covered a reasonable cross-section of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements in the practice with a higher assessed level of peer review risk.
J. If any of the following situations apply, provide the requested response/documentation:
   • If the review is performed at a location other than the reviewed firm’s office, describe the impact on the risk assessment of performing the review offsite.
   - the impact on the risk assessment, and
   - the date the approval was granted from the administering entity.

K. If you plan to significantly reduce the scope of procedures to be performed based on inspection reliance, describe basis for and degree of reliance on the firm’s inspection program. Inform the AICPA technical staff during peer review planning and document the discussion. Reliance should not be placed on the firm’s inspection program when one was not performed during the current year. See Int. 45-1 and 45-2, and PRP Section 3100, Supplemental Guidance.

   Reliance should not be placed on the firm’s inspection program when one was not performed during the current year. See Int. 45-1 and 45-2, Supp. Guide. Sec. 3100.
Agenda Item 1.5A

April 2019 TBD 2018 December 2017

1. Describe any significant deviations from AICPA peer review questionnaires and checklists. Explain the reason(s) for the deviations. See Int. 24-1. Consultation with and approval from the administering entity is required prior to using alternative materials. Provide documentation of the approval below or attached. If documentation of approval was required prior to utilization of materials, note that it was obtained.

2. Were you requested not to review any engagements or certain aspects of functional areas? This includes limited access to records, such as personnel files and client acceptance documentation. Yes ☐ No ☐
   If yes, complete the following questions:
   1. Did the firm submit a written waiver request for this exclusion to its administering entity? Yes ☐ No ☐
      See Int. 55-1
      If the firm did not submit a waiver request for the exclusion to its administering entity, contact the administering entity.
   2. Review the request and describe the reason for the request. Explain whether you were satisfied with the reason and document your risk assessment considerations.

3. Review the exclusion waiver approval from the administering entity. Verify and document that approval was obtained:
   a. If the exclusion waiver approval was not obtained, contact the administering entity.
   b. If the administering entity did not approve the exclusion waiver request due to scope limitation issues, describe the effect on the report to be issued.

Page 13
Describe any inaccurate information included in differences between the Peer Review Information (PRI) scheduling form and the engagement listing provided by the firm. If the differences are significant, consult with the AE and document your consultation.

MO.

1. Identify the level of service and industry of the engagement selected for review and not provided to the firm in advance (surprise engagement). See Int. 61-1

2. Describe any deviation from this requirement, or revision to the original engagement selected.

Scope of Work Performed

Reminder: This information must be completed in PRIMA. You do not need to complete this chart in the SRM. It is here as a resource, if needed.

Population and Reviewed Statistics

(Single or Multiple Office Firms)
Note: If the firm has multiple offices, provide additional information on the A&A practice and engagement selections by office.

<table>
<thead>
<tr>
<th>Population</th>
<th>Reviewed</th>
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</thead>
<tbody>
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</table>

**Engagements Subject to Government Auditing Standards (GAS)**

- Single Audit Engagements
- All others subject to GAS
- Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)
- Performance Audits

### Audit Engagements:

#### Employee Retirement Income Security Act (ERISA):
- Defined Contribution Plans—(excluding 403(b) plans)
- Defined Contribution Plans—(403(b) plans only)
- Defined Benefit Plans
- ERISA Health and Welfare Plans
- Employee Stock Owner Plans

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**fn 3** For engagements on which not all of the significant audit areas were reviewed, include the engagement hours that relate to the portion of the engagement that was reviewed and note the fact in the comment section.

**fn 4** Includes all engagements of entities subject to Government Auditing Standards (the Yellow Book), including audits subject to the Office of Management and Budget Circular A-133, “Audits of States, Local Governments, and Nonprofit Organizations,” or Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as applicable. If the engagements are other than financial audit engagements subject to the Yellow Book, for instance attestation or performance audits, please provide explanation in the comments section below.
<table>
<thead>
<tr>
<th>Ship Plans (ESOP)</th>
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</table>

FDICIA Audits of Federally Insured Depository Institutions (with more than $500 million, but not more than $1 billion in beginning total assets) fn 5

FDICIA Audits of Federally Insured Depository Institutions (with more than $1 billion in beginning total assets and required annual report on internal controls) fn 6

Entities subject to SEC Independence Rules fn 7

<table>
<thead>
<tr>
<th>Carrying Broker-Dealers</th>
<th>Non-Carrying Broker-Dealers</th>
<th>Other</th>
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Other Audits Under Statements on Auditing Standards, not covered by PCAOB permanent inspection program Statement on Standards for Accounting and Review Services (SSARSs): Reviews

<table>
<thead>
<tr>
<th>Reviews</th>
<th>Compilations With Disclosures</th>
<th>Compilations Omit Disclosures</th>
<th>Preparation Engagements With Disclosures</th>
<th>Preparation Engagements Omit Disclosures</th>
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Statements on Standards for Attestation Engagements (SSAEs):

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<tr>
<th>Compilations of Prospective Financial Statements</th>
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</table>
### Agenda Item 1.5A

#### Examination of Service Organization Control Reports:
- SOC 1
- SOC 2
- SOC 3

#### Examination Engagements

<table>
<thead>
<tr>
<th>Examination Engagements</th>
<th>Review Engagements</th>
<th>Agreed-Upon Procedures Engagements</th>
<th>Attest engagements under PCAOB standards, not covered by PCAOB inspection</th>
<th>Other</th>
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</thead>
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</table>

#### Total per engagement listing provided by the firm—All Engagements

<table>
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<tr>
<th>Percentage of Auditing and Accounting Practice Reviewed</th>
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**Comments:**

*Commented [SMR1]:* The “specific finding” title and first 4 questions were moved from previously being below “overall findings” to here, to improve the flow of the questions. This was not done in “track changes” so that you can see the other changes being proposed to the questions.

---

### Findings and Conclusions

#### Specific Findings

**All.** Did the review disclose any situations that led the reviewers to conclude that an engagement was not performed or reported on in conformity with professional standards in all ma-
terial respects (nonconforming)? \( fn^8 \) Yes ☐ No ☐ N/A ☐

If “Yes,” reflect in PRIMA and document the following for each nonconforming engagement below:

1. Type of engagement reviewed, including level of service and industry

2. MFC number(s) where the reasons contributing to the nonconformity are documented and the disposition of those MFCs

3. Procedures performed to expand scope and the results of the procedures or explanation as to why scope expansion was not considered necessary

4. The firm’s planned or taken remediation of the nonconforming engagement(s)

5. Describe your evaluation of the firm’s remediation, considering the following:
   a. Has the firm adequately described its consideration and avoided labeling the nonconformity as “an oversight” or “isolated”?
   b. If the firm has completed its remediation, 
      i. was the firm’s remediation appropriate and in accordance with professional standards?
      ii. did you review the remediation?
   c. If the firm has not completed its remediation, 
      i. is the firm’s planned remediation appropriate and in accordance with professional standards?
      ii. if the firm has determined it is appropriate to address the reason for nonconformity on future engagements only and does not plan to remediate the nonconforming engagement, are you comforta-

\( fn^8 \) These situations should be reflected in the Review Summary in PRIMA as a nonconforming engagement on the “System Review Engagement Statistics Data Sheet,” if applicable. Also, when there is a disagreement with the reviewed firm about these situations, the reviewers should consult with the administering entity or its designee.
(1) Examples to consider:

(a) If the firm says the omitted information was immaterial, have they confirmed it was immaterial or are they assuming it was?

(b) Does the subsequent engagement being imminent really resolve any concerns about the previous engagement being nonconforming?

iii. do you recommend a corrective action or implementation plan for the RAB to follow up on the remediation when completed?

d. If the firm’s taken or planned remediation is not appropriate or in accordance with professional standards, have you considered the implications to the firm’s system of quality control such as tone at the top?

B. If the firm conducted internal inspection procedures for the current year, did it identify any nonconforming engagements? Yes ☐ No ☐ N/A ☐

If “Yes,” document the following for each nonconforming engagement:

1. Type of engagement reviewed, including level of service and industry.

2. The firm’s scope expansion procedures and results of those procedures or explanation as to why scope expansion was not considered necessary

3. The firm’s planned or taken remediation of the nonconforming engagement(s)

4. Evaluation of the firm’s remediation (See question above for considerations)
5. Impact of the firm’s inspection results on the peer review engagement selection and conclusions

C. For each engagement reviewed, were there any of the bolded questions that were answered “no” in any engagement checklists (for example, sections 20,700 or 20,700A, Employee Benefit Plan Audit Engagement Checklist, or 21,300, SEC-Registered Broker-Dealer Audit and Attest Engagements Checklist) were answered “no.” If yes, did you conclude that the firm performed and/or reported on that engagement in conformity with applicable professional standards in all material respects? Yes □ No □ N/A □ If yes, explain your reasoning.

D. If financial statement preparation is identified as a non-attest service for engagements performed under Government Auditing Standards (refer to PRP Section 22,110 and 22,120 Question GA108), and significant threats were not identified, did you conclude that the firm performed the engagement in conformity with applicable professional standards in all material respects? Yes □ No □ N/A □ If yes, explain your reasoning.

E. If you found non-compliance with the Risk Assessment Standards, did you conclude that the firm performed/reported on that engagement in conformity with applicable professional standards in all materials respects? Yes □ No □ N/A □ If yes, explain your reasoning.

If no, explain how the non-compliance was addressed in the peer review considering guidance in PRP Section 3100 titled “Evaluation on Non-compliance with the Risk Assessment Standards”, effective for reviews commencing on or after October 1, 2019 through reviews commencing on or before September 30, 2021.
Overall Findings and Conclusions

Do you conclude that the firm’s system of quality control was suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, with respect to the following elements of quality control? If the conclusion is “no” with respect to any element of quality control, indicate with an “X” the applicable reporting implication column. Deficiencies and significant deficiencies should be supported by MFC forms and summarized on the Disposition of MFC form (DMFC). Responses below should agree to those submitted in PRIMA.

<table>
<thead>
<tr>
<th>Conclusion</th>
<th>Deficiency (PWD)</th>
<th>Significant Deficiency (Fail)</th>
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<tr>
<td>No</td>
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</table>

1. Leadership responsibilities for quality within the firm (the “Tone at the Top”)
2. Relevant ethical requirements
3. Acceptance and continuance of client relationships and specific engagements
4. Human resources

Page 21
5. Engagement performance

6. Monitoring

FG. If you considered issuing a different type of report than the report issued, or if the technical reviewer or RAB is likely to require additional information regarding the basis for the type of report issued, describe the situation fully, including the basis for your conclusions.

GH. If you identified nonconforming engagement(s), explain your evaluation of the following:
- Pervasiveness of the issues leading to nonconforming engagement(s)
- Systemic cause for the matter(s) noted
- Impact on the type of report issued.

IH. If the systemic cause for any findings, deficiencies or significant deficiencies noted in the previous review are repeated in the current report or FFC forms, describe the firm’s actions to prevent recurrence of the issue. Discuss the timing of such actions, what is different from previous actions, and whether you concur with the firm’s approach. Additionally, address whether the repeat is an indication of findings, deficiencies, or significant deficiencies in other elements of quality control, such as tone at the top.
If there were significant differences between the results of the firm’s most recent internal monitoring procedures and the peer review results, document your considerations of how the differences with systemic implications or that were individually significant impacted the peer review conclusions.
For multi-office firms, if you concluded that the extent of noncompliance at one or more offices was significantly higher than the rest of the firm, briefly describe the situation and the impact on the peer review conclusions.

Describe the nature and extent of each issue to be discussed at the closing meeting, exit conference or communicated to senior management of the reviewed firm that was not deemed of sufficient significance to include in an MFC form, an FFC form, the report, or other materials included elsewhere in the peer review working papers.
MLG1. Describe any situations encountered which require consultation with the administering entity or AICPA staff. Indicate name of person consulted and date.

Consulted: _____ Date: _____

Examples of such situations:

a. When the firm has sold a portion of its non-attest practice to a non-CPA owned entity and entered into a service arrangement with that non-CPA owned entity to provide employees, office space, or equipment for which the firm remits a percentage of its revenues or profits.

b. The review team feels it may not have the expertise required under the applicable Standards for Performing and Reporting on Peer Reviews to accomplish the required reviews of engagements satisfactorily.

c. The review team determines that reliance upon the firm’s current year monitoring procedures could significantly reduce the scope of the procedures it will perform (Interpretation 45-2, “Considering the Firm’s Monitoring Procedures,” of paragraph .45 in PRP 5Section 1000 [sec. 2000]).

d. The reviewed firm is deemed to not be cooperating (Interpretation 5h-1, “Cooperating in a Peer Review,” of paragraph .05 in PRP 5Section 1000 [sec. 2000]).

e. The review team is considering whether to discontinue the review, for example, because of a lack of cooperation.

f. The review team and the reviewed firm have a disagreement on

- the type of report to be issued, the FFC form(s) to be issued, or any other
substantive issue.

- issues that may require the application of the guidance in AU-C section 585, Consideration of Omitted Procedures After the Report Release Date, and AU-C section 560, Subsequent Events and Subsequently Discovered Facts (AICPA, Professional Standards), or similar guidance with respect to engagements to compile or review financial statements or to examine prospective financial statements.

g. There is any uncertainty about the report to be issued or the findings to be included in the FFC form(s).

h. When the firm has not obtained a waiver for excluding an engagement(s) or certain aspects of functional area(s) from the scope of the review.

i. Difficulties in complying with the applicable Standards for Performing and Reporting on Peer Reviews.

j. Uncertainty of whether matters were isolated and difficulties in determining the cause for a finding.

k. The firm failed to perform or report in conformity with applicable professional standards in all material respects and the review team determines the cause of the failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion. (par. .83d sec. 1000)

l. A team captain who is considering whether a peer review report should be issued with an additional paragraph for a scope limitation due to a divestiture should consult with the administering entity. (Interpretation 5c-1, “Acquisitions and Divestitures and Their Effect on Peer Review Scope,” of paragraph .05c in PRP Section 1000 [sec. 2000])

m. If an engagement(s) within the team captain’s selection is not available for review, a comparable engagement within the peer review year-end is also not available, nor is there a prior year’s engagement that may be reviewed, the team captain should consult with the administering entity to determine the effects on the timing or year-end of the peer review, if any, and whether a report with a peer review rating with a scope limitation should be issued. (Interpretation 56-1, “Office and Engagement Selection in System Reviews,” of paragraph .56 in PRP Section 1000 [sec. 2000])

n. A reviewed firm is required to inform the reviewer of communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, auditing, or attestation engagement performed and reported on by the firm. If the reviewed firm fails to discuss such communications with the reviewer, the reviewer should immediately consult with the administering entity because this constitutes a failure to cooperate, and the firm would be subject to fair procedures that could result in the firm’s enrollment in the program being terminated. (Interpretation 181-1b-1, “Communications Received by the Reviewed Firm Relating to Allegations or Investigations in the Conduct of Accounting, Auditing, or Attestation Engagements from Regulatory, Monitoring, or Enforcement Bodies,” of paragraph .181 in PRP Section 1000 [sec. 2000])

O. A team captain or review team encounters difficulties in complying with the standards, especially in selecting engagements or offices for review. If the team captain finds that meeting all of the selection criteria for selection of engagements results in an inappropriate
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Scope of the firm’s accounting and auditing practice, the team captain should consult with the administering entity about the selection of engagements for review. (Interpretation 56-1, “Office and Engagement Selection in System Reviews” of paragraph .56 in PRP Section 1000 [sec. 2000] Interpretation 56-1)

NG2. Describe any situations where the Issue Advisory Hotline was consulted. Documentation should include the following:
   a. Name of person consulted
   b. Date of consultation
   c. Explanation of the facts and circumstances of the issue(s)
   d. Basis for concluding whether the selected engagement is non-conforming
   e. Impact to the peer review as a whole

NL. For findings, deficiencies, and significant deficiencies identified during the review, were you able to identify the systemic cause? Yes □ No □ N/A □

In the rare circumstance it was not practicable to identify the systemic cause, document the reasons below.

OM. Are you satisfied that the firm’s response on FFC form(s) and the letter of response are comprehensive, genuine, and feasible? (Please note that if it is not, the technical reviewer or RAB will request a revised response.) Yes □ No □ N/A □ See Int. 97-1, 99-1, 99-2 and 100-1.

If no, explain describe any concerns.
PN. Based on the findings, if any, documented on FFC form(s), do you believe an implementation plan should be required of the firm by the report acceptance body? Yes ☐ No ☐ N/A ☐.

If yes, describe the plan you would recommend, including timing, and how it integrates with the firm’s own planned actions (See PRP Section 3300 RAB Handbook, Chapter 4, Exhibit 4-2).

QQ. Based on the deficiencies and significant deficiencies, if any, documented in the report, do you believe a corrective or monitoring action should be required of the firm by the report acceptance body? Yes ☐ No ☐ N/A ☐. If yes, describe the plan you would recommend, including timing, and how it integrates with the firm’s own planned actions (See PRP Section 3300 RAB Handbook, Chapter 4, Exhibit 4-2).

R. Provide any further information for the technical reviewer and/or Report Acceptance Body to assist in their evaluation of the peer review. ☐ N/A

System Review Engagement Statistics Data Sheet
Reminder: This information must be completed in PRIMA. You do not need to complete this chart in the SRM. It is here as a resource, if needed.

<table>
<thead>
<tr>
<th>Firm Number</th>
<th>Review Number</th>
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<tr>
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</table>

### I. Engagement Statistics

<table>
<thead>
<tr>
<th>Engagements Subject to Government Auditing Standards (GAS)</th>
<th>Total Not in Conformity With Applicable Professional Standards in All Material Respects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total-No. Reviewed</td>
</tr>
<tr>
<td>Single Audit engagements</td>
<td></td>
</tr>
<tr>
<td>All others subject to GAS</td>
<td></td>
</tr>
<tr>
<td>Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)</td>
<td></td>
</tr>
<tr>
<td>Performance Audits</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit Engagements:</th>
<th>Total-No. Reviewed</th>
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</thead>
<tbody>
<tr>
<td>Defined Contribution Plans—(excluding 403(b) plans)</td>
<td></td>
</tr>
<tr>
<td>Defined Contribution Plans—(403(b) plans only)</td>
<td></td>
</tr>
<tr>
<td>Defined Benefit Plans</td>
<td></td>
</tr>
<tr>
<td>ERISA Health and Welfare Plans</td>
<td></td>
</tr>
<tr>
<td>Employee Stock Ownership Plans (ESOP)</td>
<td></td>
</tr>
<tr>
<td>Total No. Reviewed</td>
<td>Total Not in Conformity With Applicable Professional Standards in All Material Respects</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>FDICIA Audits of Federally Insured Depository Institutions with more than $500 million, but not more than $1 billion in beginning total assets</td>
<td></td>
</tr>
<tr>
<td>FDICIA Audits of Federally Insured Depository Institutions (with more than $1 billion in beginning total assets and required annual report on internal controls)</td>
<td></td>
</tr>
<tr>
<td>Entities subject to SEC Independence Rules:</td>
<td></td>
</tr>
<tr>
<td>Carrying Broker-Dealers</td>
<td></td>
</tr>
<tr>
<td>Non-Carrying Broker-Dealers</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Other Audits Under Statements on Auditing Standards</td>
<td></td>
</tr>
<tr>
<td>Audits Under PCAOB Standards, not covered by PCAOB permanent inspection program</td>
<td></td>
</tr>
<tr>
<td>Statements on Standards for Accounting and Review Services (SSARSs):</td>
<td></td>
</tr>
<tr>
<td>Reviews</td>
<td></td>
</tr>
<tr>
<td>Compilations With Disclosures</td>
<td></td>
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<tr>
<td>Compilations Omit Disclosures</td>
<td></td>
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<tr>
<td>Preparation Engagements With Disclosures</td>
<td></td>
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<tr>
<td>Preparation Engagements Omit Disclosures</td>
<td></td>
</tr>
<tr>
<td>Statements on Standards for Attestation Engagements (SSAEs):</td>
<td></td>
</tr>
<tr>
<td>Compilations of Prospective Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Examination of Service Organization Control Reports:</td>
<td></td>
</tr>
<tr>
<td>SOC-1</td>
<td></td>
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<tr>
<td>SOC-2</td>
<td></td>
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<tr>
<td>SOC-3</td>
<td></td>
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<tr>
<td>Examination Engagements</td>
<td></td>
</tr>
</tbody>
</table>
Agenda Item 1.5A

II: Reasons and Action Summary

List engagements not performed and/or reported in conformity with applicable professional standards in all material respects.

<table>
<thead>
<tr>
<th>Type of engagement reviewed</th>
<th>Reason code</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

REASON CODES For each engagement identified as not performed and/or reported in conformity with applicable professional standards in all material respects, the following reason codes should be used to identify the professional standards and regulations that were not complied with:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-133</td>
<td>OMB Circular No. A-133, Audits of States, Local Gov't, and NFP Org</td>
</tr>
<tr>
<td>AAG</td>
<td>Accounting-and-Audit Guide</td>
</tr>
</tbody>
</table>
### III: Exclusion Summary

List engagements excluded from review.

<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Excluded reason code</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

**EXCLUDED ENGAGEMENT REASON CODES**

1. Subject of litigation
2. Subject of investigation by government agency
3. Client-imposed restrictions
4. Other
PRP Section 4900

Team Captain Checklist

*Click to download in Excel format.*

<table>
<thead>
<tr>
<th>Reviewed Firm’s Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Number</td>
</tr>
</tbody>
</table>

Instructions

.01 This section of the manual contains a Team Captain Checklist for AICPA Peer Review Program System Reviews. It provides a basic overview of the way in which these reviews—regardless of firm size—are to be conducted.

.02 The checklist steps should normally be completed in the order presented. Place an “X” in the appropriate column to indicate the step has been completed or if the step is not applicable.

.03 Questions regarding the use of this checklist, any other materials, or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.

.04 This checklist must be completed on System Reviews, whether those reviews are conducted by a review team formed by a firm engaged by the firm under review or by an authorized association of CPA firms.

.05 This form should be completed for System Reviews commencing on or after April 1, 2014.

Planning and Performing

I. Prior to Accepting Peer Review Client

Completed | Not Applicable
1. Determine that reviewing firm, the review team, and any other individuals who participate on the peer review are independent and free from any obligation to, or interest in, the reviewed firm or its personnel.

2. Determine your capability to perform a peer review:
   - Obtain and consider information about the firm to be reviewed, including size, nature of practice, industry specializations, and levels of service compared to your firm
   - Determine availability of peer reviewers with appropriate levels of expertise and experience to perform the review
   - Determine that all team members meet the qualifications to perform a peer review

3. Consult with the administering entity concerning any of the following matters which may affect your ability to perform the peer review.
   - If any proposed peer review team members have received any communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm’s accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice
   - If you or your firm performed an inspection, engagement review, quality control consulting, or other monitoring activities to the firm during the peer review year or the immediately preceding year
   - If you or any members of the review team provided the reviewed firm with quality control materials that have not undergone a QCM review or an independence review under the Standards for Performing and Reporting on Peer Reviews or an examination of QCM under the SSAEs

II. Planning the Review (see AICPA Standards for Performing and Reporting on Peer Reviews (sec. 1000) (Standards) paragraph .106)
4. Read recent Peer Review Alerts and those applicable to the types of engagements that will be reviewed (such as those that assist with the review of and conclusion on Yellow Book audits).

5. Communicate with the firm about the peer review timing, responsibilities, and administrative matters. Consider the following:

- Confirm peer review year-end date.

- Timing of review fieldwork and expected date of exit conference.

- Due date of peer review, and whether it will need to request an extension from the administering entity (AE) or U.S. Government Accountability Office (GAO).

- Confirm that the AE has confirmed receipt of peer review arrangements.

- Ability to support electronic MEC form completion, and that it registered.

- If the firm has had an acquisition of another practice or portion thereof, or divestiture of a significant portion of its practice, including the sale of any portion of the firm’s non-attest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the administering entity prior to the commencement of the review to determine the appropriate scope of the review and other actions that should be taken.

- If it is cost prohibitive or extremely difficult to arrange for the review to be performed at the reviewed firm’s office, consider whether the circumstances can support requesting approval from the administering entity to perform the review at a location other than the reviewed firm’s of-
fices. This request should be made prior to the commencement of fieldwork and will be approved by administering entities only in rare situations. A copy of the administering entity approval should be kept with the peer review documents.

6. Obtain the results of the prior peer review from the firm or administering entity (see Standards paragraph .39) and consider whether the issues discussed in those documents require additional emphasis in the current review and, in the course of the review, evaluate the actions of the firm in response to the prior report. Document your considerations in the Summary Review Memorandum. Documents to be obtained include the prior peer review:

- Report
- Letter of response, if applicable
- Letter of acceptance
- FFC forms, if applicable
- Firm representation letter

7. Inquire of the firm about the areas to be addressed in the written representations (see Standards paragraph .40):

- Consider whether the areas discussed require additional emphasis in the course of the review.
- Discuss with firm management the recent clarification of noncooperation provisions regarding the omission or misrepresentation of the firm’s accounting and auditing engagements. Ensure that the firm understands its responsibility for confirming in the representation letter the completeness of the engagement listing provided. Emphasize that failure to properly include engagements on the list could be deemed as failure to cooperate. This may result in termination from the peer review program and referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct (see Interpretation 5h-
1). Discussions should be with 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.

8. Obtain a sufficient understanding of the nature and extent of the firm’s accounting and auditing practice and related quality control system to plan the review (see Standards paragraphs .41–.45):

• Understanding of the firm’s accounting and auditing practice and system of quality control through inquiries of appropriate management and other personnel, review of the firm’s internal policies and procedures, and review of the firm’s responses to questionnaires developed by the board.

• Request the firm provide a copy of its quality control document.

• Understanding should include knowledge about
  — the reviewed firm’s organization and philosophy, and
  — the composition of its accounting and auditing practice.

• 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. 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

— Monitoring

**Note:** The nature, extent, and formality of such policies and procedures should be comprehensive and suitably designed in relation to the firm’s size, the number of its offices, the degree of operating autonomy allowed 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.

- Knowledge about the design of the reviewed firm’s quality control policies and procedures in accordance with quality control standards established by the AICPA and how the policies and procedures identify and mitigate risk of material noncompliance with applicable professional standards.

- Understanding of monitoring policies and procedures since its last peer review and
their potential effectiveness.

- Request the firm to provide
  
  — an engagement list. The list should contain all engagements (by name or by blind code number) with periods ending during the year under review whether issued or not and covered by the definition of an accounting and auditing practice for peer review purposes. The list should contain the data described in question 8 of paragraph .36 in section 4100, Instructions to Firms Having a System Review, for each engagement. Discuss with the firm the process and related controls in place to ensure completeness of the engagement listing population including, but not limited to, all must-select engagements. Ensure there are no differences between the engagement listing provided by the firm and the Peer Review Information (PRI) completed by the firm in PRIMA.

  — a list of the firm’s personnel, showing name, position, and years of experience (a) with the firm and (b) in total.

9. Meet with the managing partner or person responsible for the firm’s system of QC and discuss the following:

  - Significant quality control risks within the firm and what the firm is doing to manage those risks

  - New clients or industries that the firm considers to have significant risk
• How the firm manages risk of economic dependency for the firm, its individual offices and its partners

• Significant factors considered when monitoring or making changes to the firm’s system of quality control

• How the firm monitors and resolves issues related to difficult client engagement situations

• How the firm management monitors and supports the firm’s quality control initiatives

• Firm criteria for partner advancement and compensation and how that is communicated to the firm

• Engagements that offered significant risk or issues during the year

10. Assess peer review risk (see Standards paragraphs .46–.52):

- Consider assessed level of inherent and control risk when selecting offices and engagements to be reviewed.

- Assessment of risk is qualitative and not quantitative.

- Evaluate the firm’s quality control policies and procedures over its accounting and auditing practice in relation to the requirements contained in SQCS No. 8.

11. Use the knowledge obtained from the foregoing to select the offices and the engagements to be reviewed and to determine the nature and extent of the tests to be applied in the functional areas (see Standards paragraphs .53–.63):

- Tests should be performed at the practice office(s) visited, and should include the following:
  
  — Review highest risk areas on selected engagements, including ac-
counting and auditing documentation, and reports

— Review evidential material to determine whether the firm has complied with its policies and procedures for monitoring its system of quality control

— Review other evidential matter as appropriate

• Office selections—consider the following factors when assessing peer review risk at the office level:
  
  — Number, size, and geographic distribution of offices
  
  — Degree of centralization of accounting and auditing practice control and supervision
  
  — Review team’s evaluation, if applicable, of the firm’s monitoring procedures
  
  — Recently merged or recently opened offices
  
  — Significance of industry concentrations and of specialty practice areas
  
  — Extent of non-audit services to audit clients
  
  — Significant clients’ fees to practice office and partners

• Engagement selections:
  
  — Attestation engagements with report dates during the year under
review.

— Reasonable cross selection of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements with higher assessed levels of peer review risk.

— Provide the reviewed firm with the initial selections no earlier than three weeks prior to the commencement of the peer review procedures at the related practice office or location. Request the firm to complete the profile sheets in the engagement checklists and to assemble the working papers and reports before the review begins.

— At least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance. This engagement would ordinarily be an audit.

• If the firm performs any of the following types of engagements, then at least one of each of the following types that the firm performs is required to be included in the sample of engagements selected for review (Interpretation 63-1 [sec. 2000]):

  — Engagements subject to the Government Auditing Standards (the Yellow Book). (If the engagement selected is of an entity subject to GAS but not subject to the Single Audit Act and the firm performs engagements of entities subject to the Single Audit Act, at least one such engagement should also be selected for review. The review of this additional engagement may exclude those audit procedures strictly related to the audit of the financial statements. See Interpretation 63-1 [sec. 2000]).
— Audit engagements pursuant to the Employee Retirement Income Security Act (ERISA).

— Federally insured depository institution engagements with more than $500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act.

— Audits of broker-dealers. If a firm performs the audit of one or more carrying broker-dealers, at least one such audit engagement (and the related attestation engagement) should be selected for review. It is also expected that if a firm’s audits of broker-dealers include only non-carrying broker-dealers, the team captain select at least one such engagement (including the related attestation engagement) for review.

— Examinations of service organizations (SOC 1 and SOC 2 engagements).

- Confirm that the firm understands SEC independence implications and impacted engagements with the firm, as applicable. (For example, are there any regulatory bodies that require compliance with SEC independence rules, i.e. CFTC, or for investment advisers, specific states?)

- Confirm that the firm understands its responsibilities concerning engagement(s) or certain aspects of functional areas it wishes to exclude from selection. If in a rare situation the firm has legitimate rea-
sons for the exclusion, confirm that it has requested and obtained a waiver for the exclusion(s) from the administering entity prior to the commencement of the review.

III. Performing the Review:

12. Review the firm’s design and compliance with its system of quality control. The review should cover all organizational or functional levels within the firm (see Standards paragraphs .53–.54):


   - Interview firm professional personnel at various levels and, if applicable, other persons responsible for a function or activity to assess their understanding of, and compliance with, the firm’s quality control policies and procedures. Complete section 4700, Staff Interview Questionnaire, as applicable.

   - Develop a general plan for the nature and extent of conducting compliance tests of engagements.

   - Prepare, if applicable, the checklist, section 5100, Guidelines for Review and Testing of Quality Control Policies and Procedures For Non-CPA Owned Entities Closely Aligned With a CPA Firm.

13. Review highest risk areas on selected engagements, including the relevant accounting, audit, and attestation documentation and reporting (see Standards paragraphs .64–.65):
• Perform procedures to determine the reviewed firm has appropriately
  — identified the highest risk areas on each audit engagement selected for the peer review,
  — performed the necessary audit procedures related to the identified highest risk areas, and
  — documented the auditing procedures performed in these highest risk areas.

14. Conclude on the review of engagements (see Standards paragraphs .66–.67):
  
• Conclude the review by documenting whether anything came to its attention that caused it to believe that the engagement was not performed and/or reported on in conformity with applicable professional standards in all material respects. (Int. 66-1)

• Promptly inform the firm when an engagement is not performed and/or reported on in conformity with applicable professional standards, and remind the firm of its obligation under professional standards to take appropriate action. (Int. 67-1)

• Consider whether the firm’s taken or planned remediation is in conformity with professional standards.

15. Obtain the written representations from the reviewed firm (see Standards paragraph .05(f) and appendix B):
  
• Describe matters significant to the peer review.
• Ensure the minimum applicable representations are made. (Appendix B, .208.1)

• Should be obtained for the entire firm and not for each individual engagement the firm performs:

  — Firm management’s refusal to furnish written representations to the team captain or review captain constitutes a failure to cooperate with the reviewer and thus the administering entity and with the AICPA Peer Review Board, and the firm would be subject to fair procedures that could result in the firm’s enrollment in the program being terminated. (Int. 5h-1)

• The written representation should be

  — addressed to the team captain.

  — dated the same date as the peer review report.

  — signed by those members of management whom the team captain believes are responsible for and knowledgeable about matters covered in the representations, the firm, and its system of quality control.

16. Reassess the adequacy of the scope of the review based on the results obtained to determine whether additional procedures are necessary (see Standards paragraph .68):

• If the review team concludes there was a failure to reach an appropriate conclusion on the application of professional standards in all material respects on one or more of the reviewed engagements, the review team should consider whether the application of additional peer review procedures is necessary.

• Document this consideration in the working papers.
• Apply additional procedures to determine whether the failure is indicative of a pattern of such failures, whether it is a significant deficiency in the design of the reviewed firm’s system of quality control or its compliance with the system, or both. Procedures may include the following:

  — Expansion of scope to review all or relevant portions of one or more additional engagements or aspects of functional areas
  — Same industry
  — Supervised by same individual
  — Other characteristics associated with the failure to perform and/or report in conformity with professional standards

• Reviewer may conclude that further procedures are unnecessary because of compensating controls or other reasons.

17. Prepare and submit the MFC forms and Disposition of MFC (DMFC) forms via PRIMA (see Standards paragraphs .73–.74):

  The MFC forms are subject to review and oversight by the administering entity:

  — Access PRISM to create MFC form(s) or indicate no MFCs are necessary

18. Aggregate and systemically evaluate the matters (see Standards paragraphs .75–.86):

  • Review team must aggregate matters noted during the peer review, and determine whether the matters were the
— result of the design of the reviewed firm’s system of quality control, or

— failure of its personnel to comply with the firm’s quality control policies and procedures.

• Design matters exist when the reviewed firm’s system of quality control is not designed properly. For example, the system of quality control

  — is missing a quality control policy or procedure, or

  — existing quality control policies and procedures, even if fully complied with, would not result in engagements performed and/or reported on in accordance with professional standards in some respect.

• Compliance matters exist when a properly designed quality control policy or procedure does not operate as designed because of the failure of the personnel of the reviewed firm to comply with it:

  — The review team should consider the likelihood that noncompliance with a given quality control policy or procedure could have resulted in engagements not being performed and/or reported on in conformity with applicable professional standards in all material respects.

• Where there is indication that a matter(s) could be a finding, and/or the firm failed to perform and/or report in conformity with applicable professional standards in all material respects, the review team must determine the systemic cause of the finding or failure (Int. 83-1). Causes that may be systemic and affect the type of peer review report issued include the following:
— The failure related to a specialized industry practice, and the firm had no experience in that industry and made no attempt to acquire training in the industry or to obtain appropriate consultation and assistance.

— The failure related to an issue covered by a recent professional pronouncement, and the firm had failed to identify, through professional development programs or appropriate supervision, the relevance of that pronouncement to its practice.

— The failure should have been detected if the firm’s quality control policies and procedures had been followed.

— The failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion.

- A finding or failure may be the result of an isolated human error, and therefore, would not necessarily mean that a peer review report with a peer review rating of pass with deficiencies or fail should be issued.

- The review team must consider the pattern and pervasiveness of matters and their
implications for compliance with the firm’s system of quality control as a whole, in addition to their nature, systemic causes, and relative importance in the specific circumstances in which they were observed.

19. Determine the relative importance of matters (see Standards paragraphs .69–.72):

— A matter is a result of the peer reviewer’s evaluation of the design of the reviewed firm’s system of quality control and/or tests of compliance with it.

— Tests of compliance include inspection, inquiry, and observation performed by the reviewing engagements and testing other aspects of the reviewed firm’s system of quality control.

— Matters are typically one or more “no” answers to questions in peer review questionnaire(s) that a reviewer concludes warrants further consideration in the evaluation of a firm’s system of quality control.

— A matter is documented on a MFC form.

— Depending on the resolution of a matter and the process of aggregating and evaluating peer review results, a matter may develop into a finding. Findings will also be evaluated and, after considering the nature, systemic causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole, may not get elevated to a deficiency. A matter may develop into a finding and get elevated to a deficiency. That deficiency may or may not be further elevated to a significant deficiency.

— A finding is one or more related matters that result from a condition in the reviewed firm’s system of quality control or compliance with it such that there is more
than a remote possibility that the reviewed firm would not perform and/or report in conformity with applicable professional standards.

— A peer reviewer will conclude whether one or more findings are a deficiency or significant deficiency.

— If the peer reviewer concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of pass is appropriate.

— A finding not rising to the level of a deficiency or significant deficiency is documented on a FFC form in PRIMA.

— The MFC and FFC forms are subject to review and oversight by the administering entity. During that time, the administering entity will evaluate firm FFC form responses for appropriateness and responsiveness, and determine if any further action is necessary.

— A deficiency is one or more findings that the peer reviewer has concluded, due to the nature, systemic causes, pattern, or pervasiveness, including the relative importance of the finding to the reviewed firm’s system of quality control taken as a whole, could create a situation in which the firm would not have reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important re-
spects.

— It is not a significant deficiency if the peer reviewer has concluded that except for the deficiency or deficiencies, the reviewed firm has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

— Such deficiencies are communicated in a report with a peer review rating of *pass with deficiencies*.

— A significant deficiency is one or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed firm’s system of quality control or compliance with it such that the reviewed firm’s system of quality control taken as a whole does not provide the reviewed firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects.

— Such deficiencies are communicated in a report with a peer rating of *fail*.

20. Form conclusions on the type of report to issue (see Standards paragraphs .87–.90):

   ▪ The team captain must use professional judgment in determining the type of peer review report to issue. This judgment requires the consideration of several factors, including

      — an understanding of the firm’s system of quality control and the nature, systemic causes, pattern, and pervasiveness of matters, and

      — their relative importance to the firm’s system of quality control taken as a whole, including limita-
A report with a peer review rating of *pass* should be issued when the team captain concludes that the firm’s system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

- There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies or significant deficiencies.

- In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

A report with a peer review rating of *pass with deficiencies* should be issued when the team captain concludes that the firm’s system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report.

- These deficiencies are conditions related to the firm’s design of and compliance with its system of quality control that could create a situation in which the firm would
have less than reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects due to the nature, systemic causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the quality control system taken as a whole. In the event of a scope limitation, a report with a peer review rating of pass with deficiencies (with a scope limitation) is issued.

- A report with a peer review rating of fail should be issued when the team captain has identified significant deficiencies and concludes that the firm’s system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects:

  — In the event of a scope limitation, a report with a peer review rating of fail (with a scope limitation) is issued.

21. Conduct a closing meeting with senior members of the reviewed firm to discuss the review team’s comments; matters, findings, deficiencies, and significant deficiencies identified; MFCs and related FFCs; and the type of report to be issued and the deficiencies or significant deficiencies to be included in such report and to resolve any disagreements (see Standards paragraphs .91–.92).

22. After the firm responds to matters, findings, deficiencies, and significant deficiencies, conduct a closing conference to discuss the results of the review to be submitted to the administering entity (see Standards paragraphs .91–.92).

23. Prepare a written report on the results of the review and
Agenda Item 1.5B

April 2019
December 2017

provide a copy to the reviewed firm within 30 days of the exit conference date, or by the firm’s peer review due date (whichever is earlier) (see Standards paragraphs .94–.96).

24. Review and provide comments to the reviewed firm on its response to the report, and FFC forms, if applicable (see Standards paragraphs .97–.101):

- 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 identified in the report in a letter of response addressed to the administering entity’s peer review committee.

- The reviewed firm should respond to all findings not rising to the level of a deficiency or significant deficiency on the related FFC forms.

- The firm’s letter of response and/or response to a finding should describe the firm’s actions taken or planned to remediate deficiencies and significant deficiencies in the firm’s system of quality control and nonconforming engagements, if any, and the timing of the remediation.

- Illustrative letters of response are located in Appendixes F, H, J, and L.

25. Consider PRP Section 3400 Technical Reviewer’s Checklists for a system review to anticipate the technical reviewer’s procedures and possible questions.

256. Submit the appropriate working papers via PRIMA to the administering entity within 30 days of the exit conference or by the firm’s peer review due date, whichever is earlier.
• For all reviews, submit a copy of the following:

  — The report and letter of response, if applicable

  — Summary Review Memorandum

  — DMFC form, if not submitted via PRISM

  — The FFC forms, as applicable

  — The MFC forms, if not submitted via PRISM

  — The 22,100—Part A, Supplemental Checklist(s) for Review of Single Audit Act/A-133 Engagement(s), or 22,100—Part A – UG, Supplemental Checklist(s) for Review of OMB Single Audit Engagement(s) (Uniform Guidance), if applicable

  — The engagement profile(s) for single audit engagements reviewed, if applicable

  — The firm’s representation letter

  — Appendix A “Explanation of No Answers” for the PRPM Section 4500 or 4600 “Guidelines for Review of Quality Control Policies and Procedures” and 4550 or 4650 “Guidelines for Testing Compliance with Quality Control Policies and Procedures”, if applicable (if “no” answers)

• Note that other working papers on these reviews are subject to oversight procedures, which may be requested at a later date.

• For reviews administered by the National PRC, also submit all other working papers incorporated by reference, including the engagement checklists, Guidelines for Review and Testing of Quality Control Policies and Procedures, quality control document and related practice aids, Team Captain Checklist, staff interview, focus group, or other interview sessions, planning documents, and any other relevant documents.
### Review Captain Summary

**Click to download in Excel format.**

<table>
<thead>
<tr>
<th>REVIEW CAPTAIN SUMMARY</th>
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<tbody>
<tr>
<td>Reviewed Firm’s Name: ____________________</td>
</tr>
<tr>
<td>Firm Number: ____________________</td>
</tr>
<tr>
<td>Review Number: ____________________</td>
</tr>
<tr>
<td>Peer Review Year End: ____________________</td>
</tr>
<tr>
<td>Commencement of Review: ____________________</td>
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<tr>
<td>Exit Conference: ____________________</td>
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<tr>
<td>On what date was the Engagement Review completed? ____________________</td>
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<tr>
<td>When was the report submitted to the reviewed firm? ____________________</td>
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<tr>
<td>What was the report rating? ____________________</td>
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<tr>
<td>general nature of the report? ____________________</td>
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<tr>
<td>Pass</td>
</tr>
<tr>
<td>Did the report have a scope limitation? Yes</td>
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<tr>
<td>How many Matter for Further Consideration (MFC) forms were issued to the firm? ____________________</td>
</tr>
<tr>
<td>How many Finding for Further Consideration (FFC) forms were issued to the firm? ____________________</td>
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</table>

**Review Captain** ____________________
GENERAL NATURE OF REPORT CODES:

1. Pass
3. Pass with deficiency(ies)
7. Fail

INSTRUCTIONS

.01 The checklist steps should normally be completed in the order presented. Place an “X” in the appropriate column to indicate the step has been completed or if the step is not applicable.

.02 Questions regarding the use of this checklist, any other materials, or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.

.03 This checklist must be completed on engagement reviews and submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm engaged by the firm under review or by an authorized association of CPA firms.

.04 The reviewer can make additional comments in the Notes section (sec. VI), as necessary. The reviewer should reference the question number related to each comment. If additional space for comments is needed, additional documents can be submitted. Items to be discussed at the closing meeting and exit conference should be noted in this section.

.05 After reviewing the selected engagements and discussing the findings with the reviewed firm, the Engagement Statistics Data Sheet (sec. VII) should be completed. This form should be completed based on the following guidance.

.06 Part I asks for information concerning the number of engagements reviewed and the number of engagements not performed and reported on in conformity with applicable professional standards in all material respects. This ordinarily occurs when deficiencies, individually or in aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represent omissions of a critical accounting or attestation procedure required by professional standards. See appendix E, "Areas of Common Nonecompliance With Applicable Professional Standards," of section 6200.

.07 When deficiencies are encountered on a review, reference should be made to Statements on Standards for Accounting and Review Services (SSARS) No. 19, Framework for Performing and Reporting on Compilation and Review Engagements, or SSARS No. 21, Statements on Standards for Accounting and Review Services: Clarification and Recodification (AICPA, Professional Standards), as applicable.

.08 Part II asks the reviewer to describe the reasons why he or she concluded that one or more engagements were not performed and/or reported on in conformity with applicable professional standards in all material respects. If the reviewer indicates in part I that any engagements were considered to have not been
performed and/or reported on in conformity with applicable professional standards in all material respects, then part II should describe why each engagement was deemed as such.

To assist the reviewer in noting the applicable reasons, several reason codes have been provided.

After entering the reason code, the reviewer should provide a brief description of the deficiency noted.

Part III asks for a list of any engagement(s) that the reviewed firm asked the reviewer not to review and the reasons why the reviewed firm made such a request. On an Engagement Review, such requests will be rare. If this occurs, the reviewer should consider issuing a report with a scope limitation.

**PLANNING AND PERFORMING**

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<tr>
<th></th>
<th>Completed</th>
<th>Not Applicable</th>
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<tbody>
<tr>
<td>I. Prior to Accepting Peer Review Client:</td>
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<tr>
<td>1.</td>
<td>Determine that the reviewing firm, the review team, and any other individuals who participate on the peer review are independent and free from any obligation to, or interest in, the reviewed firm or its personnel.</td>
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<td>2.</td>
<td>Determine your capability to perform a peer review:</td>
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<td></td>
<td>• Obtain and consider information about the firm to be reviewed, including size, nature of practice, industry specializations, and levels of service compared to your firm</td>
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<td>• Determine availability of peer reviewers with appropriate levels of expertise and experience to perform the review</td>
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<td>• Determine that all team members meet the qualifications to perform a peer review</td>
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<td>3.</td>
<td>Consult with the administering entity concerning any of the following matters which may affect your ability to perform the peer review:</td>
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<td>• If any proposed peer review team members have received any communications from regulatory, monitoring, or enforcement bodies relating to allegations or in-</td>
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</table>
vestigations of a peer reviewer or reviewing firm’s accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice

- If you or your firm performed inspection, engagement review, quality control consulting, or other monitoring activities to the firm during the peer review year or the immediately preceding year

II. Planning the Review:

4. Communicate with the firm about the peer review timing, responsibilities, and administrative matters:

- Confirm the firm’s ability to support electronic MFC form completion (as applicable), and that it registered.

- Discuss with firm management the recent clarification of noncooperation provisions regarding the omission or misrepresentation of the firm’s accounting and auditing engagements. Ensure that the firm understands its responsibility for confirming in the representation letter the completeness of the engagement listing provided. Emphasize that failure to properly include engagements on the list could be deemed as failure to cooperate. This may result in termination from the peer review program and referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct (see Interpretation No. 5h-1).

- Discussions should be with members of management whom the review 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.
• Confirm that the firm did not perform any engagements under Statements on Auditing Standards (SASs), Government Auditing Standards, examinations under Statements on Standards for Attestation Engagements (SSAEs), or engagements performed under PCAOB standards. If the firm performed engagements under any of these standards, a system review will be required.

• The Review Summary statistics in PRIMA and Engagement Summary Form or engagement listing, if provided by the firm, should include engagements with periods ending during the year under review whether issued or not.

• Ensure there are no significant differences between the Peer Review Information (PRI) completed by the firm in PRIMA, firm’s scheduling information and the Review Summary statistics in PRIMA and Engagement Summary Form or the engagement listing, if provided by the firm, document the situation, including any consultation with the administering entity.

• Obtain the representation letter from the reviewed firm. The letter should be dated the same date as the peer review report.

• If the firm has had an acquisition of another practice or portion thereof, or divestiture of a significant portion of its practice, including the sale of any portion of the firm’s non-attest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the administering entity prior to the commencement of the review to determine the appropriate scope of the review and other
actions that should be taken.

- Discuss with the firm any allegations or investigations of deficiencies (including litigation) in the conduct of an accounting, audit, or attestation engagement performed and/or reported on by the firm, whether the issues relate to the firm or its personnel within the three years preceding the firm’s current peer review year-end.

- Inquire whether the firm and its personnel are appropriately licensed as required by the state board(s) of accountancy in the state(s) in which the firm and its personnel practice.
  
  — Obtain documentation of the firm license in the state in which the practice unit is domiciled (main office is located). The license should have been active during the peer review year and through the earlier of reviewed engagements’ issuance dates or the date of peer review fieldwork.

  — If any exception was noted, the review captain should add an addendum to the Review Captain Summary explaining the effect on the firm’s accounting practice and on the performance of the review.

  — If the firm does not have the applicable license(s) for the period when the engagements selected for review were issued, the representation letter should be tailored to provide information on the areas of noncompliance. An MFC should also be created and elevated to an FFC.

5. Read recent Peer Review Alerts and those applicable to the types of engagements that will be reviewed (such as those that assist with the review of and conclusion on engagements performed under SSARS).

6. Obtain the results of the prior peer review from the firm or administering entity (see paragraph .106 of section...
1000, Standards for Performing and Reporting on Peer Reviews), and consider whether the issues discussed in those documents require additional emphasis in the current review. Documents to be obtained include the prior peer review:

- Report
- Letter of response, if applicable
- Letter of acceptance
- FFC forms, if applicable
- Firm representation letter

7. Select the engagements for review (see paragraphs .104–.105 of section 1000):

- The engagement listing should include engagements that have periods ended during the peer review year. For financial forecasts or projections and agreed upon procedures, the list should include engagements that have report dates during the year under review.
- One engagement should be selected from each of the following areas of service performed by the firm:
  - Review of financial statements (performed under SSARSs)
  - Compilation of financial statements, with disclosures (performed under SSARS)
  - Compilation of financial statements that omits substantially all disclosures (performed under SSARS)
  - Engagements performed under the
SSAEs other than examinations

- One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports previously listed.

- Selection of preparation engagements should only be made in the following instances:
  - One preparation engagement with disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included above or when the firm’s only engagements with disclosures are preparation engagements.
  - One preparation engagement that omits substantially all disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included above or when the firm’s only omit disclosures engagements are preparation engagements.
  - One preparation engagement should be selected if needed to have at least two engagements selected for review.

- Ordinarily, at least two engagements should be selected for review.

- The preceding criteria are not mutually exclusive. The objective is to ensure that one engagement is selected for each partner and one engagement is selected from each of the areas of service performed by the firm listed in the previous list. Therefore, one of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed in the previous list performs does not have to be reviewed as long as, for the
firm taken as a whole, all types of engagements noted in the previous list performed by the firm are covered.

- There is a presumption that all engagements otherwise subject to the peer review will be included in the scope of the review:
  
  — In the rare situations when exclusions or other limitations on the scope of the review are being contemplated, a review captain should carefully consider the implications of such exclusion.
  
  — This includes communicating with the firm and the administering entity the effect on the review and on the ability of the review captain to issue a peer review report.

8. Request the firm to provide (see paragraph .107 of section 1000):

- A copy of the financial statements or information and the accountant’s report, specific background information, representations about each engagement, and the firm’s documentation required by applicable professional standards. The client’s name may be masked and assigned a code number.

- A completed engagement questionnaire that includes engagements within the peer review year-end (appendix B, “Engagement Questionnaire,” of section 6100).

III. Performing the Review:

9. Perform any procedures deemed necessary to conclude that nothing came to your attention that caused you to believe that the engagements submitted for review were
An Engagement Review includes the following (see paragraph .108 of section 1000):

- Consideration of the financial statements or information and the related accountant’s report on the compilation, review, and preparation engagements performed under SSARS and engagements performed under SSAEs.

- Consideration of the documentation on the engagements performed via reviewing the Engagement Questionnaire, representations made by the firm, and inquiries.

- Review of all other documentation required by applicable professional standards on the engagements.

- Complete supplemental checklists for all required engagements submitted for review. If supplemental checklists are not completed, provide explanation in the Notes section (sec. VI).

- Document within the Notes section (sec. VI), consultation with the Issue Advisory Hotline and/or the Administering Entity, if applicable.

- Obtain documentation of individual licenses for practitioners in charge of engagements reviewed in the state in which the individual(s) primarily practice public accounting. The license(s) should have been active during the peer review year and through the earlier of reviewed engagements’ issuance dates or the date of peer review fieldwork.
  
  — If any exception was noted, the review captain should add an addendum to the Review Captain Summary explaining the effect on the firm’s accounting practice and on the performance of the review.

  — If the practitioner does not have
the applicable license(s) for the period when the engagements selected for review were issued, the representation letter should be tailored to provide information on the areas of noncompliance. An MFC should also be created and elevated to a deficiency or significant deficiency, as applicable.

10. Determine the relative importance of matters (see paragraphs .110–.111 of section 1000):

- A matter is noted as a result of evaluating whether an engagement submitted for review was performed and/or reported on in conformity with applicable professional standards.
  
  — The evaluation includes reviewing the financial statements or information, the related accountant’s reports, and the adequacy of procedures performed, including related documentation.
  
  — Matters are typically one or more “No” answers to questions in peer review questionnaire(s).
  
  — A matter is documented on a MFC form.

- A finding is one or more matters that the review captain has concluded result in financial statements or information, the related accountant’s reports submitted for review, or the procedures performed, including related documentation, not being performed and/or reported on in conformity with the requirements of applicable professional standards:
— A review captain will conclude whether one or more findings are a deficiency or significant deficiency.

— If the review captain concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of pass is appropriate.

— A finding not rising to the level of a deficiency or significant deficiency is documented on a FFC form.

- A deficiency is one or more findings that the review captain concludes are material to the understanding of the financial statements or information and/or related accountant’s reports or that represent omission of a critical procedure, including documentation, required by applicable professional standards. When a deficiency is noted, the review captain concludes that at least one but not all engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects:

  — When the review captain concludes that deficiencies are not evident on all of the engagements submitted for review, such deficiencies are communicated in a report with a peer review rating of pass with deficiencies.

- A significant deficiency exists when the review captain concludes that deficiencies are evident on all of the engagements submitted for review:

  — When a significant deficiency is noted, the review captain concludes that all engagements submitted for review were not performed and/or reported on in con-
formity with applicable professional standards in all material respects. Such significant deficiencies are communicated in a report with a peer review rating of *fail*.

11. Consider the need for MFC forms, Disposition of MFC (DMFC) forms, and any related FFC forms:

   - If no MFC form(s) are necessary, indicate as such in PRISM.

   - Access PRIMA to prepare any MFCs form to document all possible matters on the engagements or other items that require additional information or explanation of facts from the reviewed firm. Obtain the firm’s response to each MFC.

   - After considering the firm’s MFC responses, access PRIMA to prepare any FFCs (If a matter in a MFC form is elevated to a deficiency or significant deficiency, it is communicated in the report itself). Obtain the firm’s response to each FFC.

   - The reviewed firm’s response should describe the actions taken or planned to remediate the finding, if applicable.

   - The MFC and FFC forms are subject to review and oversight by the administering entity. During that time, the administering entity will evaluate firm responses for appropriateness and responsiveness, and determine if any further action is necessary.

   

   If a matter in a MFC form is elevated to a deficiency or significant deficiency, it is communicated in
the report itself.

Firm submits letter of response regarding actions planned or taken and the timing of those actions by the firm, which is evaluated for appropriateness and responsiveness.

Obtain the firm’s response to each FFC form in writing and indicate the response and resolution on the FFC form:

The reviewed firm’s response should describe the actions planned or taken to remediate the finding; 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.

Administering entity, after the review captain has reviewed and evaluated, will evaluate FFC form responses for appropriateness and responsiveness, and determine if any further action is necessary.

12. Form conclusions on the type of report to issue (see paragraphs .117–.119 of section 1000):

- A report with a peer review rating of pass is issued when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.

   — There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies, or significant deficiencies.
— In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

- A report with a peer review rating of *pass with deficiencies* is issued when the review captain concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects except for the deficiencies that are described in the report. When a deficiency is noted, the review captain concludes that at least one but not all engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.

— The deficiencies are one or more findings that the peer reviewer concludes are material to the understanding of the report or financial statements or represents omission of a critical procedure, including documentation, required by applicable professional standards.

— A report with a peer review rating of *pass with deficiencies* is issued when at least one, but not all, of the engagements submitted for review contain a deficiency.

— In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

- A report with a peer review rating of *fail*
is issued when the review captain concludes that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.

— A report with a peer review rating of fail is issued when deficiencies are evident on all of the engagements submitted for review.

— The review captain should not expand scope beyond the original selection of engagements in an effort to change the conclusion from a peer review rating of fail in these circumstances.

— In the event of a scope limitation, a report with a peer review rating of fail (with a scope limitation) is issued.

• If a FFC form(s) was issued and any findings in those forms caused you to consider issuing a report with a peer review rating of pass with deficiencies or fail but not result in such a report being issued, describe such findings fully, indicating the basis for the conclusion in the Notes section (sec. VI).

• If a firm submits a request to its administering entity for a waiver for an exclusion of certain engagement(s) and the administering entity concludes that scope has been limited due to circumstances beyond the firm’s control, consider issuing a report with a scope limitation paragraph:

— If the administering entity concludes that there is not a legitimate reason for the requested exclusion, and the firm continues to insist on the exclusion, consider whether this is a matter of noncooperation and consult with the administering
entity.

- Consult with the administering entity whenever the review captain and the reviewed firm have a disagreement on a significant issue, including the type of report to be issued.

IV. At the Conclusion of the Review:

13. Discuss the following with the firm and document the items discussed in the Notes section (sec. VI):

   a. At the closing meeting:

   - Preliminary peer review results, including any matters, findings, deficiencies or significant deficiencies, and the type of report to be issued.

   - The firm’s requirement to respond to the MFC form(s), FFC form(s), or the deficiency(ies) or significant deficiency(ies) included in the peer review report.

   - Other suggestions and observations for the firm to consider. For example, implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement considerations.

   b. At the exit meeting:

   - Peer review results, including any changes to the information communicated at the closing meeting after consideration of the firm’s responses to MFCs, FFCs, and deficiencies, and significant deficiencies in the report.
• Potential implications of the Report Acceptance Body (RAB) acceptance such as corrective actions (for deficiencies and significant deficiencies) and implementation plans (for findings) that may be imposed by the RAB, if applicable. The review captain should also discuss with the firm the implications of these steps on the acceptance and completion of the peer review and the firm’s enrollment in the program.

• Peer review noncooperation implications of consecutive non-pass report ratings, if applicable (see interpretations).

— If any items were discussed with the partner(s) of the firm that were not deemed of sufficient significance to include in a MFC or FFC form, provide an explanation in the Notes section (sec. VI).

14. Prepare a written report on the results of the review and provide a copy to the reviewed firm within 30 days of the exit conference, or by the firm’s peer review due date (whichever is earlier) (see paragraph .120 of section 1000):

• Remind the firm that it 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.

15. Describe the firm’s taken or planned remediation of non-conforming engagements. Do you concur with the firm’s response?

16. Review and provide comments to the reviewed firm on its response to the report, if applicable (see paragraphs .123–.127 of section 1000):

• 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 identified in the report.

— The letter of response should be addressed to the administering entity’s peer review committee.

— The firm’s draft responses should be provided to the review captain as soon as practicable to allow the review captain sufficient time to assess the firm’s response prior to the exit conference.

— The letter should describe the actions planned or taken by the reviewed firm to remediate the findings, deficiencies or significant deficiencies, including timing of the remediation and additional procedures to ensure the finding, deficiency, or significant deficiency is not repeated in the future.

— The review captain should review and evaluate the responses on the FFC forms and letter of response prior to the exit conference. The firm’s letter of response should be finalized and dated as of the exit conference date and provided to the review captain. The review captain should include the firm’s letter of response with his or her report and working papers submitted to the administering entity.

• Illustrative letters of response are located in appendixes O and Q.
17. Consider PRP Section 3400 Technical Reviewer’s Checklists for an engagement review to anticipate the technical reviewer’s procedures and possible questions.

Submit the appropriate working papers to the administering entity via PRIMA within 30 days following the exit conference, or by the firm’s peer review due date, whichever is earlier:

- For all reviews, submit a copy of the following:
  - The report and letter of response, if applicable.
  - **Engagement Summary Form.**
  - Engagement Questionnaire (committee appointed review team [CART] reviews only).
  - **Review Captain Summary.**
  - Reviewer’s Engagement Checklists (CART reviews only).
  - FFC forms, as applicable.
  - MEC forms, submitted electronically or a hard copy, as applicable.
  - DMFC Form, submitted electronically or hard copy, as applicable.
  - The firm’s representation letter.

- For committee appointed review team [CART] reviews only, make arrangements with the administering entity regarding the Engagement Questionnaire and Reviewer’s Engagement Checklists.

- Note that other working papers on these reviews are subject to oversight procedures, which may be requested at a later date.

- For reviews conducted by committee-appointed review captains, submit your bill to the administering entity. Make sure the bill includes the federal employer
identification number for Form 1099 purposes, when applicable.

- For reviews administered by the National Peer Review Committee, also include all other working papers incorporated by reference, including the engagement questionnaires and checklists and planning documents, and any other relevant documents.

V. After the Review’s Acceptance and Completion:

189. After the review has been accepted, return the financial statements and other information to the firm or shred the documents.

VI. NOTES

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### VII. ENGAGEMENT REVIEW ENGAGEMENT STATISTICS DATA SHEET

**Reminder:** This information must be completed in PRIMA. You do not need to complete this chart in the Review Captain Summary. It is here as a resource, if needed.

<table>
<thead>
<tr>
<th>Firm Number</th>
<th>Review Number</th>
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</table>

#### Part I: Engagement Statistics

<table>
<thead>
<tr>
<th>Statements on Standards for Accounting and Review Services (SSARSs):</th>
<th>Total No. Reviewed</th>
<th>Total Not in Conformity With Applicable Professional Standards in All Material Respects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviews</td>
<td></td>
<td></td>
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<tr>
<td>Compilations with disclosures</td>
<td></td>
<td></td>
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<tr>
<td>Total No. Reviewed</td>
<td>Total Not in Conformity With Applicable Professional Standards in All Material Respects</td>
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<tr>
<td>Compilations omit disclosures</td>
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<tr>
<td>Preparation Engagements with disclosures</td>
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<tr>
<td>Preparation Engagements omit disclosures</td>
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**Statements on Standards for Attestation Engagements (SSAEs):**

- Compiled financial forecast and projection
- Reviews of written assertions
- Agreed-upon procedures
- Other

**TOTAL—All Engagements**

<table>
<thead>
<tr>
<th>Part II: Reasons and Action Summary</th>
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<tbody>
<tr>
<td>List engagements not performed and/or reported in conformity with applicable professional standards in all material respects.</td>
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</table>

<table>
<thead>
<tr>
<th>Type of engagement reviewed</th>
<th>Reason code</th>
<th>Comments</th>
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**REASON CODES** For each engagement identified as not performed and/or reported in conformity with applicable professional standards in all material respects, the following reason codes should be used to identify the professional standards and regulations that were not complied with:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAG</td>
<td>Accounting and Audit Guide</td>
</tr>
<tr>
<td>Type of engagement</td>
<td>Excluded reason code</td>
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<tr>
<td>--------------------</td>
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</table>

**EXCLUDED ENGAGEMENT REASON CODES**

1. Subject of litigation
2. Subject of investigation by government agency
3. Client imposed restrictions
4. Other
Revised Guidance Related to Quality Control Material (QCM) Reviews

Why is this on the Agenda?

We need to provide interpretations which will provide guidance to peer reviewers on how to consider the results of an examination of Quality Control Materials under the SSAEs (QCM Examination). The QCM Examination will be replacing the QCM Reviews performed under AICPA Peer Review Standards. Many firms rely on third party QCM as an integral part of their system of quality control, and peer reviewers rely on the results of QCM Reviews when evaluating the design of the firm’s system of quality control.

The QCM Task Force is working on transitioning guidance from traditional QCM Reviews to guidance for QCM Examinations. Guidance for practitioners performing this type of engagement will be included in an AICPA “Guide” issued under the authority of the Auditing Standards Board. The guidance will address technological advances in the delivery of QCM, be nimble enough to address future advances, and be as rigorous as traditional QCM Reviews, if not more so.

The Peer Review Standards’ Interpretations already include guidance for peer reviewers on how to evaluate the results of a QCM Review when considering the design of a reviewed firm’s system of quality control and the reliability of the QCM used by the reviewed firm.

The proposed revisions assume that a QCM Examination will address the same overall objective that the QCM are “reliable” that is currently addressed in QCM Reviews. These proposed revisions to the guidance are a short-term step until all the QCM Review guidance can be reevaluated. The interpretations will be revised again after the QCM Examination guide is closer to completion.

Feedback Received

- Both the QCM task force and the Standards task force have discussed these proposed changes at recent meetings. Feedback from these groups has been incorporated into the proposal outlined in agenda item 1.6A.

- QCM Examination of OnPoint PCR: The AICPA has been involved in developing OnPoint PCR, which combines AICPA methodology and guidance with CaseWare’s dynamic new cloud platform, to provide QCM to support the performance of preparation, compilation and review (PCR) engagements under the Statements on Standards for Accounting and Review Services. The AICPA continues to work with CaseWare in developing the “Dynamic Audit Solution” (DAS) software. To avoid any concerns about the AICPA’s objectivity in conducting practice monitoring and its involvement with traditional QCM reviews, the AICPA will be hiring an independent 3rd party to perform a QCM Examination of OnPoint PCR, (and later, of DAS). When the QCM Examination of OnPoint PCR is performed, related guidance will still be in the development and review processes, however feedback from this examination will be used in developing the final version of the QCM examination guidance.

PRIMA Impact
None. QCM processes are outside of PRIMA.

AE Impact
None. AE procedures will not change.

Communications Plan
Staff has informed the providers who currently obtain a QCM Review of this QCM project and are soliciting their input.
Staff will develop a reviewer alert article informing peer reviewers of any approved guidance changes and will share the article with known QCM providers.

**Manual Production Cycle (estimated)**
The updates will be included in the next manual production (expected in April 2019).

**Effective Date**
Guidance is effective upon approval by the Peer Review Board.

**Board Consideration**
Review and approve proposed guidance changes outlined in Agenda Item 1.6A.
19. A QCM review performed under AICPA Peer Review Standards (QCM Review) is a study and appraisal by an independent evaluator (known as a QCM reviewer) of a provider’s materials, as well as the provider’s system of quality control to develop and maintain the materials (hereinafter referred to as provider’s system) requiring the issuance of an opinion that provides reasonable assurance. This is not a review performed under Statements on Standards for Accounting and Review Services (SSARS), nor a review performed under Statements on Standards for Attestation Engagements (SSAEs). The QCM reviewer’s objective is to determine whether the provider’s system is designed and complied with and whether the materials produced by the provider are appropriate so that user firms can rely on the materials. The scope of a QCM review only covers materials related to accounting and auditing engagements under U.S. professional standards. The scope does not include SEC or PCAOB guidance, nor does it cover materials for tax or consulting services.

Understanding the Firm’s System of Quality Control

42-1

**Question**—Paragraph .42 of the standards requires the review team to obtain a sufficient understanding of the reviewed firm’s system of quality control. How should the review team address elements of the system that reside outside of the firm?

**Interpretation**—The review team should inquire of the firm regarding elements of the system of quality control residing outside of the firm, for instance, membership in associations, joint ventures, non-CPA owned entities, alternative practice structures, arrangements with outside consultants, third party QCM, or CPE (including whether they are peer reviewed) and other. The inquiries should include how they influence the firm’s system of quality control, for instance by providing consultation opportunities, CPE, and monitoring services. These elements should be considered and documented within the risk assessment.

42-2

**Question**—How should the review team evaluate the firm’s quality control policies and procedures for the adequacy of the QCM used by the reviewed firm?

**Interpretation**—To plan the review, the review team should obtain a sufficient understanding of the reviewed firm’s system of quality control, including how the firm uses QCM to promote consistency in the quality of engagement performance.

**Firm’s Policies and Procedures**

As a part of obtaining the understanding of the system of quality control, the review team should understand the firm’s policies and procedures for adopting, developing, updating, modifying, and maintaining QCM that are purchased from a third party or developed internally and determine if those policies and procedures are appropriately designed and implemented.

**Reliability**

The review team should understand the firm’s policies and procedures for determining the reliability of the QCM utilized by the reviewed firm and determine if those policies and procedures are appropriate.
procedures are appropriately designed and implemented. The review team should also determine that the firm’s QCM are reliable. If the QCM, whether developed by a third party or internally developed, underwent a separate QCM review, then the results of that review should be considered as per Interpretation No. Provider’s QCM review results may be obtained from the AICPA’s website, the provider, or the reviewed firm (which could also be the provider). If the QCM did not undergo a separate QCM review under AICPA Peer Review Standards (QCM review), or an examination of QCM under the Statements on Standards for Attestation Engagements (SSAEs), the report results should be considered as per Interpretation No. 42-3. The report may be obtained from the provider or the reviewed firm. Some providers will choose to make the report available on the AICPA’s website.

If the QCM were not subject to a QCM Review or a QCM Examination, then the team captain should consult paragraphs .167–.175–.176 for the procedures typically performed in assessing QCM for a QCM review performed the reliability of QCM for a provider QCM Review. This step applies whether the QCM were obtained from a third party or were internally developed.

The objectives of those procedures are to determine whether the provider’s system for the development and maintenance of the QCM was suitably designed and was being complied with during the year under review to provide firms with reasonable assurance that the materials are reliable aids to assist firms in conforming with all those components which are integral to the professional standards the materials purport to encompass. The procedures from paragraphs .167–.175–.176 need to be adapted to the review team’s use during a peer review of a reviewed firm. The team captain should use professional judgment in determining the extent of the procedures that need to be performed to evaluate the reliability of the QCM. Further, if the QCM were obtained from third parties, the team captain may be limited in his or her ability to assess the provider’s system for the development and maintenance of the QCM and its compliance with that system. Therefore, there is a greater focus on whether the QCM is reliable.

Suitability

The review team should understand the firm’s policies and procedures for determining the suitability of the QCM utilized by the reviewed firm, and determine if they are appropriately designed, implemented, and suitable for the firm. Examples of factors to be considered include whether the QCM:

- cover the practice areas and industries of the firm.
- are used for the intended type of client and users.
- are used by the firm as intended by the QCM’s instructions and guidance (see Interpretation No. 176-1 for further guidance).
- contain an appropriate level of explanatory guidance for the users.
- are updated to reflect current professional standards.

Any weaknesses noted in the system of quality control as a result of the preceding procedures should be considered when the team captain assesses other aspects of the firm’s system of quality control. This includes the firm’s compliance with quality control standards established by the AICPA and how the firm’s policies and procedures identify and mitigate the risk of material
noncompliance with applicable professional standards. The weaknesses should also be considered when the team captain prepares his risk assessment, determines scope, performs his functional testing, concludes on the peer review, and considers the systemic causes for matters, findings, deficiencies and significant deficiencies.

42-3

Question—Many firms rely on third party QCM as integral portions of the firm’s system of quality control. Some third-party providers elect to undergo subject their QCM reviews to a QCM review under AICPA Peer Review Standards, or an examination of QCM under the SSAEs. How should the review team of a reviewed firm evaluate the results of a QCM review or examination report on QCM under the SSAEs in its consideration of the design “reliability” of a reviewed firm’s system of quality control? QCM as discussed in Interpretation 42-2?

Interpretation—

QCM Reviews Under AICPA Peer Review Standards

An independent QCM review entails an assessment of the provider’s system of quality control to develop and maintain the QCM, and an assessment of the resultant materials.

The QCM review report includes opinions on the

- provider’s system to develop and maintain reliable aids (see paragraph .175).
- reliability of the specific QCM covered by the review.

The review team’s evaluation of the design of the reviewed firm’s system of quality as it relates to the QCM materials should assess the

- reliability of the QCM and
- the firm’s policies and procedures for adopting, updating, and modifying the provider’s QCM.

The review team should obtain the QCM review results (that is, the report or letter of response, if applicable) to consider the impact on the reviewed firm’s system of quality control. The provider’s QCM review results report may be obtained from the AICPA’s website, the provider, or the reviewed firm. Some providers will choose to make the report available on the AICPA’s website.

The review team should carefully compare the specific QCM utilized by the firm with the materials and elements opined on within the QCM report. The provider determines which QCM are included within the scope of the QCM review and may not include all material published by the provider in the scope of the QCM review. The specific QCM opined on is the subject of the QCM review report will be listed identified in the first paragraph of the QCM review report or in an addendum to the report. If the provider obtained a
QCM review, but the specific QCM used by the reviewed firm were not included in the scope of the QCM review report, the review team will need to perform procedures to evaluate the reliability of the QCM. See Interpretation No. 42-2 for additional information.

Other scoping factors to consider include the following:

- The QCM review report is applicable to the substance and content of the specified QCM regardless of the different formats or media through which it could be made available or marketed (for example, print or electronic form), unless specified in the QCM review report.

- QCM will often have different elements, such as written guidance, practice aids, letter templates, sample illustrative completed aids or templates, and continuing professional education modules. The QCM report will identify specific exclusions or inclusions if only a particular element or portion of a guide (for example, practice aids) is opined excluded in the scope of the QCM review report.

The review team should also consider the QCM review’s report rating of the QCM review as it relates to the QCM used by the firm.

- If the provider received a pass report, then the review team can place reliance on the provider’s QCM review rating, ordinarily, these results with respect to that portion of the reviewed firm’s design of its system will help lower control risk. This should be reflected in the review team’s discussion of control risk in the overall peer review risk assessment. Ordinarily, a pass QCM report on materials that are integral to the firm will help lower control risk.

- If the provider received a pass with deficiencies or fail report rating, the review team should first determine whether the deficiency(ies) impacted the reliability of one or more of the QCM listed in the report. Next, the review team should consider the reasons for the deficiencies identified in the report and assess their relevance to the reviewed firm. Once this assessment is made, the review team can determine the degree of reliance it can place on the provider’s results, and the effect of that deficiency.

  - If a deficiency is impacting the reliability of one or more QCM used by the reviewed firm, the review team should determine whether the reviewed firm has mitigated the risk that its reliance on the QCM may lead to the firm not addressing one or more integral components of professional standards in its performance of audit or attest engagements.

  - If a deficiency is in the provider’s system of quality control but does not directly affect the separate opinion on the reliability of the QCM, or is specific to QCM that are not used by the reviewed firm (for example, a deficiency related to an employee benefit plan manual, but the firm only uses a construction manual from that provider), then once this assessment is made, the review team can determine the degree of reliance it can place on the provider’s results. It may not affect the reliability of the QCM used by the reviewed firm.

The impact (or lack thereof) evaluation of a pass with deficiencies the QCM review report and its effect on the reliability of the QCM used by the reviewed firm should be fully explained and documented in the discussion of control risk in the overall peer review risk assessment.
If the provider received a fail report, no reliance can be placed on the results and the review team should evaluate and document the impact on the reviewed firm’s system of quality control in the peer review risk assessment. The review team will also need to consider the impact on the peer review scope of the peer review if the firm fully relied on QCM that are not reliable aids.

If applicable, the review team should review the definitions of deficiencies and significant deficiencies in QCM reviews provided in paragraph .178 to further understand the impact on the reviewed firm.

If the provider obtained a QCM review, but the specific QCM used by the reviewed firm were not opined on in the QCM report, the review team will need to perform the appropriate procedures to evaluate whether the QCM were suitably designed. See Interpretation No. 42-2 for additional information.

The review team should always obtain the most recently accepted QCM review report and consider (a) the version date of the materials relative to the period covered by the QCM review report and (b) the amount of time that has passed since the period covered by the QCM review report in determining the degree of reliance that can be placed on the QCM review results.

Factors to consider include the following:

- The issuance of new professional standards
- Changes in regulatory requirements
- Changes in economic conditions that affect the provider
- Limitations or restrictions on authors of the materials
- Any substantial changes or updates to the materials

Regardless of the degree of reliance placed on the provider’s QCM review results, the review team is still responsible for determining which forms, checklists, or programs are used by the reviewed firm as a part of its system of quality control, how often the materials are updated, the degree of reliance that the reviewed firm placed on the materials-QCM and assessing the reviewed firm’s compliance with the use of the QCM. The results of the provider’s QCM review should be considered in the assessment of control risk and be documented in the risk assessment.

These considerations and their effect on the review team’s evaluation of QCM should be documented in the peer review risk assessment.

For additional information on QCM reviews, please see paragraphs .154–.204 and appendix A of the standards.
Examination of QCM Under the SSAEs

An alternative to a QCM review may be an examination of QCM under the SSAEs (examination) (See Interpretation 156-1). The effect of the examination on the peer review depends on the scope and results of the examination. The following guidance is based on the examination of QCM utilizing the same guidance as described in paragraphs .154-.155 and .175-.176. Such engagements are not QCM reviews under AICPA Peer Review Standards however the results of such engagements may be used by the review team to evaluate the reliability of the QCM used by the reviewed firm. Procedures to evaluate the results of the examination of QCM under the SSAEs are ordinarily similar to those for a QCM review but different procedures may be necessary based on the nature of the engagement performed.

It is anticipated that the examination of QCM would conclude whether the QCM are reliable based on reliability criteria for QCM that are attached to the examination report.

The review team should obtain the examination report on the QCM so that the review team can consider the effect of the report on the reviewed firm’s system of quality control. The report may be obtained from the provider or the reviewed firm. Some providers will choose to make the report available on the AICPA’s website.

The review team should compare the specific QCM used by the firm with the materials and elements identified in the examination report. The provider determines which QCM are included in the scope of the examination and may not include all material published by the provider in the scope of the examination. The specific QCM that is the subject of the examination will be identified in the examination report and the provider’s written assertion. If the provider obtained an examination, but the specific QCM used by the reviewed firm were not included in the scope of the examination report, the review team will need to perform the procedures to evaluate whether the QCM were reliable. See Interpretation No. 42-2 for additional information.

Other scoping factors to consider include the following:

- The examination report is applicable to the different formats or media through which it could be made available or marketed (for example, print or electronic form), unless otherwise specified.

- QCM will often have different elements, such as written guidance, practice aids, letter templates, illustrative completed aids or templates and continuing professional education modules. The examination report should identify the QCM covered by the report and identify specific exclusions or inclusions if only a particular element or portion of a guide (for example, practice aids) is included in the scope of the examination.

The review team should also consider the type of opinion expressed in the examination report as it relates to the QCM used by the firm.

- If the provider received an unmodified opinion, ordinarily, these results help lower control risk. This should be reflected in the peer review team’s discussion of control risk in the overall peer review risk assessment.
• If the provider received a qualified opinion, adverse opinion, or a disclaimer of opinion, the review team should first determine whether the issue(s) affected the reliability of the QCM used by the reviewed firm and the effect of those issues.

  o If an issue affects the reliability of QCM used by the reviewed firm, the review team should determine whether the reviewed firm has mitigated the risk that its reliance on the QCM may result in the firm’s failure to address one or more integral components of professional standards in its performance of audit or attest engagements.

  o If an issue affects the reliability of QCM however is specific to QCM not used by the reviewed firm (for example, an issue related to an employee benefit plan manual, but the firm only uses a construction manual from that provider), it may not affect the reliability of the QCM used by the reviewed firm.

The review team should consider that use of a report on an examination of QCM under the SSAEs may be restricted to users who have sufficient knowledge and understanding of the QCM.

The evaluation of the examination of QCM under the SSAEs report and its impact on the reliability of the QCM used by the reviewed firm should be fully explained and documented in the discussion of control risk in the overall peer review risk assessment. The review team will also need to consider the impact on the peer review scope if the firm fully relied on QCM that are not reliable aids.

The review team should always obtain the most recently issued examination of QCM under the SSAEs and consider (a) the version date of the materials relative to the period covered by the report and (b) the amount of time that has passed since the period covered by the report in determining the degree of reliance that can be placed on the examination results. The team captain (and reviewed firm) should consider if the QCM used by the reviewed firm was covered by a previously issued examination report. Issues identified during an examination in the QCM version used by the reviewed firm, may not be identified in a later examination report.

Factors to consider include the following:

• The issuance of new professional standards

• Changes in regulatory requirements

The reviewer should consider the differences between a QCM review and an examination of QCM under the SSAEs, and how they affect the team captain’s evaluation of the reliability of the QCM:

• Guidance for QCM reviews is included in AICPA Peer Review Standards and includes detailed guidance for the nature of the procedures performed and the results reached. Guidance for an examination of QCM under the SSAEs would fall under SSAE guidance, which does not specifically address QCM reviews.

• QCM reviews are administered by the National PRC, which has established procedures for the:

  o qualifications and approval of QCM reviewers, including performance monitoring and cooperation matters
oversight of QCM reviews, and acceptance by the National PRC

- handling of disagreements and cooperation matters with the provider

Therefore, for an examination of QCM under the SSAEs, the team captain should carefully consider the following to determine how they affect the evaluation of the reliability of the QCM:

- Qualifications of the independent third-party performing the examination
- Nature of the procedures performed including the reliability criteria used
- Scope of the procedures, including which QCM were covered
- Results of the procedures, including any identified issues and their relevance to the reviewed firm.

Based on the team captain’s professional judgment, the extent of procedures to evaluate the reliability of QCM under Interpretation No. 42-2 may be reduced after considering certain factors identified in this interpretation. Regardless of the degree of reliance placed on the results of the provider’s examination of QCM under the SSAEs, the review team is still responsible for determining which forms, checklists, or programs are used by the reviewed firm as a part of its system of quality control, how often the materials are updated, the degree of reliance that the reviewed firm placed on the materials, and assessing compliance with their use. The results of the provider’s examination should weigh in the assessment of control risk and be documented in the risk assessment.

These considerations and their effect on the review team’s evaluation of QCM should be documented in the peer review risk assessment.

156-1

Question—A QCM provider may engage an independent third-party to perform procedures to evaluate the reliability of QCM. If the QCM provider requests a QCM review under AICPA Peer Review Standards (QCM review), then guidance at standards paragraphs .154 to .205 are followed. If the provider instead requests an examination of QCM under the SSAEs, what guidance should be followed by the QCM provider and the independent third-party practitioner?

Interpretation—The QCM provider and independent third-party practitioner should follow guidance in the Statements on Standards for Attestation Engagements (SSAEs), specifically AT-C sec. 105 (Concepts Common to All Attestation Engagements) and AT-C sec. 201 (Examination Engagements) and related interpretations. The engagement should be designed using the same guidance as described at paragraphs .154-.156, .158-.159 and .170-.171. Such engagements are not QCM reviews under AICPA Peer Review Standards however the results of such engagements may be used by the review team to evaluate the reliability of the QCM used by the reviewed firm.
Revision to Allowable Corrective Actions and Implementation Plans

Why is this on the Agenda?
The EAQ Steering Committee identified specific areas of focus for 2019 which include; auditing estimates, risk assessment, internal control and documentation. As part of the effort to improve audit quality in these areas, teams within the AICPA are developing CPE that specifically addresses the issues that are commonly found in these areas as well as general expectations for audit procedures.

The changes to this guidance would allow RABs to require firms to take either these specific CPE courses or an alternate course with substantially the same content, approved by the RAB, when significant deficiencies, deficiencies and findings are identified related to these areas. Refer to Agenda 1.7A for the changes that would be made to the lists of allowable corrective actions and implementation plans, which are found in Chapter 4 of the RAB HB.

PRIMA Impact
Administering entities will need to update the CPE corrective action or implementation plan text in PRIMA as necessary when these specific courses are assigned.

AE Impact
RABs will be the group assigning these corrective actions and implementation plans.

Communications Plan
These changes would be communicated via Reviewer Alerts (as reviewers should be aware of the change as they recommend CPE) and through all training courses and potentially other mediums. Communications targeting RAB members, technical reviewers and administrators will also be drafted.

Effective Date
If the changes are approved, they would go into effect upon approval,

Board Consideration
Review and approve the changes to the RAB HB as outlined in Agenda Item 1.7A.
### Agenda Item 1.7A

**Exhibit 4-2 — Suggested Actions and Allowable Plans**

**System Review Peer Review Rating—** *Pass With Deficiencies or Fail*

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<thead>
<tr>
<th>Deficiency or Significant Deficiency</th>
<th>Suggested action(s) to be performed as soon as reasonably possible</th>
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</table>
| Deficiency or significant deficiency related to engagement performance | • Require the firm to hire an outside party acceptable to the RAB to perform a team captain revisit\(^{fn\,6}\)  
  • Require members of the firm to take specified types of and amounts of CPE. \(^1\)  
  • Allow firm members responsible for the applicable type of engagement(s) not performed or reported on in accordance with professional standards to pass the related AICPA Advanced Certificate Exam, if applicable, in lieu of CPE. \(^7\)  
  • Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or |

\(^{fn\,6}\) RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

\(^{fn\,7}\) This option is only allowable for firms who have engagements in certain industries that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects and a related AICPA Advanced Certificate exists.

\(^1\) If the deficiency or significant deficiency relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative, then specific CPE to address the common areas of noncompliance should be required by the RAB. The AICPA courses located on the Peer Review page of the AICPA website provide the content intended to meet this requirement. Either the AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB.
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<tr>
<th>Deficiency or Significant Deficiency</th>
<th>Suggested action(s) to be performed as soon as reasonably possible</th>
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<tr>
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<td>portions of engagements and to report quarterly to the RAB on the firm’s progress</td>
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<td>• Require post-issuance review of a subsequent engagement by an outside party fn 8</td>
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<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</td>
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<tr>
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<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions</td>
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<tr>
<td></td>
<td>• Require the firm to join an AICPA audit quality center applicable to the type of engagement(s) not performed or reported on in accordance with professional standards in all material respects fn 9</td>
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fn 8 See footnote 6.

fn 9 This option is only allowable for firms who have governmental and employee benefit plan engagements that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects. In addition the firm must be eligible to enroll in the respective audit quality center. This action may not be in lieu of any other corrective action deemed appropriate by the committee and must be used in conjunction with other corrective actions.
Deficiency or Significant Deficiency | Suggested action(s) to be performed as soon as reasonably possible
---|---
Deficiency or significant deficiency related to design or noncompliance of another element of the quality control system | Tailor corrective action accordingly, such as the following:
- Require submission of monitoring or inspection report
- Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm’s progress

Finding for Further Consideration Form(s) fn 10

<table>
<thead>
<tr>
<th>Finding</th>
<th>Allowable plans to be performed as soon as reasonably possible</th>
</tr>
</thead>
</table>
| Engagements not performed or reported on in conformity with professional standards in all material respects and there are:
  - initial finding(s) on must select industry, or
  - repeat finding(s) for any industry | • Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance or post-issuance reviews of certain types or portions of engagements focusing on the areas identified in the finding
• Require the firm to hire an outside party acceptable to the RAB to review the firm’s

---

fn 10 These are the only situations in which implementation plans are appropriate. Further, these are the only plans allowable. If the RAB believes a different implementation plan is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report.
<table>
<thead>
<tr>
<th>Finding</th>
<th>Allowable plans to be performed as soon as reasonably possible</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>internal monitoring or inspection report</td>
</tr>
<tr>
<td></td>
<td>• Require members of the firm to take specified types of and amounts of CPE.(^2)</td>
</tr>
<tr>
<td></td>
<td>• Require firm to submit monitoring or inspection report to the RAB</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s completion of its intended remedial actions outlined in its response on the FFC form or evaluate the appropriateness of alternative actions</td>
</tr>
</tbody>
</table>

\(^2\) If the finding relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative, then specific CPE to address the common areas of noncompliance should be required by the RAB. The AICPA courses located on the Peer Review page of the AICPA website provide the content intended to meet this requirement. Either the AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB.
<table>
<thead>
<tr>
<th>Finding</th>
<th>Allowable plans to be performed as soon as reasonably possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement(s) indicate the following:</td>
<td></td>
</tr>
<tr>
<td>• Repeat findings&lt;sup&gt;fn 11&lt;/sup&gt;</td>
<td>• Require members of the firm to take specified types of and amounts of CPE.&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>• Failure to possess applicable firm license(s)</td>
<td>• Require firm to submit monitoring or inspection report to the RAB</td>
</tr>
<tr>
<td></td>
<td>• Submit proof of valid firm license(s)</td>
</tr>
</tbody>
</table>

<sup>fn 11</sup> The guidance for allowable plans as discussed previously in this section must be followed, even in instances when the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required continuing professional education (CPE). For example, the RAB may determine that more than eight hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm’s monitoring report to the RAB.

<sup>3</sup> If the finding relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative, then specific CPE to address the common areas of noncompliance should be required by the RAB. The AICPA courses located on the Peer Review page of the AICPA website provide the content intended to meet this requirement. Either the AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB.
Agenda Item 1.8

Revised Guidance Related to SSARS No. 24

Why is this on the Agenda?
The Standards Task Force would like the Board to consider proposed revisions to Interpretation 6-8 as a result of the issuance of SSARS No. 24. Among other items, SSARS No. 24 added a new AR-C section entitled Special Considerations—International Reporting Issues (AR-C Section 100) to provide requirements and guidance when an accountant is engaged to perform a compilation or review and:

- The financial statements have been prepared in accordance with a financial reporting framework generally accepted in another country or
- The compilation or review is to be performed in accordance with both SSARSs and another set of compilation or review standards

As a result, the STF is proposing modifying peer review guidance as indicated in Agenda Item 1.8A.

Communications Plan
A reference to these changes will be included in a Reviewer Alert article that will be sent out the month the changes are published.

Manual Production Cycle (estimated)
The proposed changes would be included in next Peer Review Program Manual (PRPM) update, currently estimated to be April 2019.

Effective Date
The proposed changes would be effective upon being published in the next PRPM update, currently estimated to be April 2019.

Board Consideration
Review and approve proposed guidance changes outlined in Agenda Item 1.8A.
Engagements Performed or Reported Under International Standards

6-8

**Question**—Is an *engagement* performed under the ISAs, any other standards issued by the IAASB or any other audit or assurance standards outside of the U.S. (“international standards”) included in the scope of the peer review?

**Interpretation**—Yes, an engagement performed under international standards would be included in the scope of the peer review. Under U.S. professional standards, the engagement would comply with elements of both the international standards and U.S. professional standards. However, the peer reviewer should only test compliance with the U.S. professional standards described in paragraph .06 of the peer review standards (that is, engagements performed under SASs, SSARS, SSAEs, *Government Auditing Standards*, and PCAOB standards not subject to PCAOB permanent inspection). Testing of compliance with any international standards is not included in the scope of the review.

The peer reviewer should inquire of the firm during planning about whether any engagements were performed under international standards. If yes, the peer reviewer should inquire if the firm understands professional guidance for reporting on statements for international use, specifically addressing the following issues:

- The peer reviewer should conclude whether the firm’s classification for an engagement’s report of “distribution in the U.S.,” “distribution only outside of the U.S.,” or “limited distribution in the U.S.” was appropriate and reasonable. Then, the peer reviewer should determine that the appropriate general, fieldwork, and reporting (if applicable) aspects of U.S. professional standards were followed. A misunderstanding of U.S. professional guidance for reporting on statements for international use increases the risk of an engagement not performed and reported on in accordance with professional standards (for instance, financial statements made available on the Internet may not reasonably be considered ‘limited’ distribution in the U.S.).

- The peer reviewer should consult with AICPA program staff for further guidance, if necessary.

---

For audit engagements, AU-C section 910, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country (AICPA, Professional Standards)*, indicates that if a U.S. auditor reports on U.S. entity financial statements that are used only outside of the United States, he or she should comply with generally accepted accounting standards (GAAS), except for requirements related to the form and content of the report. He or she should determine whether the
application of GAAS requires special consideration in the circumstances of
the engagement. However, when the audited financial statements of the
entity are intended for use in the United States, then all GAAS standards must
be followed, including the reporting standards.

- For review and compilation engagements performed in accordance with SSARS
  No. 19, Interpretation Nos. 13–15 of AR section 80, Compilation of Financial
  Statements (AICPA, Professional Standards, AR sec. 9080 par...49) and
  Interpretation Nos. 8–10 of AR section 90, Review of Financial Statements
  (AICPA, Professional Standards, AR sec. 9090 par...29), conformed for SSARS
  No. 19, Framework for Performing and Reporting on Compilation
  Engagements (AICPA, Professional Standards), provide paralleling guidance
to AU-C section 910. Any distribution in the United States would lead to the
requirement to follow SSARS No. 19 reporting standards.

- For engagements performed in accordance with SSARS No. 21, paragraph .A24
  of AR-C section 60 indicates that the accountant may also conduct the
  compilation or review in accordance with both SSARSs and

  — International Standard on Related Services 4410 (Revised),
    Compilation Engagements;

  — International Standard on Review Engagements 2400 (Revised),
    Engagements to Review Historical Financial Statements, or

  — Compilation or review standards of a specific jurisdiction or country.

In such cases, in addition to complying with each of the AR-C sections relevant to
the engagement, it may be necessary for the accountant to perform additional
compilation or review procedures in order to comply with the other compilation
or review standards.

In addition, Interpretation No. 1, “Considerations Related to Reviews Performed
in Accordance With International Standard on Review Engagements (ISRE) 2400
(Revised), Engagements to Review Historical Financial Statements,” of AR-C
section 90, Review of Financial Statements (AICPA, Professional Standards, AR-
C sec. 9090 par...01–02), states that in circumstances in which the accountant’s
review report states that the review was conducted in accordance with SSARSs
and another set of review standards, the practitioner should comply with both sets
of standards.

- For any other types of engagements. If not directly addressed in the applicable
  professional standards, reference should be made to the SAS or SSARS
guidance.

In all cases, the peer reviewer should conclude whether the firm’s classification for an
engagement’s report of “distribution in the U.S.,” “distribution only outside of the U.S.”
or “limited distribution in the U.S.” was appropriate and reasonable. Then, the peer reviewer should determine that the appropriate general, fieldwork, and reporting (if applicable) aspects of U.S. professional standards were followed. A misunderstanding of U.S. professional guidance for reporting on statements for international use increases the risk of an engagement not performed and reported on in accordance with professional standards (for instance, financial statements made available on the Internet may not reasonably be considered ‘limited’ distribution in the U.S.).

The peer reviewer should consult with AICPA program staff for further guidance, if necessary.
Agenda Item 1.9

Task Force Updates

Why is this on the Agenda?
Each of the following task forces of the PRB will provide this information to the Board at each open session meeting to gather feedback on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

Standards Task Force

Accomplished since last PRB meeting:
- Continued discussions related to the project to clarify the peer review standards.
  - For additional information, see Agenda Item 1.9A
- Approved revisions to the SRM to remove duplicate information requested in PRIMA and other related updates
- Approved revisions to Interpretation No. 6-8 as a result of the issuance of SSARS No. 24
- Approved revisions to peer review audit engagement checklists related to questions on risk assessment
  - For additional information, see Agenda Item 1.9B
- Approved revisions to guidance related to QCM reviews
- Approved revisions to the RAB Handbook related to corrective actions and implementation plans
- Discussed revisions to guidance related to referrals for AICPA PRB hearing panels

Upcoming tasks:
- Continued focus on the clarity project
  - For additional information, see Agenda Item 1.9A
- Continued consideration of QCM review guidance revisions
- Continued consideration of revisions to guidance related to referrals for AICPA PRB hearing panels
- A discussion of how peer review guidance should address Cybersecurity advisory services
- Assessment of potential guidance needed in response to further PRIMA enhancements
- The potential development of a Risk Assessment Toolkit in narrative form

Oversight Task Force

Accomplished since last PRB meeting:
- Approved Report Acceptance Body (RAB) observation reports, see agenda item 1.9C
- Reviewed administering entity (AE) responses to RAB observation reports
- OTF members conducted AE oversight visits
- Approved responses from AEs to AE oversight visit reports
- Conditionally approved AEs to administer the Program until April 1 when AEs report on compliance with 2018 oversight requirements
- Approved CPA on staff waiver requests for 2019
- Reviewed AE benchmark reports and feedback received
• Approved guidance for Program administration non-compliance and fair procedures
• Monitored Enhanced Oversight results
• Reviewed sample of Enhanced Oversight reports for consistency
• Discussed type of feedback issued by AEs as a result of the Enhanced Oversights
• Monitored reviewer performance
• Approved revisions to Oversight Handbook Chapter 3 – Confidentiality of Peer Review Information in the Regulatory Environment

Upcoming tasks:
• Approve RAB observation reports
• Approve responses from AEs to AE oversight visit reports
• Approve, conditionally approve or defer AE plans of administration for 2019
• Review AE benchmark summary forms and feedback received
• Revise AE benchmarks based on results from the pilot period and feedback received
• Develop rules of procedures for Program administration non-compliance
• Monitor results of Enhanced Oversights
• Develop guidance for AE benchmark violations and fair procedures
• Monitor reviewer performance
• Clarify Oversight Handbook Chapter 3 – Confidentiality of Peer Review Information in the Regulatory Environment as necessary

Education and Communication Task Force

Accomplished since last PRB meeting:
• Continued monitoring of progress related to various initiatives to improve the peer reviewer pool, based on Staff analyses of peer reviewers by state, including must-select reviewers.
• Continued monitoring of peer review website content and implementing changes where appropriate.
• Updating content for various live seminar offerings including:
  o Peer Review Update for State Societies
  o Becoming a Peer Review Team Captain/Review Captain
  o Are You Ready for Your Firm’s Peer Review?
• Finalized content updates for various on-demand offerings including (now live in the AICPA Store):
  o Peer Review Update for Team/Review Captains
  o Must Select Update for EBP Reviewers
  o Must Select Update for Governmental Reviewers
• Continue to issue appropriate communications on an as needed basis related to various Peer Review initiatives

Upcoming tasks:
• Continue to plan for the 2019 conference including:
  o Finalizing the general session agenda, including potential concurrent session topics
  o Finalizing all necessary session materials including:
    ▪ Concurrent session presentations
    ▪ Session presentation for each stakeholder group (for example, peer reviewers, committee members, technical reviewers)
• Conference Cases
  • Develop session materials for sessions at other AICPA Conferences including:
    o EBP Conference (satisfies the EBP must-select training requirement)
    o Engage (satisfies the Team/Review Captain ongoing training requirement)
    o NFP Industry Conference (satisfies the Gov't must-select training requirement)
  • Update initial training courses:
    o Initial Training Course for New RAB Members
    o Initial Training Course for New Technical Reviewers
  • Develop a new must-select course for reviewers of broker dealer engagements
  • Implement changes to the process for issuing Reviewer Alerts to ensure appropriate communication frequency and effectiveness of content.
  • Ongoing efforts to implement various action items designed to improve the peer reviewer pool.
Agenda Item 1.9A

Update on Clarified Peer Review Standards

Why is this on the Agenda?
As discussed during several recent Peer Review Board meetings, the Standards Task Force has begun a project to clarify peer review guidance to benefit all peer review stakeholders. The STF would like to update the PRB on the progress made on this project so far.

- Exhibit A Clarity Process with Assignments – provides a detailed plan of the clarity project with a projected timeline for completion, responsible party, and status for each step.
  - Current and incoming PRB members compose each sub task force. The composition of each sub task force is included in Exhibit A.

The following is a summary of the meetings related to the clarity project since the last PRB Meeting:

- October 29, 2018 – The sub task force* met and reviewed a working draft of PR-C sec. 320, which contains guidance for firms related to engagement reviews. They approved the section with revisions to be presented at a future meeting.
- November 8, 2018 – The entire STF met approved a detailed plan of next steps related to the project, Exhibit A. Additionally, they approved the detailed inventory of guidance to be included in the project, and the drafting guidelines to be used while developing the clarified standards.
- January 29, 2019 – The entire STF will have met to review proposed PR-C secs. 220 and 320.

Currently scheduled future meetings
- March 6, 2019 – The entire STF will meet, however, the agenda has not been finalized.

* Sub Task Force members: Dawn Brenner, Paul Brown, Jerry Cross, and Barbara Lewis

Board Considerations
The purpose of this item is to provide an update on progress made to date related to the project to clarify the peer review standards and related guidance.

While the task force is not seeking specific feedback on any given item presented at this time, PRB members and observers are invited to ask any questions or provide any commentary deemed necessary.
Exhibit A

Standards Task Force
Clarity Project with Assignments
11/02/2018

Major Process Steps:
A. Create and pre-map inventory
B. Map content from inventory to Guidance
C. Draft content
D. Review content
E. Expose Guidance

Steps C-D should be performed by PR-C section.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Performed By</th>
<th>Pre-requisite(s)</th>
<th>Timing</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Create and Pre-Map Inventory</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1a) Create a complete inventory of the Peer Review Program Manual (PRPM) peer review literature that will comprise the Guidance.</td>
<td>Jennifer Gum</td>
<td>None</td>
<td>Jan 2018</td>
<td>Complete in the linked file (but continue to monitor)</td>
</tr>
<tr>
<td>(1b) Create a complete inventory of the Additional Guidance peer review literature and determine how the Guidance will link to this content.</td>
<td>Standards Task Force to approve both inventories.</td>
<td></td>
<td></td>
<td>To Do: Determine how the Additional Guidance will be incorporated into the Standards.</td>
</tr>
<tr>
<td>(2) Framework</td>
<td>Jennifer Gum</td>
<td>None</td>
<td>July 2018</td>
<td>Complete</td>
</tr>
</tbody>
</table>

1 Step C does not need to be complete for the entire inventory before D and E can occur.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Performed By</th>
<th>Pre-requisite(s)</th>
<th>Timing</th>
<th>Status</th>
</tr>
</thead>
</table>
| (3) Pre-map inventory to PR-C section (i.e., break inventory into useable pieces). | • Jennifer Gum- to be divided into areas that can be delegated | • Standards Task Force approved inventory  
• STF approved framework | Nov 8, 2018 | • Approved, linked in Step 1a. Will continue to monitor and update. |
| (4) Create sub-task forces                                               | • Jennifer Gum | • Pre-mapped inventory (3)                                                      | Dec 2018-Jan 2019 | • Complete Dec 2018                                                    |
| (5) Assign staff to appropriate sections                                  | • Jennifer Gum | • Pre-mapped inventory (3)                                                      | Dec 2018-Jan 2019 | • Complete Dec 2018                                                    |
| (B) Map Content from Inventory to the Guidance                           |              |                                                                                 |                   |                                                                        |
| (6) Create a mapping document for each PRPM inventory. Columns: Current PRPM paragraph, PR-C sec. and par., and comments. | • Jennifer Gum | • Approved pre-mapped inventory  
• STF approved framework | December 2018 | • Complete December 2018  
• PRP 3300 to be completed after January changes completed  
• Did not map PRP 10000 – Monitoring Guidance |
<p>| (7) Review (make corrections as needed) mapping document to              | • Kim’s Group | • Mapping document (6)                                                          | Between December 2018 and March 2019 (can occur) | • In process |</p>
<table>
<thead>
<tr>
<th>Activity</th>
<th>Performed By</th>
<th>Pre-requisite(s)</th>
<th>Timing</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>current PRPM for completeness and accuracy</td>
<td></td>
<td></td>
<td>concurrently with drafting content)</td>
<td></td>
</tr>
<tr>
<td><strong>(C) Draft Content</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8) Create drafting guidelines</td>
<td>• Jennifer Gum</td>
<td>• STF to approve</td>
<td>Nov 8, 2018</td>
<td>• Approved 11/8</td>
</tr>
<tr>
<td>(9) Draft content for the Guidance in accordance with the following guidelines:</td>
<td>• Various – see following chart for sub-task force composition</td>
<td>• STF approved drafting guidelines.</td>
<td>1st draft due May 2109</td>
<td>PR-C secs. 220 &amp; 320 scheduled for STF review 1/29/2019.</td>
</tr>
<tr>
<td>a) Drafting guidelines</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Style guidance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) AICPA editorial guidance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(D) Review Content</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(10) Review 1st draft. Sub task force review includes consideration of;</td>
<td>• Staff to prepare with internal review (both technical staff and communications staff), then review by sub-task force.</td>
<td></td>
<td>1st draft prepared</td>
<td>Sub-task force reviews complete by July 2019</td>
</tr>
<tr>
<td>a) technical accuracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) adherence to the guidelines described in Item (9) above</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) completeness check from mapping documents to proposed section</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>Performed By</td>
<td>Pre-requisite(s)</td>
<td>Timing</td>
<td>Status</td>
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<tr>
<td>----------</td>
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<td>--------</td>
</tr>
<tr>
<td>(11) Drafter edits 1st draft per reviewer’s comments. STF review includes;</td>
<td>• Review with STF</td>
<td>1st draft technically reviewed and approved by sub-task force</td>
<td>STF approved 1st draft by October 2019</td>
<td></td>
</tr>
<tr>
<td>a) Review of comments/questions from sub-task force</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Complete read of proposed section</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(12) AICPA editorial review</td>
<td>• AICPA Editorial Staff</td>
<td>1st draft approved by STF</td>
<td>Editorial review complete by July 2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Meeting with Angie 11/16/2018</td>
<td></td>
</tr>
<tr>
<td><strong>(E) Expose Guidance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(13) Approve Guidance for Exposure.</td>
<td>• STF Approval, then PRB Approval • AICPA Editorial staff review concurrent with STF/PRB</td>
<td>Final proposed language determined</td>
<td>STF December 2019 (extra time between 16 and 17 to allow for 2nd review process) PRB January 2020</td>
<td></td>
</tr>
<tr>
<td>(14) Issue Guidance Exposure Draft.</td>
<td>• Jennifer Gum</td>
<td>• STF and PRB approved ED • AICPA Editorial Staff reviewed</td>
<td>February 2020</td>
<td></td>
</tr>
<tr>
<td>(15) Review comments received in exposure process with Task Force.</td>
<td>• Jennifer Gum • STF</td>
<td>Comments received on the ED</td>
<td>July 2020</td>
<td></td>
</tr>
<tr>
<td>(16) Draft edits to the Guidance as needed.</td>
<td>• Jennifer Gum with the help Kim’s Group</td>
<td>Comments reviewed with Task Force</td>
<td>August 2020</td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>Performed By</td>
<td>Pre-requisite(s)</td>
<td>Timing</td>
<td>Status</td>
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<tr>
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<td>------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| (17) Approve Final Guidance. | • STF, then  
• PRB | All final revisions made to content (except editorial) | STF September 2020  
PRB August 2020 |                                                                   |
| (18) Obtain final editorial review (dependent on significance of changes) | • Jennifer Gum | PRB approved Final Guidance | October 2020 |                                                                   |
| (19) Issue Final Guidance | • AICPA Staff | All final revisions made | November 2020, effective for reviews commencing January 1, 2021 |                                                                   |

Proposed Sub Task Forces

<table>
<thead>
<tr>
<th>Sub Task Force 1</th>
<th>Sub Task Force 2</th>
<th>Sub Task Force 3</th>
<th>Sub Task Force 4</th>
<th>Sub Task Force 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement Reviews</td>
<td>System Reviews</td>
<td>Common Concepts</td>
<td>General Responsibilities</td>
<td>Administration</td>
</tr>
<tr>
<td>PR-C secs. 220 &amp; 320</td>
<td>PR-C secs. 210 &amp; 310</td>
<td>PR-C sec. 100</td>
<td>PR-C secs. 200 &amp; 300</td>
<td>PR-C secs. 400, 410 &amp; 420</td>
</tr>
<tr>
<td>Staff: Jennifer Gum</td>
<td>Staff: Jennifer Gum</td>
<td>Staff: Jennifer Gum</td>
<td>Staff: Jennifer Dintsch</td>
<td>Staff: Justin Long</td>
</tr>
</tbody>
</table>
Agenda Item 1.9B

Engagement Profile

Audit Engagement Risk Assessment

This section of the engagement profile should be completed by the engagement partner or manager (or by the reviewer based on the interview of the engagement team).

1. Summarize key factors the engagement team considered with regard to the entity, its environment, fraud risk factors, entity level controls, and how this affected the audit approach. Provide the working paper references to the following requirements:

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Working Paper Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtained an understanding of the client and its environment</td>
<td></td>
</tr>
<tr>
<td>Obtained an understanding of internal control relevant to the audit, evaluated the design of relevant controls, and determined whether relevant controls were implemented</td>
<td></td>
</tr>
<tr>
<td>Identified and assessed risk of material misstatement at the financial statement and relevant assertion level</td>
<td></td>
</tr>
<tr>
<td>Determined whether any of the risks identified are a significant risk and evaluated whether controls relevant to those risks have been suitably designed and implemented</td>
<td></td>
</tr>
<tr>
<td>Documented the linkage of further audit procedures performed with the assessed risks at the relevant assertion level</td>
<td></td>
</tr>
<tr>
<td>Identified the risks associated with the role of IT and documented the linkage of further audit procedures performed with the assessed IT risk</td>
<td></td>
</tr>
</tbody>
</table>

2. What are the two to three areas with the highest risk of material misstatement in the financial statements?
I. General Audit Planning Procedures

Information Technology Considerations:
Did the auditor properly identify risks associated with the role of IT? This could include the following considerations:

- Identification of the role of IT relative to financial transaction and financial reporting [AU-C sec. 315.A53–.A60]**
- Risk of material misstatement associated with financial transaction and financial reporting [AU-C sec. 320]
- Obtaining sufficient knowledge of the information system, including the related business processes relevant to financial reporting [AU-C sec. 315.A84–.A90]**
- Obtaining an understanding of how the entity has responded to risks arising from IT [AU-C sec. 315.22]
- Identification and assessment of potentially mitigating controls for those inherent risks, including application and general computing controls. [AU-C sec. 315.A54–.A60]**
- The firm possesses, either internally or through the use of a specialist, the required expertise to address the risks associated with IT. [AU-C sec. 300.A18–.A19]**
- The auditor, directly or through the use of a specialist, sufficiently identified and addressed risks associated with IT and internal controls. [AU-C sec. 315]

Did the auditor properly identify and document the linkage between further audit procedures (test of controls and/or substantive procedures) and the IT risk assessment? [AU-C sec. 330] This could include the following:
• The auditor documented the understanding of the entity and its environment. [AU-C sec. 315]

• The auditor, using a specialist if necessary, used a professional possessing IT skills to determine the effect of IT on the audit, to understand the IT controls, or to design and perform tests of IT controls or substantive procedures. [AU-C sec. 300.A19]**

**Internal Control and Control Risks: Risk Assessment Procedures and Related Activities:**

When developing an understanding of the entity and its environment relative to evaluation of the risk of material misstatements and the response to the audit evidence obtained, did the auditor

Did the **auditor** perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and relevant assertion levels? [AU-C sec. 315.05–.06] This includes

- inquiries of management and others within the entity,
- analytical procedures, and
- observation and inspection? [AU-C sec. 315.05–.11]

Did the auditor obtain an understanding of the entity and its environment and components of its internal control in order to identify and assess the risks of material misstatements at the financial statement and relevant assertion levels and to design and perform further audit procedures responsive to assessed risks? [AU-C sec. 315.12–.25] This includes an understanding of the

- relevant industry, regulatory, and other external factors, including the applicable financial reporting framework.
- The nature of the entity, including
  - its operations;
  - its ownership and governance structures;
  - the types of investments that the entity is making and plans to make, including investments in entities formed to accomplish specific objectives; and
  - the way that the entity is structured and how it is financed, to enable the auditor to understand the classes of transactions, account balances, and disclosures to be expected in the financial statements.
- The entity's selection and application of accounting policies, including the reasons for changes thereto. The auditor should evaluate whether the entity's accounting policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry.
- The entity's objectives and strategies and those related business risks that may result in risks of material misstatement.
- The measurement and review of the entity's financial performance.
Did the auditor obtain an understanding of internal control relevant to the audit? [AU-C sec. 315.14] This includes

- Considering what could go wrong as the client prepares their financial statements;
- Identifying the controls meant to mitigate those financial reporting risks;
- Evaluating whether controls relevant to the audit were properly designed to prevent or detect and correct misstatements; and
- Determining whether relevant controls were implemented by performing procedures in addition to inquiry of the entity’s personnel

Did the auditor understand the auditor’s responsibility to identify and assess the risks of material misstatement at the financial statement level and at the relevant assertion level related to classes of transactions, account balances, and disclosures sufficient to provide a basis for designing and performing further audit procedures? [AU-C sec. 315.26–.27]

Did the auditor identify significant risks (including fraud risks) and obtain an understanding of the entity’s controls, including control activities, relevant to those risks, and, based on that understanding, evaluate whether such controls have been suitably designed and implemented to mitigate such risks? [AU-C sec. 315.28–.30]

Did the auditor assess that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures related to some risks? If so, did the auditor obtain an understanding of the entity’s controls over such risks? [AU-C sec. 315.31]

Did the auditor design and perform substantive procedures for all relevant assertions related to each material class of transactions, account balances, and disclosure? [AU-C sec. 330.18–.24]

If a significant risk was identified, did the auditor perform substantive procedures that are specifically responsive to that risk? Consider whether the auditor performed procedures above and beyond their standard audit approach. [AU-C sec. 330.22]

Did the auditor design and perform further audit procedures whose nature, timing, and extent are based on, and are responsive to, the assessed risks of material misstatement at the relevant assertion level? [AU-C sec. 330.06] This includes documentation of

- Overall responses to the risks of material misstatement,
- Linkage of those procedures with the assessed risks at the relevant assertion level; and
- The results of the audit procedures [AU-C sec. 330.30]

Did the auditor make updates and changes to the overall audit strategy and audit plan, as necessary, in response to risks identified during the course of the audit; including documentation regarding any significant changes and reasons for such changes? [AU-C sec. 315.32]

- perform risk assessment procedures, including inquiries of management and others within the entity, analytical procedures, and observation and inspection? [AU-C sec. 315.05–.11]
obtain an understanding of the entity and its environment and components of its internal control in order to assess the risks of material misstatements at the assertion level and to design and perform further audit procedures responsive to assessed risks? [AU-C sec. 315.12–25]

understand the auditor’s responsibility to identify and assess the risks of material misstatement at the financial statement level and at the relevant assertion level related to classes of transactions, account balances, and disclosures? [AU-C sec. 315.26–27]

identify significant risks and obtain an understanding of the entity’s controls, including control activities, relevant to those risks, and, based on that understanding, evaluate whether such controls have been suitably designed and implemented to mitigate such risks? [AU-C sec. 315.28–30]

assess that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures related to some risks? If so, did the auditor obtain an understanding of the entity’s controls over such risks? [AU-C sec. 315.31]

design and perform substantive procedures for all relevant assertions related to each material class of transactions, account balances, and disclosure? [AU-C sec. 330.18–24]

II. Audit Areas

Highest Risk Audit Areas
Scan the financial statements and profile information. Given your industry experience, identify at least three accounts or audit areas of highest importance to the type of engagement. Ordinarily, a reviewer would be expected to identify three or more audit areas of highest importance. The size and complexity of the audit may influence the number of audit areas identified. If fewer than three audit areas are completed in this section, the reviewer should document the facts and circumstances that led them to that conclusion in the notes section. Review the planning and risk assessment for each, consider all of the relevant assertions, and assess whether the firm came to a reasonable risk rating for each assertion or at the account level, which would incorporate those assertions. For each of the accounts or audit areas deemed to be of highest importance, complete the subsequent questions along with the account-specific questions relating to your selection.
Account or audit area #1
Choose an item.

**Risks of Material Misstatement**

Risks of material misstatement exist at two levels: (1) the overall financial statement level and (2) the assertion level for classes of transactions, account balances, and disclosures. Risks of material misstatement at the assertion level consist of two components: inherent risk and control risk. Generally accepted auditing standards do not ordinarily refer to inherent risk and control risk separately, but rather a combined assessment of the risks of material misstatement. However, the auditor may make separate or combined assessments of inherent and control risk depending on the preferred audit techniques and methodologies and practical considerations.

[AU-C sec. 200.A38; .A40–.A41; .A44]

<table>
<thead>
<tr>
<th>Ques.</th>
<th>( \text{N/A} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \text{Yes} )</td>
<td>( \text{No} )</td>
</tr>
</tbody>
</table>

### Inherent Risk

Inherent risk is the susceptibility of an assertion about a class of transactions, account balance, or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. [AU-C sec. 200.14]

Is the auditor’s basis for the assessed levels of risk evident in the working papers? Where risk of material misstatement for any relevant assertions or significant accounts is indicative of an inherent risk assessment set at less than high, is there a reasonable basis for that assessment?

[AU-C sec. 315.03; AAG-ARR 3.23 and 5.70]

Consider the following:

- Documented discussions among the engagement team, the key elements of their understanding obtained regarding each aspect of the entity and its environment, and any significant decisions reached
  [AU-C 315.12 and .33]

- A separately documented inherent risk assessment, if applicable

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fn 9 See footnote 7.

fn 10 See footnote 8.
Control Risk

Control risk is the risk that a misstatement that could occur in an assertion about a class of transactions, account balance, or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control. [AU-C sec. 200.14] An assessment of control design and implementation is required on every audit, whether or not controls are tested and relied on. Specifics regarding the account being reviewed should consider the inherent risks and whether specific controls exist to address the inherent risk by assertion.

Consider the relevant assertions and risks related to classes of transactions, account balances, and disclosures in the financial statements for the account or audit area. Did the auditor evaluate the design and implementation of relevant controls in this area? [AU-C sec. 315] Consider the following:

- Documentation includes actual controls and not just process descriptions
- In addition, are all the following present in the documentation:
  - Who performed the procedure and when?
  - Who in the client organization was interviewed?
  - What evidence regarding the control was examined during the procedure?

Are any missing or ineffective controls (or the absence of controls) over relevant risks assessed to determine severity and considered in communications with management and governance? [AU-C sec. 265]

Complete the following section if control risk is assessed at less than high. If control risk is assessed at less than high, has evidence been obtained to support the level of reliance planned, as follows:

A202

A203

A204
• If the auditor is relying on a service auditor’s report, did the auditor substantively meet professional requirements regarding internal control, including those detailed at A135 of this checklist? [AU-C sec. 402]

• For controls where sampling is planned, is the level of testing sufficient to support the level of planned reliance (considering the parameters of risk, tolerable rate, expected rate, and population size fn 11) [AU-C sec. 330.07–.10] [AAG-ARR 5.69]

• For controls not involving sampling (for example, governance assessments) has sufficient evidence been gathered to support the level of planned reliance? [AU-C sec. 330.07–.10, AAG-ARR 5.70]

If control test results were carried over from a prior period, is the related area and assertion not deemed a significant risk?

• For any control tests carried over, has the carry over been for periods

fn 11 Regarding controls, low risk is frequently considered 10 percent risk or less with a tolerable misstatement of 10 percent or less (see chapter 3 of Audit Guide Audit Sampling). Thus, a minimum sample size for a low control risk would be a test of at least 22 items, assuming there are zero expected control deviations. At a 50 percent (for example, moderate) risk level, the corresponding sample size would be 7 items. For non-sampling control tests, low risk (high assurance) is assessed by the quality and quantity of evidence examined. Assigning significant assurance (for example, 50 percent risk or less) based solely on an assessment and walk-through is not supported, but an effective controls assessment and evidence supporting the assessment alone may sufficient to support a risk assessment at, say 75 percent to 80 percent. Controls in certain high risk or fraud risk areas (for example, GAAP revenue recognition) may be designed at lower risk and lower tolerable misstatement levels.
For any control tests carried over, has evidence been obtained in the current period that the control continues to operate as it did in the past (for example, inquiries plus examination of evidence such as observation or a walk-through)? [AU-C sec. 330.14]

If more deviations than were planned for in the design of a control test are found, was the deficiency in controls assessed to determine its potential severity? [AAG-ARR 6.64] Note: AU-C section 265, Communicating Internal Control Related Matters Identified in an Audit (AICPA, Professional Standards), identifies unplanned deviations in a controls sample as a control deficiency of some magnitude.

**Risk of Material Misstatement**

Does the assessed level of risk(s) of material misstatement at the financial statement and relevant assertion level for the account and audit area appear to reflect a reasonable judgment under the circumstances? [AU-C sec. 315; AAG-ARR 1.25 and Table 4-2]

Review the work performed in the highest risk audit areas previously identified, and at a minimum, complete only those sections of the subsequent checklist. Based off those results, as well as your industry expertise, complete the questions related to any additional audit areas deemed necessary. In the audit areas reviewed, indicate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU-C section 500, Audit Evidence (AICPA, Professional Standards).

**Consideration of the Risk Assessment Standards:** While evaluating a “no” answer to the following questions, consider if the error or omission was related to non-compliance with the risk assessment standards or improper testing procedures. Consider the guidance in PRPM 3100 Evaluation of Non-Compliance with the Risk Assessment Standards, if applicable.

**Cash**

- Selected audit area

Were appropriate procedures performed and documented in response to the assessed risk of...
material misstatement at the assertion level? 
[AU-C sec. 330.06–.33] Procedures at the assertion level may include the following:

- Confirmation of cash balances
- Consideration of restrictions on cash balances
- Confirmation of bank credit arrangements, such as compensating balances
- Confirmation of liabilities and contingent liabilities to banks
- Review of reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested
- Review of cash transactions shortly before and shortly after the balance sheet date to determine whether they were recorded in the proper period

Were procedures performed sufficient to reduce audit risk to low, taking into consideration the risk assessment, sampling guidance, and other audit procedures performed? [AU-C sec. 330 and AAG-SAM chapter 4] Consider the following:

- If 100 percent of the population was tested using a substantive test of details, was the nature of the procedures performed appropriate, when combined with other audit procedures performed, to reduce audit risk to low for all relevant assertions? Were any exceptions properly addressed?
• If large balances were tested using a substantive test of details
  — was the nature of the procedures performed appropriate? Were any exceptions properly addressed?
  — was the untested balance immaterial or tested by other appropriate procedures, given the control environment?
  — when combined with other audit procedures performed, did this test reduce audit risk to low for all relevant assertions? Were any exceptions properly addressed?

• If a substantive test of details other than either a 100 percent test or a test of large balances is utilized, it is a sample per AU-C section 530.05. Was the sample size adequate to reduce audit risk to low?

• Is the level of assurance placed on analytical procedures logical based on the type of procedure performed and the ability of that procedure to explain, with precision (for example, to tolerances less than tolerable misstatement), the observed differences after any follow-up procedures? [AU-C sec. 520]
Summary of RAB Observations

Why is this on the Agenda?
Comparative summary of RAB observations performed by staff during the period from January 1 through December 31, 2018 and 2017.

An average of three RAB meetings were observed for each of the current AEs during 2018, including OTF AE Oversight Visits, where applicable. The OTF and staff combined coverage totaled 87 of the 497 scheduled RAB meetings (or approximately 18%).

Summary of RAB Observations
The chart below summarizes comparative statistics for observations performed by staff with RAB observation reports approved during the years-ended December 31, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>Year-ended December 31, 2018</th>
<th>Year-ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAB meetings</td>
<td>69</td>
<td>63</td>
</tr>
<tr>
<td>AEs</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Peer Reviews</td>
<td>298</td>
<td>253</td>
</tr>
<tr>
<td>Peer Reviewers</td>
<td>218</td>
<td>195</td>
</tr>
<tr>
<td>Based on observers’ comments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceptance delayed or deferred</td>
<td>58</td>
<td>43</td>
</tr>
<tr>
<td>Feedback forms issued</td>
<td>13</td>
<td>17</td>
</tr>
</tbody>
</table>

Analysis of 2018 RAB Observation Report Results and Comments

59 of the 69 RAB observation reports approved for the year-ended December 31, 2018 included observer comments.

The following is a summary of comments per reports approved through December 31, 2018:

<table>
<thead>
<tr>
<th>Comment Count</th>
<th>0</th>
<th>1</th>
<th>2-4</th>
<th>5-7</th>
<th>8-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>AE Reports</td>
<td>10</td>
<td>10</td>
<td>32</td>
<td>12</td>
<td>5</td>
</tr>
</tbody>
</table>
The most pervasive comments in those 69 reports approved and issued in 2018 include the following (frequency):

<table>
<thead>
<tr>
<th>Comments</th>
<th>Frequency (# and rate of occurrences)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer review documents were not completed in accordance with standards or were insufficient for RAB to conclude</td>
<td>40 (68%)</td>
</tr>
<tr>
<td>FFC, deficiency, or significant deficiency did not include an appropriate systemic cause and/or firm response</td>
<td>26 (44%)</td>
</tr>
<tr>
<td>Technical reviewer failure to identify significant technical issues resulted in delay or deferral in 50% or more of the reviews in the observer’s sample</td>
<td>19 (32%)</td>
</tr>
<tr>
<td>Reviewer feedback or pervasive performance issues</td>
<td>17 (29%)</td>
</tr>
<tr>
<td>Reviewer responsibilities for firm remediation of nonconforming engagements</td>
<td>11 (19%)</td>
</tr>
<tr>
<td>Decision letters not issued or not issued timely</td>
<td>10 (17%)</td>
</tr>
</tbody>
</table>

Recurring RAB observation comments:
- Potential issue regarding auditor compliance with the independence, including documentation, requirements of Government Auditing Standards (Yellow Book).
- Reviewers’ risk assessments were not comprehensive. Items not addressed include:
  - unique risks associated with employee benefit plan audits when the firm had multiple types
  - evidence of multiple office locations, namely in multiple states, and consideration of auditing & accounting engagements that may be performed in such offices
  - reliance on quality control materials (QCM) used by the firm, including those internally developed, that were not subject to a QCM review or covered by a non-pass QCM review report
- Systemic cause missing or conflicted with the firm’s response or other peer review documentation.
- Firm representation letters were inconsistent current guidance, including the illustration in Appendix B of the Standards.
- Report rating inconsistent with other documents included in review working papers
- Reviewer did not expand scope in accordance with standards and guidance
- Reviewer performance feedback not initially recommended when:
  - Reviewers did not appropriately aggregate and evaluate matters
  - Reviewers failed to identify non-conforming engagements
  - Oversight resulted in issues not previously detected by the reviewer
  - Reports and letters of response were not in compliance with standard
  - Significant modifications were made to review documents during technical review process
- Matters indicative of nonconforming engagements without documentation supporting reviewer consideration
- Corrective actions and implementation plans inconsistent with RAB Handbook guidance
- Failure to identify repeat findings and/or deficiencies
Other comments:

- RAB members misunderstanding regarding “delayed acceptance” and “deferral of a review” as set forth in the RAB Handbook.
- RAB members that performed or participated in a review did not recuse themselves from the meeting when their reviews were presented.
- Technical reviewers and RAB members misunderstanding of RAB Handbook guidance regarding responsibilities for handling a firm’s consecutive non-pass reports.
- Technical reviewer participation in review presentation and RAB deliberations exceeded role established in RAB Handbook guidance.
- Technical reviewer or RAB recommendations for ‘informal feedback’ where materials presented indicated performance findings that should have been communicated on a feedback form in accordance with RAB Handbook guidance.
- Technical reviewers inadequately reviewing reviewer performance history and/or failing to communicate patterns of performance findings and deficiencies for RAB consideration.

Administrative matters:

- Letters issued were inconsistent with RAB decisions (delay vs. deferral of acceptance).
- Committee decisions were not entered, and letters were not sent timely following RAB meetings.
- Unclear whether communication regarding deferred reviews addressed all items that led to the deferral.
- RAB composition was insufficient to decide on acceptance of reviews resulting in reviews being removed from RAB meeting agenda.

**Board Consideration**

None. For informational purposes only.
Agenda Item 1.10

Uniform Accountancy Act (UAA) Model Rules on Peer Review

Why is this on the Agenda?

The Uniform Accountancy Act (UAA) Model Rules, issued by the National Association of State Boards of Accountancy (NASBA), are a set of best-practice regulations that are intended to promote uniformity in regulations governing accountancy practices in all of the licensing jurisdictions. Information in the rules directly link to the UAA and are used to implement or to explain specific statutory provisions.

- NASBA is proposing changes to the UAA Model Rules related to peer review programs. The newly proposed rules would change Article 7 of the UAA Model Rules and: Contain basic definitions and recognize the AICPA and the state CPA societies as approved sponsoring organizations.
- Provide guidance for the selection of Peer Review Oversight Committee members.
- Clarify requirements firms need to meet by a set date in order to comply with state board of accountancy peer review requirements.
- Specify certain documents related to peer review for firms to submit to state boards of accountancy at certain times.

The proposal was developed by the NASBA Compliance Assurance Committee in consultation with the AICPA and the joint AICPA/NASBA UAA Committee.

Agenda Item 1.10A is NASBA’s proposal outlining the changes and requesting comments be submitted by June 30, 2019. The yellow highlights indicate the changes made to the 8th Edition of the UAA Models Rules (Agenda 1.10C - presented for reference purposes only). NASBA’s proposed changes are not in track changes.

Agenda Item 1.10B includes track changes representing AICPA peer review staff’s (Staff) informal draft comments thus far (which are subject to change). They are mostly editorial in nature. Staff will likely respond to the proposed revisions in a letter to NASBA at a later time.

Board Consideration
No action required at this time. The materials are provided to update the board and other interested parties on proposed changes to the UAA Model Rules.
To State Boards of Accountancy and other interested parties:

As approved by the NASBA Board of Directors, we are releasing for comment revisions to the Uniform Accountancy Act’s Model Rules that pertain to peer review (compliance assurance) programs. Some substantive changes are being proposed to Article 7. Overall, Rules 7-1 and 7-2 basically remain the same, and Rule 7-8 and most of 7-9 are unchanged but for numbering; however, the rest of Article 7 includes several significant changes that we would like you to review. Because these are significant changes, which the NASBA Compliance Assurance Committee has carefully worked through, the NASBA Board has voted to have the comment period extend until June 30. This should give all Boards time to review the changes and perhaps discuss them with other Boards at the Regional Meetings. The goal of these changes was to make the Rules more closely reflect current practice than the existing Model Rules do. In the proposed changes, the term “peer review program” is used instead of “compliance assurance program” and there is no reference to a CARB oversight body. But more important than title changes, the Rules being proposed contain basic definitions, recognition of the AICPA and the State Societies as approved sponsoring organizations, requirement that non-AICPA members be allowed to participate in the AICPA’s program, clarification of what needs to be done by a set date, guidance for the selection of Peer Review Oversight Committee members, and required submissions to the State Board. Please consider these rules in respect to your Board’s current rules and consider where the Model Rule should fit.
The NASBA Compliance Assurance Committee, led by John Dailey, Jr., has done an incredible job of looking at what we have in the Model Rules now and what we need to have in the Model Rules. They have consulted with the American Institute of CPAs teams and the AICPA/NASBA Uniform Accountancy Act Committee in developing these proposed changes, but the process is not over. After we hear from interested parties during the comment period, the UAA Committee will reconvene and review those comments, incorporate any appropriate edits, and then make a final recommendation to the NASBA Board regarding whether to adopt these changes.

The UAA Committee would appreciate receiving your input in the form of comment letters submitted by June 30, 2019 to haberman@nasba.org.

Sincerely,

J. Coalter Baker, CPA
Chair, NASBA UAA Committee
ARTICLE 7
PERMITS TO PRACTICE – FIRMS

Rule 7-1 – Applications.

(a) Applications by firms for initial issuance and for renewal of permits pursuant to Section 7 of the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than [ ] months and no later than [ ] months prior to the expiration date. Applications will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received. If an application for permit renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in these Rules.

(b) A sole proprietor may apply simultaneously for a certificate or a renewal of a registration or a certificate and a firm permit.

(c) Applications shall include the firm name, addresses and telephone numbers of the main office and of any branch offices of the firm in this State, the name of the person in charge of each such branch office, and the names of the partners, shareholders, members, managers, directors, and officers whose principal place of business is in this State.

Rule 7-2 - Notification of firm changes.

(a) A firm registered pursuant to Section 7 of the Act shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:

(1) Formation of a new firm;

(2) Addition of a partner, member, manager, or shareholder;

(3) Retirement, withdrawal or death of a partner, member, manager, or shareholder;

(4) Any change in the name of the firm;

(5) Termination of the firm;

(6) Change in the management of any branch office in this State;

(7) Establishment of a new branch office or the closing or change of address of a branch office in this State; and

(8) Issuance of the firm’s first attest or compilation report; or

Commented [GF1]: Rule 6-11 (not included in the Exposure Draft) states that “A certificate holder who issues compilation reports as defined in the Act other than through a CPA firm that holds a permit under Section 7 of this Act must undergo a peer review as required under Rules 7-3 and 7-4.

We recommend that NASBA revise the references in Rule 6-11 from old Rules 7-3 and 7-4 to the applicable new Rules included here.
The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.

(b) In the event of any change in legal form of a firm, such new firm shall, within thirty (30) days of the change, file an application for an initial permit in accordance with these Rules and pay the fee required by these Rules.

(c) In the event a practice unit is sold, dissolved, or merged with the practice of one or more other practice units, determination of successor or predecessor practice unit(s), peer review year-end(s) and the peer review due date(s) will be made in accordance with the sponsoring organization’s guidance.

Rule 7-3 - Peer review definitions.

(a) “Administering Entity (AE)” – means an entity approved by a Board-approved sponsoring organization to administer the Board-approved peer review program.

(b) “Enrollment in a peer review program” means a firm is required to follow all requirements of the peer review process, cooperate with those performing and administering the peer review, comply with the peer review standards, and inform Administering Entities when firm changes occur.

(c) “Peer Review Program” means the sponsoring organization’s entire peer review process, including but not limited to the standards for administering, performing, and reporting on peer reviews, oversight procedures, training, and related guidance materials.

(d) “Peer Review Oversight Committee” (PROC) – means a Board-appointed committee of licensees approved by the Board for monitoring the Board-approved peer review program, including sponsoring organizations’ Administering Entities, to provide reasonable assurance that Administering Entities and respective Peer Review Committee and Report Acceptance Bodies are functioning in a manner that effectively enforces the performance and reporting of peer review in accordance with peer review standards.

(e) “Peer Review Standards” means the Board-approved professional standards and guidance for administering, performing, and reporting on peer reviews.

(f) “Peer Reviewer/Reviewing Firm” means a certified public accountant/accounting firm responsible for conducting the peer review, holding a valid and active license to practice public accounting in good standing issued by this state or some other state, and meets the peer reviewer qualifications to perform peer reviews established in the Board-approved peer review standards.
Rule 7-4 – Enrollment in Board-approved peer review program.

(a) Enrollment in a Board-approved peer review program, or other comparable compliance assurance program, is a condition for renewal of a permit for firms issuing attest and compilation reports. The Board requires licensees that issue attest or compilation reports pursuant to UAA 6(j) or UAA 7(a)(1)(A) and firms that issue such reports pursuant to UAA 7(a)(1)(C) to be enrolled in a Board-approved peer review program.

(b) A firm is not required to enroll in a Board-approved peer review program if its only level of service is performing preparation of financial statements (with or without disclaimer reports) under Statements on Standards for Accounting and Review Services (SSARs). However, if the firm elects to enroll in a Board-approved peer review program, it is required to have a peer review which would include preparation of financial statements within the scope of the review.

(c) A firm enrolled in a Board-approved peer review program shall schedule, undergo, and complete its initial peer review in compliance with the sponsoring organization’s peer review standards and related guidance. Ordinarily, a firm’s initial peer review is due 18 months from the date it enrolled or should have enrolled in a Board-approved peer review program. The “due date” is a date by which a review has taken place and all materials have been submitted to the Administering Entity.

(d) A firm enrolled in a Board-approved peer review program shall schedule, undergo, and complete its subsequent peer reviews in compliance with the sponsoring organization’s peer review standards and related guidance. Ordinarily, subsequent peer reviews shall be due such that the peer review has taken place and all peer review materials are submitted to the Administering Entity within three years and six months from the peer review year-end of the previous peer review.

(e) The Board may accept peer review extensions granted by Administering Entities provided the Board is notified by the firm within 14 days from the date of the letter from the Administering Entity granting the extension.

(f) Requests for extensions of time to undergo a peer review shall be submitted to the Board in writing by the firm no later than the earlier of a firm’s renewal date or peer review due date (which is determined by the Administering Entity) and shall include any extensions granted by the Administering Entity. The Board may approve requests for extensions based upon good cause clearly outside the control of the firm including, but not limited to, health or military service.

(g) For good cause shown, the Board may grant or renew permits for a reasonable
period of time pending completion of the firm’s peer review.

(b) For firms required to be registered with and subject to inspection by the Public Company Accounting Oversight Board (PCAOB), the Board recognizes the PCAOB’s inspection process for reviewing practices subject to its authority, which are not included in the scope of peer review programs. Firms subject to inspection by the PCAOB are also required to meet the peer review requirements under a Board-approved peer review program that covers the portion of the practice unit’s practice not subject to the PCAOB permanent inspection.

Rule 7-5 – Submission of peer review documents.

(a) The objective of this reporting rule is primarily to reinforce the Board’s efforts to ensure that only appropriately qualified CPA firms are engaged in the offering and rendering of services subject to peer review. Based upon its review of the documents submitted pursuant to this rule, the Board may consider, pursuant to hearing or by consent, additional corrective actions such as probation, practice limits, additional continuing education, pre-issuance reviews, more frequent peer reviews, and other measures including, in severe cases, discipline against the reviewed firm and any individual licensees employed or contracted by the reviewed firm.

COMMENT: The reference in this Rule to possible discipline against “individual licensees employed or contracted by the reviewed firm” is not intended to include peer reviewers or their staffs with regard to firms they review.

(b) The firm is required to submit a copy of the results of its most recently accepted peer review to the Board, which includes the following documents:

1. Peer review report which has been accepted by the administering entity.
2. The firm’s letter of response accepted by the administering entity, if applicable.
3. The acceptance letter from the administering entity.
4. Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the Administering Entity, if applicable; and
5. Letter signed by the Administering Entity notifying the firm that required actions have been appropriately completed, if applicable.

(c) The firm shall submit the peer review documents in (b) (1) through (b) (3) above to the Board within 30 days of the administering entity’s acceptance. The firm shall submit the document in (b) (4) to the Board within 30 days from the date the letter is signed by the firm or with submission of the firm’s renewal application, whichever occurs first. The firm shall submit the document in (b) (5) to the Board within 30 days of the date of the letter or with submission of the firm’s renewal application, whichever occurs first.

(d) The firm shall satisfy this document submission requirement by allowing the
administering entity to provide the Board access to the documents via a secure website process such as the AICPA Facilitated State Board Access (FSBA).

Rule 7-6- Approved peer review sponsoring organizations, programs and peer review standards.

(a) The Board shall approve peer review sponsoring organizations, program(s) and standards.

COMMENT: Predecessor Administering Entities are to engage in candid dialogue with the appropriate Board(s) about any intent to discontinue administration of the peer review program. Further, Administering Entities are expected to speak to the board(s) regarding the change in administration prior to making a final decision. Communication with the Board shall be documented including a contact name and date/s of the communication in a form to be sent to the sponsoring organization. Consistency of administration is a primary objective when consolidating AEs. The intent is for Boards to have the same experience, regardless of an AE’s physical location.

(b) The Board recognizes the American Institute of Certified Public Accountants (AICPA) as an approved sponsoring organization and its peer review program and peer review standards, and the XXXX Society of CPAs or its successor and other peer review programs administered by entities involved in the administration of the AICPA Peer Review Program. These organizations are not required to submit an application for approval to the Board. As condition of this approval, sponsoring organization is required to provide its peer review services to nonmember licensees whose firms’ principle place of business are located in this state(s) where it administers peer review, so long as nonmembers comply with the applicable peer review standards.

(c) The Board may terminate its approval of a sponsoring organization for cause following notice and opportunity for hearing. For purposes of this paragraph, “cause” includes but is not limited to failure to maintain an ongoing compliance with the requirements of this chapter.

(d) The Board may approve other peer review sponsoring organizations and programs. For an organization not specifically identified in these Rules as Board-approved to receive Board approval for its peer review program and standards, the organization must submit evidence to the satisfaction of the Board. At a minimum, the evidence shall include the standards, procedures, guidelines, oversight process, training materials, and related documents used to administer, perform, and accept peer reviews. The Board has the authority to request any other documents/information from an organization about its peer review program in approval.

Rule 7-7- Peer review oversight committee

(a) Peer Review Oversight Committee (PROC) shall be appointed or adopted by the Board to monitor the Board-approved peer review program, including sponsoring...
organizations’ administering entities, to provide reasonable assurance that administering entities and respective Peer Review Committees (PRCs) and Report Acceptance Bodies (RABs) are functioning in a manner that effectively enforces the performance and reporting of peer reviews in accordance with peer review standards. The PROC or the Board’s designee shall report to the Board at least annually on the conclusions and recommendations reached as a result of the PROC’s activities at least annually.

(b) PROC members shall:

(1) Not have a conflict of interest.
(2) Be subject to removal or replacement by the Board at its discretion.
(3) Be required to sign a confidentiality agreement indicating they will not divulge any information to the Board that would identify any firm, licensee, or peer reviewer/reviewing firm as a result of their monitoring of the peer review process.
(4) Perform procedures which may consist of, but are not limited to, the following activities:
   (i) Visiting the Administering Entities of the approved peer review program;
   (ii) Reviewing sponsoring organization procedures for administering the program;
   (iii) Meeting with an Administering Entity’s Report Acceptance Body during consideration of the peer review documents;
   (iv) Reviewing the Administering Entity’s compliance with its program.

(c) The Board shall establish procedures and take all action necessary to ensure that the above materials remain privileged as to any third parties.
Rule 7-8- Internet practice.

A CPA firm offering or rendering professional services via a Web site shall provide in the Web site’s homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

Rule 7-9 - Attest documentation and retention.

(a) Licensees shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to, standards adopted by recognized standards setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, and the Auditing Standards Board.

(b) If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five (5) years and shall be measured from the report date.

(c) If attest documentation is required to be kept for longer than provided in the applicable standards because of a pending Board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

Rule 7-10- Unregistered firm compliance with applicable peer review documentation requirements.

Any firm not required to register in this state, but which provides attest and/or compilation services as permitted under Sections 7 and 23 of the Act, shall be required to maintain records as prescribed by Rule 7-9(b) regarding its participation in a comparable peer review program for any period in which the firm provided attest and/or compilation services in this state and shall provide copies of such records upon this Board’s written request; provided, however, the Board shall not make such a request except upon good cause.

COMMENT: For purposes of this Rule, “good cause” is reasonable cause and not authorization for a notice requirement. Good cause for requesting peer review program records should be based upon a third-party complaint or other evidence of inadequate professional services of the type that would be subject to peer review.
ARTICLE 7
PERMITS TO PRACTICE – FIRMS

Rule 7-1 - Applications.

(a) Applications by firms for initial issuance and for renewal of permits pursuant to Section 7 of the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than [_____] months and no later than [_____] months prior to the expiration date. Applications will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received. If an application for permit renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in these Rules.

(b) A sole proprietor may apply simultaneously for a certificate or a renewal of a registration or a certificate and a firm permit.

(c) Applications shall include the firm name, addresses and telephone numbers of the main office and of any branch offices of the firm in this State, the name of the person in charge of each such branch office, and the names of the partners, shareholders, members, managers, directors and officers whose principal place of business is in this State.

Rule 7-2 - Notification of changes by firms.

(a) A firm registered pursuant to Section 7 of the Act shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:

(1) Formation of a new firm;

(2) Addition of a partner, member, manager or shareholder;

(3) Retirement, withdrawal or death of a partner, member, manager or shareholder;

(4) Any change in the name of the firm;

(5) Termination of the firm;

(6) Change in the management of any branch office in this State;

(7) Establishment of a new branch office or the closing or change of address of a branch office in this State; and

(8) Issuance of the firm’s first issued financial statements and accountant’s reports for each level of service described in Rule 7-3; or

Rules–7-1
(9) The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.

(b) In the event of any change in legal form of a firm, such new firm shall within thirty (30) days of the change file an application for an initial permit in accordance with these Rules and pay the fee required by these Rules.

Rule 7-3 - Successful completion of an approved Compliance Assurance Program as a condition for renewal of permit.

(a) In furtherance of its duty to protect the public regarding attest services, the Board requires all CPA firms offering or rendering such services to be enrolled in, and undergo, a transparent compliance assurance program approved by the Board and to comply with the applicable compliance assurance standards of that program. As used herein, the term “Compliance Assurance Program” includes, but is not limited to, “peer review” programs or other comparable programs which have been approved by the Board in accordance with the requirements set forth below.

(b) The Compliance Assurance functions may be performed by a committee established by the Board, qualified contractors approved by the Board or substantially equivalent programs [such as the peer review program administered by the AICPA] acceptable to the Board. The Board may establish procedures to perform the following functions:

(1) Review of financial statements and the reports of licensees thereon, to assess their compliance with applicable professional standards;

(2) Improvement of reporting practices of licensees through education and remediation;

(3) Referrals to the Board of cases requiring further investigation by the Board or its designees;

(4) Verification that individuals in the firm responsible for supervising compilation or attest services, and signing the accountants’ report on financial statements on behalf of the firm, meet the competency requirements set out in applicable professional standards;

(5) Verification that a certificate holder who issues compilation reports for the public other than through a CPA firm, who supervises such services and/or signs the compilation report on such financial statements, meets the competency requirements set out in applicable professional standards; and

(6) Such other functions as the Board may assign to its designees.
On and after __________, each applicant for renewal of a certificate under Section 6 of the Act in the case of a certificate holder who issues compilation reports to the public other than through a CPA firm, and each applicant for renewal of a firm permit to practice under Section 7 of the Act, shall furnish in connection with their application, with respect to each office maintained by the applicant in this State, one copy of each of the following kinds of reports, together with their accompanying financial statements, issued by the certificate holder or office during the twelve-month period next preceding the date of application, if any report of such kind was issued during such period:

1. A compilation report;
2. A review report;
3. An audit report;
4. A report of the examination of prospective financial information.

The Board may also solicit for review reports of licensees and related financial statements from clients, public agencies, banks, and other users of financial statements.

Any documents submitted in accordance with subsection (b) may have the name of the client, the client’s address and other identifying facts omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. The identities of the sources of financial statements and reports received by the Board from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the Board pursuant to subsection (b), and comments of reviewers and of the Board on such reports or workpapers relating thereto, also shall be preserved in confidence except that they may be communicated by the Board to the licensees who issued the reports.

The review of financial statements and reports of the licensees thereon shall be directed toward the following:

1. Presentation of financial statements in conformity with Generally Accepted Accounting Principles;
2. Compliance by licensees with Generally Accepted Auditing Standards;
3. Compliance by licensees with other professional standards; and
4. Compliance by licensees with the Rules of the Board and other regulations relating to the performance of compilation and attest services as herein defined.
(g) The reviews of the financial statements and the reports of the licensees shall be conducted as follows:

(1) Compilation level services will be subject to a desk review;

(2) Review level services will be subject to a field review in the offices of the licensee;

(3) Audit level services and reports of examination of prospective financial information will be subject to a field review in the offices of the licensee;

(4) Additional reports and financial statements may be selected during the performance of a desk review or a field review based upon the size and complexity of the reviewed firm as judged by the Board or its designee to adequately assess the quality of the reviewed firm’s professional attest practice.

(h) A firm’s review shall result in one of three findings:

(1) Pass;

(2) Pass with deficiencies; or

(3) Fail.

(i) In any instance where the Board finds a deficiency in the professional work of a licensee, it shall advise the licensee in writing of the deficiency. The Board may request the licensee to meet with it to discuss deficiencies. If the Board determines that a report is substandard or seriously questionable, the Board may direct that a review of the workpapers be conducted by an independent reviewer other than the person who performed the review of the report. The findings of any such review of the workpapers shall be transmitted by the reviewer to the Board.

(j) In gathering information about the professional work of licensees, the Board may make use of investigators, either paid or unpaid, who are not members of the Board.

(k) The results of the reviews will be transmitted to the Board’s office within 45 days after completion of any review report.

Rule 7-4 - Equivalent reviews as a condition for renewal of a permit.

(a) The requirements of Rule 7-3 shall not apply with respect to any firm or certificate holder which within the three years immediately preceding the application had been subjected to a comprehensive and appropriately administered compliance assurance program as determined and approved by the Board.
(b) An oversight committee shall be appointed by the Board to monitor the compliance assurance programs and report to the Board that the programs meet the requirements set out in the Act and these Rules. The oversight committee shall:

(1) only include individuals who are not members of the Board;

(2) have full access to the peer review process which is subject to oversight and may be required to sign a confidentiality agreement to have this access;

(3) provide the Board with the names of those certificate holders and firms which have undergone and have had accepted an equivalent review as well as whether such certificate holders and firms are meeting the terms, conditions, and remedial actions, if any, required by the reviewing organization;

(4) establish, as directed by the Board, procedures designed to ensure confidentiality of documents furnished or generated in the course of the review;

(5) coordinate oversight functions conducted within the state with national oversight objectives and procedures adopted by the NASBA Compliance Assurance Review Board (CARB).

(c) The Board shall establish procedures and take all action necessary to ensure that the above materials remain privileged as to any third parties, except those materials subject to public disclosure as provided herein.

Rule 7-5 – Submission of compliance assurance reports to the Board.

(a) Firms qualifying for exemption from compliance assurance review as provided by the provisions of Rule 7-4 shall notify and affirmatively request the administering entity performing the qualifying satisfactorily equivalent compliance assurance reviews [such as those conducted by AICPA peer review programs and the entities administering those reviews] to provide Board access to the reports within 45 days after the administering entity’s acceptance of any review report.

(b) Regarding any report required to be submitted to the Board pursuant to this rule, the reviewed firm must retain, for a period of seven (7) years from the date of the report acceptance, all of the following: compliance assurance report [or “peer review report”], letter of comments, letter of response, acceptance letter signed by the reviewed firm agreeing to take corrective actions, and letter of completion indicating that the firm’s compliance assurance review is complete. Upon request of the Board, the reviewed firm or individual shall timely submit such documentation to the Board;

(c) The objective of this reporting rule is primarily to reinforce the Board’s efforts to ensure that only appropriately qualified CPA firms are engaged in the offering and
rendering of services subject to compliance assurance. Based upon its review of the reports submitted pursuant to this rule, the Board may consider, pursuant to hearing or by consent, additional corrective actions such as probation, practice limits, additional continuing education, pre-issuance reviews, more frequent peer reviews, and other measures, including, in severe cases, discipline against the reviewed firm and any individual licensees employed or contracted by the reviewed firm.

(d) For good cause shown the Board may grant or renew applications for a reasonable period of time pending completion.

Rule 7-6 - Internet practice.

A CPA firm offering or rendering professional services via a Web site shall provide in the Web site's homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

Rule 7-7 - Attest documentation and retention.

(a) Licensees shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to standards adopted by recognized standards setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, and the Auditing Standards Board.

(b) If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five (5) years and shall be measured from the report date.

(c) If attest documentation is required to be kept for longer than provided in the applicable standards or Rule 7-7(b) because of a pending Board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

Rule 7-8 - Unregistered firm compliance with applicable compliance assurance requirements.

Any firm not required to register in this state, but which provides attest services as permitted under Sections 7 and 23 of the Act, shall maintain records as prescribed by Rule 7-5(b) regarding its participation in a comparable Compliance Assurance Program for any period in which the firm provided attest services in this state and shall provide copies of such records upon this Board’s written request; provided, however, the Board shall not make such a request except upon good cause.

Rules-7-6
COMMENT: For purposes of this Rule, “good cause” is reasonable cause and not authorization for a notice requirement. Good cause for requesting Compliance Assurance Programs records should be based upon a third party complaint or other evidence of inadequate professional services of the type that would be subject to peer review.
### Firms Dropped from the AICPA Peer Review Program for Non-Cooperation between September 25, 2018 and December 31, 2018

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<th>Firm Number</th>
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Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Reporting at the October 2018 Meeting

Failure to complete a corrective action:

The AICPA Peer Review Program terminated the following firms’ enrollment in the AICPA Peer Review Program for failure to cooperate. The firms did not complete corrective actions designed to remediate deficiencies identified in the firm’s most recent peer review.

- Edward Richardson, Jr. – Southfield, MI
- James E. Powers – Memphis, TN
- Donald E. Rutt, CPA – Kingwood, TX

Failing to submit signed Matter for Further Consideration forms and Finding for Further Consideration forms:

The AICPA Peer Review Program terminated the following firm’s enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not timely submit to its administering entity documents required to complete the acceptance process of its peer review.

- James P. De Biasi CPA, P.C. – Revere, MA

Failing to complete its peer review after it has commenced:

The AICPA Peer Review Program terminated the following firm’s enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not timely submit to its administering entity documents required to complete the acceptance process of its peer review.

- Karen J. Tucker CPA PLLC – Oklahoma City, OK
Consecutive non-pass reports in system reviews

The AICPA Peer Review Program terminated the following firms’ enrollment in the AICPA Peer Review Program for failure to cooperate by failing to design a system of quality control, and/or sufficiently complying with such a system, that would provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Richard L. Armour, CPA, PC – Memphis, TN
D. R. Garrison CPA, P.C. – Saint Helens, OR
John C. Capps CPA PC – Maypearl, TX
John B. Evans, II, CPA – Houston, TX

Firm terminations are also published on our website at:
https://www.aicpa.org/forthepublic/prfirmterm/2018peerreviewfirmterminations.html
Agenda Item 1.15B

Approved 2019 Association Information Forms for Associations of CPA Firms

Why is this on the Agenda?
As of January 3, 2019, the Associations Task Force has accepted the 2019 Association Information Form (AIF) from 17 associations of CPA firms on behalf of the Board with 1 AIF delayed due to additional information requested from the association. One association requested permission to assist its members in forming review teams which is identified by an asterisk below.

Association Name
Allinial Global
Alliott Group
BDO Alliance USA
BKR International
CPA Associates International North America Inc.*
CPA Management Systems, Inc. T/A INPACT Americas
CPAConnect
CPAmerica International
CPA-USA Association
Firm Foundation
Integra International
Leading Edge Alliance, The / LEA Global
Moore Stephens North America
MSI Global Alliance
Nexia International
PrimeGlobal North America
RSM US Alliance

PRIMA Impact
PRIMA is being updated to reflect the approval of the 17 associations for 2019.

AE Impact
Administering entities were notified via email of the 17 associations that have been approved for 2019.

Effective Date
Upon ATF approval and notification of AEs.

Board Consideration
None. For informational purposes only.
Updates to the AICPA Peer Review Program Question & Answers

Why is this on the Agenda?
Staff updates the Peer Review Frequently Asked Questions document annually. This document provides answers to common questions asked by firms going through the peer review process. Proposed changes to the document are included on the following pages. For ease of use, only those pages with proposed changes have been included for consideration. These changes have also been discussed by members of the Education and Communication Task Force.

If interested, the entire Peer Review Frequently Asked Questions document can be accessed at the following webpage:


Effective Date
Revisions will be published subsequent to the January Board meeting.

Board Consideration
None. Board members and other interested parties may request changes to the Peer Review Frequently Asked Questions at any time by contacting prptechnical@aicpa.org or through our various other communication channels:

https://www.aicpa.org/interestareas/peerreview/community/links/sources1.html
QUESTIONS & ANSWERS ABOUT
THE AICPA PEER REVIEW PROGRAM

INTRODUCTION

This question and answer document provides information about the AICPA Peer Review Program. Included within this document are peer review questions commonly asked by current or potential reviewed firms undergoing a peer review. It will assist those firms to understand requirements related to peer review and provide other general information and resources about peer review.

In addition to this document and the resources mentioned, firms are invited to attend the following courses to better assist them with preparing for their peer reviews and understanding the peer review program and process:

Upcoming Peer Review: Is Your Firm Ready?
This 8-hour course is designed specifically to prepare a firm for its peer review. It focuses on how to create a strong quality control environment, as well as how to prevent some of the most common significant deficiencies noted in peer reviews. It also provides information on selecting the proper peer reviewer/review team.

A Firm’s System of Quality Control
This course provides a comprehensive review of a firm’s system of quality control and emphasizes tailoring a quality control system for your firm’s accounting and auditing practice that is appropriate and effective. It includes creating an environment focused on quality and continuous improvement through quality control monitoring and reviews policies and procedures for each of the six elements of a quality control system. This course is also recommended for firms that are subject to a corrective action.

Additional information about the courses above can be accessed through aicpastore.com or aicpalearning.org

Access free Practice Aids Establishing and Maintaining a System of Quality Control for a CPA Firm’s Accounting and Auditing Practice: aicpa.org/qc4me

PRIMA
This document contains many references to the Peer Review Integrated Management Application (PRIMA) system and parts of the peer review process that need to be completed in PRIMA. The PRIMA Knowledge Base PRIMA Help contains an extensive catalog of instructional videos and articles that describe how to complete these processes within PRIMA. The Knowledge Base PRIMA Help can be accessed by selecting the ‘Help’ link in the upper right corner of the PRIMA Home Page.

Additional information about the courses above can be accessed through aicpastore.com
PEER REVIEW ENROLLMENT REQUIREMENTS

What is the AICPA’s practice monitoring requirement?

In order to be admitted or to retain their membership in the AICPA, members of the AICPA who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as partners or employees of firms enrolled in an Institute approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program:

- if the services performed by such a firm or individual are within the scope of the AICPA’s practice-monitoring Standards and
- the firm or individual issues reports purporting to be in accordance with AICPA professional standards.

(Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as shareholder, member, or proprietor.)

A member can meet the requirement if his or her firm is enrolled in the AICPA Peer Review Program (Program).

Firms are required to have their review administered by the National Peer Review Committee (NPRC) if they meet any of the following criteria:

a. The firm performed or played a substantial role in (as used by the Public Company Accounting Oversight Board (PCAOB)) an engagement under PCAOB standards with a period-end during the peer review year.

b. 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.
Firms that are not required to have their review administered by the National PRC may choose to do so. However, such firms are subject to the National PRC's administrative fee structure and should familiarize themselves with that structure prior to making such a decision.

**How many firms are enrolled in the AICPA Peer Review Program?**

Approximately 27,000 firms are enrolled in the Program and are required to have a review of their accounting and auditing practice at least once every three years.

**Once enrolled, when should my firm expect to have its first peer review?**

A firm's due date for its initial peer review is ordinarily eighteen months from the date it enrolled in the Program, or should have enrolled, whichever date is earlier.

A firm's subsequent peer review ordinarily has a due date of three years and six months from the year-end of the previous review. Firms should also check with their state board of accountancy for any peer review requirements.

In determining the appropriate due date, the firm’s AE will consider the firm’s (or individual’s) practice, the year-ends of their engagements, the report dates of their engagements, when the engagements were performed and the number and type of engagements to be encompassed in the review.

If a firm resigns from the Program and subsequently performs an engagement that requires a peer review within three years and six months of its prior peer review year-end, the firm should reenroll in the program. The due date for the firm's current review is the later of the due date originally assigned or 90 days after reenrolling.

If a firm resigns from the Program and subsequently performs an engagement that requires peer review after its next due date has passed, the firm’s current peer review is due 18 months from the year-end of the engagement (for financial forecasts, projections, and agreed upon procedures 18 months from the date of report).

**What is the impact on my firm’s peer review when my firm completes its first audit engagement after the completion of my Engagement Review?**

When a firm, subsequent to the year-end of its Engagement Review, performs an engagement that would have required the firm to have a System Review, the firm should (a) immediately notify the AE by updating its enrollment information within PRIMA and (b) undergo a System Review. Refer to [Appendix A](#) for a chart that illustrates which
engagements require firms to have a System Review instead of an Engagement Review. Performance of even one of these services would subject your firm to the applicable type of peer review. In this situation, the System Review will ordinarily be due 18 months from the year-end of the engagement (for financial forecasts, projections and agreed upon procedures 18 months from the date of report) requiring a System Review or by the firm’s next scheduled due date, whichever is earlier. However, the AE will consider the firm’s practice, the year-ends of engagements and when the procedures were performed, and the number of engagements to be encompassed in the review, as well its judgment, to determine the appropriate year-end and due date. Firms that fail to immediately inform the AE of the performance of such an engagement will be required to participate in a System Review with a peer review year-end that covers the engagement. A firm’s subsequent peer review ordinarily will be due three years and six months from this peer review year-end.

The firm should consult with its AE and/or AICPA staff in the following situations to determine if the firm will be required to undergo a System Review:

- If the firm is scheduled for an Engagement Review that has not yet commenced and will issue a report that will make the firm subject to a System Review

**Can my firm still use the peer review quality control checklists (4,300/4,400) as my quality control document?**

A firm should use other resources to document its system of quality control as these checklists are longer be maintained or updated by the AICPA. The Program checklists 4,300, Documentation Questionnaire for a Sole Practitioner with No Personnel and 4,400, Documentation Questionnaire for Firms with Two or More Personnel were eliminated from the Peer Review Program Manual as of 01/01/17.

**What types of review teams are available to conduct my peer review?**

You may choose the type of review team you would like to conduct your firm’s peer review.

For any type of review, you have at least two options:

- **Firm-On-Firm Review**
  You hire another qualified CPA firm to conduct the review. This option gives you a degree of personal assurance that the reviewer’s qualifications fit your firm’s needs. It also gives you more control over the cost of the review;

- **Association Review**
  You ask the association to which your firm belongs to assist in forming a review team. That association must be authorized by the PRB to assist in the formation of such review teams.

For Engagement Reviews, besides the two options listed above, there is a third option:
• **CART** (Committee-Appointed Review Team) **(CART)** Review – For Engagement Reviews in certain states, you may ask the AE to assemble the review team. Once a team is selected, the AE prepares an engagement letter that includes an estimate of the number of hours it will take to perform the review and the reviewer’s billing rates. Billing rates are set by the AE, not by the reviewer. You are not required to accept reviewers that your AE selects. This option is not available from all AEs.

A review team is comprised of one or more individuals, depending upon the size and nature of the CPA firm’s practice. A reviewing firm must determine its capability of the review team to perform a peer review. This determination includes assigning peer reviewers with appropriate levels of expertise and experience to perform the review. Before accepting a peer review engagement, the reviewing firm should obtain and consider information about the firm to be reviewed, including certain operating statistics concerning size, nature of practice, industry specializations, and levels of service. A System Review team, a review captain on an Engagement Review and, in unusual circumstances any additional reviewers on an Engagement Review, ordinarily should be approved by the AE prior to the planning and commencement of the peer review.

**How can I find a list of firms interested in performing peer reviews?**

The AE may be able to can supply you with a list of firms in a geographic area that you specify that are interested in performing reviews of other firms. The AICPA also maintains a reviewer search feature on the Program website that you can use to search for reviewers by state, industry or size of firm.

**How should my firm prepare for a subsequent peer review?**

In preparing for its next review, your firm should:

- Read the report and any findings from your firm’s previous peer review. If applicable, be certain that you have taken the proposed actions outlined in your letter of response from the previous review.

- Perform and document ongoing monitoring procedures to make sure prior deficiencies have been corrected.

- Review your Quality Control Document making sure your documented policies and procedures are appropriate based on the size, structure and nature of your firm.

**How are engagements selected for a System Review?**

The Standards require engagements selected for review should provide a reasonable cross section of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer
review risk. Examples of the factors considered when assessing peer review risk at the engagement level include size, industry area, level of service, personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements), communications from regulatory, monitoring, or enforcement bodies; the results of reviews or inspections performed by regulatory or governmental entities; extent of non-audit services to audit clients, significant clients’ fees to a practice office(s) and a partner(s) and initial engagements.

In addition, at least one of each of the following types of engagement should be selected for review:

- Engagements subject to Government Auditing Standards (GAS),
- Audits subject to the Employment Retirement Income Security Act (ERISA),
- Engagement subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA),
- Broker-dealers, and
- Examinations engagements of service organizations with the issuance of a Service Organization Control (SOC) 1 or 2 report (SOC 1 or SOC 2 engagements).

Additionally, if the engagement selected is an entity subject to GAS but not subject to the Single Audit Act and the firm performs engagements of entities subject to the Single Audit Act, at least one such engagement should also be selected for review. The review of this additional engagement must evaluate the compliance audit requirements and may exclude those audit procedures strictly related to the audit of the financial statements.

If a firm performs both carrying and non-carrying broker-dealer engagements, at least one carrying engagement should be selected. Non-carrying broker-dealer engagements may also need to be selected based on the reviewer’s risk assessment. If a firm only performs either carrying or non-carrying broker-dealer engagements, then one must be selected.

Finally, if a firm performs both SOC 1 and SOC 2 engagements and a proper risk assessment determined that only one SOC engagement should be selected, ordinarily a SOC 1 engagement should be selected over a SOC 2 engagement.

**What is a corrective action plan?**

During the peer review, if a reviewer finds a matter that rises to the level of a deficiency, the deficiency or significant deficiency will be described in the peer review report. When a firm receives a report with a rating of *pass with deficiencies* or *fail*, the RAB ordinarily should require some type of remedial, corrective action as a condition of acceptance regardless of whether the firm appears to have an understanding of professional standards.

A corrective action plan is tied to the reporting process and the acceptance and completion of the peer review. It is considered a part of the working papers and administrative files when a corrective action plan is required by the peer review committee. Firms are expected to agree to and complete any such corrective action plans.
as a part of cooperating with the AE and the board in all matters related to the review. Failure to cooperate with the AE or the PRB may impact the firm’s enrollment in the program.

What are the differences between implementation plans and corrective actions?

An implementation plan is an action(s) that may be required by the report acceptance body (RAB) of the AE’s peer review committee in response to a finding that does not rise to the level of a deficiency. Such findings are included on Findings for Further Consideration (FFC) forms and are not included as deficiencies in the peer review report. Corrective action(s) should be required by the RAB in instances where the firm receives a peer review report rating of a pass with deficiencies or fail. Corrective action(s) or implementation plan(s) impact the reviewed firm’s peer review acceptance and completion in different ways, however the cooperation of the firm with regard to either may impact the firm’s enrollment in the Program (see next page).

[This question is scheduled to be deleted as the previous two questions in the document ask “What is an implementation plan?” and “What is a corrective action?” The answer to the question above essentially reiterates the answers to these two previous questions.]

Should my firm expect an implementation plan for every FFC?

No. The decision of whether to require an implementation plan and deciding on what actions or procedures are appropriate is a matter of professional judgment that each report acceptance body makes based on the applicable facts and circumstances. Generally, if the finding is not a repeat finding or associated with an engagement that must be selected that was not performed or reported on in conformity with professional standards in all material respects (System Reviews only), no implementation plan is ordinarily suggested by the RAB. To reduce delays during the peer review documentation evaluation process, the firm should ensure that its responses to each finding addressed on the FFC Form(s) are comprehensive, genuine, and feasible prior to submission to the AE. In order to ensure its response is comprehensive, genuine and feasible, the reviewed firm should describe:
- The firm’s actions (taken or planned) to remediate findings in the firm’s system of quality control.
- The firm’s actions (taken or planned) to remediate the engagements identified on the FFC form as nonconforming, if applicable
- The timing of the implementation.

What are the characteristics of the three main types of SOC engagements?

The three main types of SOC engagements are:
- SOC 1® - SOC for Service Organizations: ICFR examinations (performed in accordance with AT-C section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting and the AICPA Guide Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting (SOC 1®))
**SOC 2® - SOC for Service Organizations: Trust Services Criteria examinations**
(performing under AT 101 AT-C section 205, Attest Engagements, and the **SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy AICPA Guide**)

**SOC 3® - SOC for Service Organizations: Trust Services Criteria for General Use Report examinations, reviews, or agreed upon procedures** (performing under AT AT-C section 205 and the **SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy AICPA Guide 101, Attest Engagements**)

**SOC 1 Engagements**
A service organization control (SOC) 1The purpose of the report in a SOC 1 engagement is to provide management of the service organization, user entities, and the independent auditors of user entities’ financial statements with information and a service auditor’s opinion about controls at a service organization that are likely to be relevant to user entities’ internal control over financial reporting. The report enables the user auditor to perform risk assessment procedures and, if the report is a type 2 report, to use the report as audit evidence that controls at the service organization are operating effectively. The report is a report on controls at a service organization relevant to user entities’ internal control over financial reporting. Under SOC 1, a service organization provides a very detailed description of its controls that are relevant to user entities’ internal control over financial reporting. A practitioner may perform either a Type 1 or Type 2 SOC 1 engagement. The service auditor reports on whether the description is fairly presented, whether the controls are suitably designed, and in a Type 2 SOC 1 engagement, whether the controls were operating effectively. A SOC 1 report is a restricted-use report, intended for use by user entities of the service organization and their financial statement auditors. SOC 1 engagements should not be used for reporting on controls over subject matter other than financial reporting. SOC 1 engagements are required to be examinations, are subject to a System Review, and are must select engagements.

**SOC 2 Engagements**
The purpose of the report in an SOC 2 engagement is to provide service organization management, user entities, business partners, and other specified parties with information and a service auditor’s opinion about controls at the service organization relevant to security, availability, processing integrity, confidentiality, or privacy. Many entities outsource tasks or functions that are unrelated to financial reporting to service organizations. SOC 2 reports are intended to meet the needs of a broad range of users that want to understand internal control at a service organization as it relates to the security, availability, or processing integrity of the service organization’s system, or the confidentiality or privacy of the data processed by that system. These reports may be restricted in use but are intended for use by stakeholders (e.g., customers, regulators, business partners, suppliers, directors) of the service organization that have a thorough understanding of the service organization and its controls. Similar to SOC 1 engagements, SOC 2 engagements provide for both Type 1 and Type 2 reports. Unlike SOC 1 engagements, the primary users of SOC 2 reports generally are not user auditors.
but rather management of the user entities that use the reports to make operational decisions. SOC 2 engagements are required to be examinations, are subject to a System Review, and can be a must select engagement.

SOC 3 Engagements
The purpose of the report in an SOC 3 engagement is to provide interested parties with a service auditor’s opinion about the effectiveness of controls at the service organization relevant to security, availability, processing integrity, confidentiality, or privacy. Because of the different reporting requirements, a SOC 2 report is appropriate only for specified parties with sufficient knowledge and understanding of the service organization and the system, whereas a SOC 3 report is ordinarily appropriate for general use. The subject matter in a SOC 3 engagement is essentially the same as it is in a SOC 2 engagement, and the criteria for evaluating controls is the same as it is in a SOC 2 engagement. However, SOC 3 reports are designed to meet the needs of users who want assurance on the controls at a service organization related to security, availability, processing integrity, confidentiality, or privacy but do not need the detail included in a SOC 2 report. SOC 3 reports do not contain a detailed description of the service auditor’s tests of the operating effectiveness of controls and the results of those tests. Instead, SOC 3 reports are general-use reports, which mean they may be used by anyone and therefore can be used by the service organization to market its services to potential customers. SOC 3 engagements can be examinations, reviews, or agreed-upon procedures. SOC 3 examinations are subject to a System Review but are not must select engagements. If a firm’s highest level of service is a SOC 3 review or agreed-upon procedures engagement, the firm would be eligible for an Engagement Review.

I’m having difficulty finding a review team member with appropriate SOC experience. What are my options?

Consistent with other must select engagements, if a firm performs SOC 1 or SOC 2 engagements, someone on the review team should have experience with these types of engagements. Peer reviews of firms that perform SOC 1 engagements will require a team member with SOC 1 experience; similarly, peer reviews of firms that perform SOC 2 engagements will require a team member with SOC 2 experience. Due to the specialized nature of SOC engagements, the Board has determined that a specialist may be able to assist the team captain in lieu of a team member with SOC experience. The specialist should meet the criteria established by the AICPA in order to be approved to assist the review team in reviewing SOC 1 or SOC 2 engagements. Refer to Appendix B for the SOC specialist criteria.

Firms can use the reviewer search at peerreview.aicpa.org/reviewer_search.html to identify a SOC specialistreviewer that meets the qualifications to review these engagements.

When a specialist is used, the team captain, as always, is responsible for supervising and conducting the review, communicating the review team’s findings to the reviewed firm and AE, preparing the report on the review, and ensuring that peer review documentation is complete and submitted to the AE on a timely basis. The team captain should supervise
and review the work performed by the specialist. The team captain will furnish instructions
to the specialist regarding the manner in which materials and other notes relating to the
review are to be accumulated to facilitate summarization of the review team’s findings
and conclusions. The specialist may be required to be available or participate in the exit
conference.

**How do I become a peer reviewer?**

To become a team captain (on a System Review) or review captain (on an Engagement
Review):

- Meet all the reviewer requirements. A full list of requirements is located in
  Appendix B and can also be downloaded at [How to Become a Peer Reviewer](#).
- Peer reviewers must complete a peer review resume by logging into the Peer
  Review Integrated Management Application (PRIMA). Once you enter your
  resume you can be automatically listed in the [online searchable database](#).

Review the documents provided in the [Practitioner's Tool Kit](#) to help promote your peer
review services and develop your practice.

**Team Captain or Review Captain**

In addition to adhering to the requirements in paragraph .31 to be a peer reviewer, a
System Review team captain must be a partner. For an Engagement Review, the review
captain is not required to be a partner. The team captain, or the review captain in limited
circumstances, is required to ensure that all team members possess the necessary
capabilities and competencies to perform assigned responsibilities and that team
members are adequately supervised. The team captain or review captain has the ultimate
responsibility for the review, including the work performed by team members.

Also, team captains and review captains should have completed peer review training that
meets the requirements established by the board (see [Interpretations](#)). For additional
team captain qualification requirements, see the interpretations.

Additionally, to initially qualify as a team captain on a System Review or as a review
captain on an Engagement Review, you must:

1. Complete the online peer reviewer curriculum [Becoming an AICPA Peer
   Review Team or Review Captain](#). The online peer reviewer curriculum is a series
   of modules that are similar to self-study on-demand courses. The modules must
   be taken sequentially, and each module contains a final exam that is designed to
   comply with NASBA CPE Standards and is similar to competency assessments
   in other on-demand self-study CPE courses.

2. Complete the [Becoming an AICPA Peer Review Team or Review Captain:
   Case Study Applications](#) in a live seminar format. This course features realistic
case studies that encompass the most important elements of a system review, as
well as several case studies pertaining to an engagement review.
The Becoming an AICPA Peer Review Team or Review Captain: Case Study

Applications must be completed within the 12 months after the completion of the peer reviewer curriculum.

The following outlines the ongoing training requirements for reviews commencing after May 1, 2016:

To maintain the qualifications of a team captain or of a review captain, you should participate in one of the following peer review training options within twelve months prior to the commencement of a review. Peer review training options include:

1. Attending the general session of the annual Peer Review Conference.

2. Completing the AICPA Peer Review Update on-demand self-study course. This course is an advanced reviewer training course that will be updated annually and cover recent changes to peer review guidance in addition to how recent changes in auditing or accounting standards impact peer review. This course will contain a final exam that is designed to meet the NASBA CPE Standards.

3. Attend an alternative course or conference session that has been approved by the PRB. For purposes of the ongoing training requirement, these alternative courses and conference session will be selected by the PRB. The Board will not consider courses submitted by reviewers seeking consideration for an alternative course of their choosing.

4. Participate in the AICPA Peer Review Update live seminar course. This course is an advanced reviewer training course that will be updated annually and cover recent changes to peer review guidance in addition to other key areas of the peer review process that warrant additional emphasis.

5. Participate in the AICPA Peer Review Advanced Course live seminar course. This one-day course is designed for experienced reviewers who want to heighten their peer review skills. It contains an analysis of the latest Standards as well as materials focused on the areas of peer review guidance which reviewers find the most problematic.

Other Peer Reviewer or Reviewing Firm Qualification Considerations

Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm’s accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm’s ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the AE of such communications or notifications (see Interpretations).

If required by the nature of the reviewed firm’s practice, individuals with expertise in
specialized areas may assist the review team in a consulting capacity. For example, IT specialists, statistical sampling specialists, actuaries, or experts in continuing professional education (CPE) may participate in certain segments of the review.

Some review teams may also need to engage a SOC 1 or SOC 2 specialist to assist the review team with reviewing SOC 1 and/or SOC 2 engagements. SOC specialists must meet specific criteria and have prior approval before an AE can approve them as part of a review team.

An individual serving as a SOC 1 or SOC 2 specialist on a System Review must be associated with a firm that has received a report with a peer review rating of pass for its most recent System Review that was accepted timely, ordinarily within the last three years and six months. To become an approved specialist, the specialist candidate should complete a peer reviewer resume and indicate that they would like to serve as a specialist.

An individual serving as a SOC 1 or 2 specialist on a System Review should at a minimum:

a. Be currently active in public practice at a supervisory level for managing SOC 1 and/or SOC 2 examinations. To be considered currently active, a specialist should be presently involved in the SOC practice of a firm supervising one or more of the firm’s SOC engagements.

b. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of pass for its most recent System Review that was accepted timely, ordinarily within the last three years and six months.

c. Not be associated with an engagement that was deemed not performed or reported on in accordance with professional standards in all material respects on the specialist’s firm’s most recently accepted peer review.

d. Possess current knowledge of professional standards applicable to SOC 1 and/or SOC 2 examinations, including Type 1 and Type 2 reports, qualified and unqualified reports, carve in/carve out engagements, and engagements with and without relevant user entity controls.

e. Have at least five years of recent experience in the practice of public accounting with a minimum of 500 hours of SSAE 16/SOC 1 and/or SysTrust/SOC 2 examinations.

f. Have provided the AE with information that accurately reflects the qualifications of the specialist, which is updated on a timely basis.

Other Important Website Links

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1 A peer review report with a rating of pass was previously referred to as an unmodified report (with or without a letter of comments). If a firm’s most recent peer review rating was a pass with deficiencies or fail, the firm’s members are not eligible to perform peer reviews.
General Accounting Standards Board: gasb.org

Federal Accounting Standards Advisory Board: fasab.gov

Government Auditing Standards (Yellow Book): gao.gov/yellowbook/overview

Office of Management and Budget (Grants Management): whitehouse.gov/omb/grants_circulars

Information on State Boards/Societies: aicpa.org/advocacy/state/statecontactinfo.html

Public Company Accounting Oversight Board: pcaobus.org
Agenda Item 1.15D

Compliance Update - Firm Noncooperation

Why is this on the Agenda?
This is an informational item to keep Peer Review Board (PRB) members informed about firm noncooperation activities.

Firm Noncooperation
- Firms whose enrollment will be dropped from AICPA Peer Review Program (AICPA PRP) are sent to PRB members for negative approval and subsequently reported in PRB open session materials.
- Drops and terminations are reported in monthly communication to state boards of accountancy and (since January 2018) available on Extranet for administering entities (AEs).
- **Firms with AICPA members whose enrollment in the AICPA Peer Review Program is terminated** are published on the AICPA.org website and included in the PRB open session materials.
- Below is a summary of firm terminations over the past several years:

<table>
<thead>
<tr>
<th>Year</th>
<th>#</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>23</td>
</tr>
<tr>
<td>2016</td>
<td>41</td>
</tr>
<tr>
<td>2017</td>
<td>18</td>
</tr>
<tr>
<td>2018</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td><strong>123</strong></td>
</tr>
</tbody>
</table>

- This summary reflects both:
  - hearing panel decisions to terminate, including those within their available appeal period and,
  - firms that agreed to the charges and were terminated without a hearing.
- This summary does not reflect:
  - later decisions by an appeal mechanism to reverse or modify those decisions.
  - cases that are mediated, or the underlying cause is resolved (stopped hearings).

Completeness Activities
Objective: Research publicly available data to verify that all firms that should be enrolled in peer review are enrolled and to verify that all engagements that are within peer review scope are included in the population subject to peer review. Firms without AICPA members are also included in the scope of these ongoing activities.

Our most recent completeness project seeks to identify firms performing Employee Benefit Plan (EBP) audits via the Department of Labor (DOL) database and assess whether the firms are in compliance with peer review requirements.
Status: All research has been completed and firms have been contacted. Staff is currently monitoring approximately 75 firms in process of undergoing a peer review which includes an EBP audit within scope. Final statistics as of December 31, 2018 are below:

<table>
<thead>
<tr>
<th>Total Firms (rounded)</th>
<th>%</th>
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<tbody>
<tr>
<td>In compliance</td>
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</tr>
<tr>
<td>Not in compliance</td>
<td>325</td>
</tr>
<tr>
<td>Total unique firms</td>
<td>5165</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms Not in Compliance (rounded)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Referred to Ethics</td>
<td>110</td>
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<td>Remediated</td>
<td>25</td>
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<tr>
<td>Total not in compliance</td>
<td>325</td>
</tr>
</tbody>
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- Referred to Ethics: Firms which were requested to enroll and submit a peer review, if required, but have not done as requested.
- Remediation in process: Firms which enrolled in peer review subsequent to receiving our enrollment invitation letter and are in the process of undergoing a peer review which includes an EBP audit. This also includes firms who were contacted because the performance of the EBP audit triggered the need for a step-up System Review.
- No recourse: Firms which were previously not in compliance, but there is no recourse because for example, the firm has merged, has been sold, has quit performing EBP audits or has a more recently accepted peer review.
- Report Recalled: Firms whose peer review report has been recalled and the firm has been or will be subjected to a hearing panel to determine if the firm’s enrollment in the Peer Review Program should be terminated or if it should be allowed to have a replacement review.
- Remediated: Firms whose current peer review was in process and initially excluded consideration of an EBP audit; but EBP was reviewed prior to that review being accepted by the RAB.