

**AICPA Peer Review Board  
Open Session Highlights  
November 9, 2017  
Conference Call**

**PRB Members:**

Tom Parry, Chair  
Brian Bluhm  
Bill Calder  
James Clausell  
Bert Denny  
Liz Gantnier  
Jeff Gendreau  
Steve Hicks  
Richard Hill (Joined at 1:30pm)  
Barbara Lewis  
Mike Pescatore  
Andrew Pope  
Marty Shannon  
Todd Shapiro  
Mike Wagner

**Absent:**

Jeannine Birmingham  
Dawn Brenner  
John Guido  
Karen Kerber  
Karen Welch

**AICPA Staff:**

Jim Brackens  
Gary Freundlich  
Beth Thoresen  
Sue Lieberum  
Fran McClintock  
Rachelle Drummond  
LaVonne Montague  
Tim Kindem  
Donna Freundlich  
Tracy Peterson  
Laurel Gron  
Tricia Van Vliet  
Lisa Joseph  
Andrew Volz  
Jennifer Gum  
Dave Andrews  
Jessica Woody  
Grace Taylor  
Jennifer Dintsch  
Justin Long

**Observers:**

See attachment`

**Agenda Item 1.1: Welcome Attendees and Roll Call of Board - Mr. Kindem/Mr. Parry**

Mr. Kindem conducted the roll call of the Peer Review Board (PRB) and guest registrants. Mr. Parry called the open session to order.

**Agenda Item 1.2: Approval of Revisions Related to Reenrollment After a Drop or Termination – Mr. Pope**

*Discussion Summary:*

Mr. Pope provided an overview of the proposed revisions to Peer Review Standards Interpretations, Plans of Administration and *Rules of Procedures for the Termination of a Firm with AICPA Members and Rules of Procedures for the Termination of a Firm with no AICPA Members*. Mr. Pope stated that subsequent to the distribution of the meeting materials, AICPA's general counsel proposed revisions to agenda item 1.2C (Rules of Procedures). The general counsel's office recommended removing paragraph 5.1e (remove expectation for hearing panel to prescribe the specific criteria for firm reenrollment) and revising the last sentence of

paragraph 5.4b to indicate that if the firm participates in the reenrollment hearing that a transcript would be prepared.

Some PRB members and a NASBA observer voiced concern about firms having the opportunity to apply for reenrollment 30 days after the effective date of termination. One member thought that a firm could use its approved reenrollment as a defense during a state board of accountancy (SBOA) hearing and suggested changing the timing from 30 to 120 or 180 days, incorporating the SBOA hearing timeline.

Staff indicated that the suggested 30 days is the minimum time that a firm must wait until applying for reenrollment and that this period was vetted by general counsel. A firm is required to submit evidence to support its application for reenrollment. Therefore, depending on the nature of the drop or termination, the actual reenrollment process could be much longer than 30 days. Peer Review also does not want to be viewed as responsible for delaying a firm's reenrollment unnecessarily if a firm has remediated as it could affect a firm's licensing and ability to practice.

Staff led discussion on board consideration question 2b about the proposed peer review due date guidelines in the Interpretation and keeping firms "on cycle." Some members of staff and the board indicated that the period covered by the firm's next peer review should stay on cycle when possible, but there are many scenarios where this is not feasible or in line with the objectives of the program. It was determined that the due date guidance in the proposed Interpretation was sufficiently flexible; however it was suggested that a sub-task force be created to further evaluate subsequent due dates and periods covered, including consideration of regulatory and licensing implications.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.2A, 1.2B and 1.2C (as revised) were approved.
2. Effective dates for the guidance follow:
  - a. Interpretations – effective January 1, 2018 (to be included in the December 2017 PRP Manual revisions)
  - b. Rules of Procedures – effective with notices of hearings proceedings communicated on or after January 1, 2018
  - c. Plan of Administration changes – effective with 2019 form
  - d. Enrollment Form changes – effective pending functionality in PRIMA

*Open Items:*

The PRB agreed that a sub-task force should further evaluate due dates and the period covered by the firm's next review after reenrollment (staying "on cycle"). Volunteers were asked to contact AICPA staff member, Ms. Montague, if they were interested participating.

**Agenda Item 1.3: Approval of Revisions Related to AICPA Certificate Programs – Mr. Pope**

*Discussion Summary:*

Mr. Pope provided an overview of the proposed revisions to chapters 4 and 8 of the RAB Handbook that would allow the AICPA's Advanced Certificate Programs to be used as corrective actions for firms and for reviewers.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.3A were approved and are effective for reviews commencing on or after December 1, 2017.

*Open Items:*

None

**Agenda Item 1.4: Approval of Revisions Related to Disagreements – Ms. Brenner**

*Discussion Summary:*

Ms. Brenner provided an overview of the proposed revisions to Chapter 7 of the RAB Handbook, the proposed *Rules of Procedures for AICPA Disagreement Review Panels*, and draft letters for use upon implementation of the proposal. The proposed revisions address a lack of current guidance on disagreements and related procedures.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.4A and 1.4B were approved. The changes to the RAB Handbook (PRP Section 3300) will be included in the next manual production (November 2017).

*Open Items:*

None

**Agenda Item 1.5: Approval of Must-Select Engagement Including Non-Carrying Broker Dealer Engagements – Mr. Pope**

*Discussion Summary:* Mr. Pope provided an overview of the proposed changes to the Peer Review Standards and the Interpretations that would include non-carrying broker-dealer as a must-select engagement type. The proposed revisions address continued deficiencies in broker-dealer engagements identified by PCAOB inspections staff and problems seen during technical reviews and oversights performed by AICPA staff.

During discussions, it was noted that if a firm performed audits of both carrying and non-carrying broker-dealers the revised guidance requires a reviewer to review an audit of a carrying broker-dealer and consider the risks associated with the non-carrying broker-dealer engagements. If a firm performed audits of only non-carrying broker-dealers the revised guidance requires a reviewer to review a non-carrying broker-dealer audit.

*Resolutions*

1. The proposed guidance changes outlined in Agenda Items 1.5A and 1.5B were approved and will be effective for reviews commencing on or after January 1, 2018.

*Open Items:*

None

### **Agenda Item 1.6: Task Force Updates**

See PRB Open Meeting Agenda Item 1.6 for details of what was covered during this discussion.

1. In addition to the items listed in Agenda Item 1.6, Ms. Lewis stated that the STF's nonconforming engagement sub-task force continues to work on educating peer reviewers about non-conforming engagements.

### **Agenda Item 1.7 Operations Director's Report – Ms. Thoresen**

*Discussion Summary:*

Ms. Thoresen discussed the following:

#### **PRIMA**

1. Peer Review Integrated Management Application (PRIMA) continues to be the primary focus of the Operations team and the team has made excellent progress in addressing the challenges faced over the past several months.
2. Since the launch of PRIMA, close to 100 enhancements and fixes have been made to the PRIMA user experience based on AE and member feedback, with another batch of enhancements currently in development, with expected launch in early December. This is an advantage PRIMA has over PRISM – the ability for more enhancements and quick changes when necessary. The next round of enhancements/fixes will include modifications to the home page design based on user feedback to make the system easier to navigate. Staff continue to identify and develop improvements to the user experience based on user feedback.
3. During the first month after go-live, 70% of support inquiries were related to log in and other data-related issues due to data discrepancies that were a result of our member database conversion. We believe that more than 90% of the data issues have been resolved, but know there will continue to be a small number of data discrepancies surfacing until all firms have had a peer review in PRIMA.
  - a. Staff continue to proactively validate PRIMA data in several ways before each round of notifications goes out to firms.
  - b. There is an AICPA-wide initiative continuing to address data discrepancies
4. Approximately 90% of PRIMA support inquiries continue to fall into the area of user training. Many members have difficulty learning the new system, including how to navigate and complete tasks differently than what was previously done in PRISM. The Peer Review team is helping members with the changes in PRIMA through several means, such as:
  - a. Short training videos are now available to walk users through the most common tasks in PRIMA.
  - b. Many common tasks in PRIMA now have a link to their corresponding knowledge base page for a quick "How To" reference.
  - c. The Knowledge Base continues to be expanded with relevant articles related to the peer review process.
  - d. Communications have been made to stakeholders via email and multiple webcast training sessions have been offered, which are available for replay on [aicpa.org/prima](http://aicpa.org/prima).
  - e. Training sessions were offered last month. These were recorded and are available for replay on our [aicpa.org/prima](http://aicpa.org/prima) pages for anyone who might have missed it due to busy tax deadlines.

- f. We will offer training again in December after the release of the new enhancements
  - g. In addition, we remain committed to providing proactive support and to reaching out to members via phone as quickly as possible when support is requested.
5. As you may recall, due to extremely high call volume during the first few months after PRIMA went live, peer review staff were unable to effectively manage support inquiries and response times were unacceptably slow. We have since hired four additional support staff members who are in process of being trained and are recruiting another two. The new folks will be fully trained by the end of this month, so we will no longer need to rely on daily hotline assistance from our technical managers.
6. Currently an average of 75 to 80% of calls to the Peer Review hotline 919-402-4502 are answered by a Peer Review staff member Monday through Friday between 8:00 AM and 8:00 PM Eastern time, and all voice mails are returned within one business day.

### **Evolution of Peer Review Administration**

1. The final plan for the evolution of peer review administration was shared with State Societies and State Boards of Accountancy on August 31. This plan is part of the AICPA's Enhancing Audit Quality (EAQ) initiative, with the objective to ultimately improve audit performance by increasing consistency, efficiency and effectiveness of Program administration.
2. The plan articulates that Administering Entities will be expected to:
  - o Monitor, meet and report on performance benchmarks for Administrators, Technical Reviewers and Peer Review Committees
  - o Develop a plan for mitigating familiarity threat, and
  - o Have a CPA on staff to lead the administration of the program. AEs that do not currently have a CPA on staff may request a waiver of that requirement for up to three years.
3. The performance benchmarks suggested in the final plan were based on tasks that are already expected and implied and will be finalized with measurements by the PRB at the next meeting on February 2, 2018.
4. The oversight task force is working on developing guidance for the CPA on staff role, responsibility and experience expectations.
5. Over the past two years, six AEs have decided to discontinue administering peer review and have successfully transitioned their administration to other AEs. Others are now considering the role they wish to play in the future.

Ms. Thoresen reminded attendees that next year's Peer Review Conference will be held July 30 – August 1 at the Minneapolis Marriott City Center.

### **Agenda Item 1.8: Report from State CPA Society CEOs – Mr. Shapiro**

#### *Discussion Summary:*

Mr. Shapiro stated that the primary focus of AEs has been PRIMA. Specifically, that firms are still trying to learn how to use PRIMA and are calling AEs regularly for support. Mr. Shapiro stated that many firms with older partners are struggling with the technology.

With respect to Evolution, Mr. Shapiro said that many state societies are still evaluating whether they want to continue to administer the AICPA's Peer Review Program.

**Agenda Item 1.9: Update on National Peer Review Committee – Mr. Volz**

*Discussion Summary:*

Mr. Volz discussed the following items which encompassed the last three months of NPRC activity:

1. NPRC has held two conference calls since August.
2. NPRC has considered five large firm's reviews since August; one in September and four in October.
3. Since the last PRB meeting, the NPRC has held five RAB calls with 44 reviews presented.
4. An in-person meeting will be held on December 7 in Washington, D.C. and five large firm's reviews will be presented.

**Agenda Item 1.10: Other Business – Mr. Parry**

Mr. Parry noted that the application for PRB membership is on AICPA.org and that anyone interested can/should contact the volunteer services team at the AICPA.

Mr. Parry said that new PRB members will begin on May 19.

**Agenda Item 1.11: For Informational Purposes**

- A. Report on Firms Whose Enrollment was Dropped or Terminated\*

*\*See PRB Open Meeting Agenda Item 1.11A for the items noted above, no discussion occurred at the meeting.*

**Agenda Item 1.14: Future Open Session Meetings**

- A. February 2, 2018 Open Session – New Orleans, LA
- B. May 2, 2018 Open Session – Durham, NC
- C. August 2, 2018 Open Session – Minneapolis, MN

The meeting adjourned at approximately 2:30pm.