
**AICPA Peer Review Board
Open Session Agenda
August 28, 2019
Teleconference**

Peer Review Board (PRB) Members:

Brian Bluhm
Dawn Brenner
Mike Colgan
Steve Fetterman
Liz Gantnier
Jeff Gendreau
John Guido
Barbara Lewis
Kristen Mascis
Ethan Miller
Mike Pescatore
Cathy Schweigel
Bonnie Stewart
Mike Wagner
Karen Welch
Richard Wortmann

Absent:

Andrew Pope, Chair
Mike DeFalco
Jeff Graham

AICPA Staff:

Dave Andrews
Ivory Bare
Jaime Beasley
Jim Brackens
Brad Coffey
Jennifer Dintsch
Rachelle Drummond
Kim Ellis
Gary Freundlich
Laurel Gron
Jennifer Gum
Gloria Harewood
Tim Kindem
Sue Lieberum
Fran McClintock
LaVonne Montague
Tracy Peterson
Beth Thoresen
Andrew Volz
Lori Warden
Nicole Welman
Justin Long

Observers:

See attachment A

1.1 Welcome Attendees and Roll Call of PRB – Mr. Kindem/Mr. Gantnier

Discussion Summary: Mr. Kindem began the meeting by taking roll and in Mr. Pope's absence, Ms. Gantnier welcomed PRB members, Staff and observers to the meeting.

1.2 Approval of Guidance Related to Corrective Action and Implementation Plan Due Date Extensions – Ms. Gantnier

Discussion Summary: Ms. Gantnier described the changes outlined in Agenda Item 1.2A and stated that allowing technical reviewers to approve corrective action and implementation plan due date extensions in certain situations would make the process related to these follow up actions more efficient.

Resolutions: The changes proposed in agenda item 1.2A were accepted as presented with an immediate effective date.

Open Items: The changes will be reflected in PRPM Section 3300 when the manual is updated in October.

1.3 Discussion of PRIMA Changes Related to SOCs for Cybersecurity and Supply Chains – Ms. Gantnier

Discussion Summary: Ms. Gantnier alerted PRB members of the conversation the STF had at its July meeting related to revising the Review Summary form in PRIMA to request information on the amount of Cybersecurity and Supply Chain SOC engagements being performed. The STF was concerned that making such a change would inappropriately influence reviewer or report acceptance body behavior. Members of the PRB concurred and noted that if a survey or other mechanism can be used to determine how many of these engagements are being performed, then we should not modify PRIMA at this time.

Mr. Andrews noted that given the STF's concerns, members of the AICPA's enhancing audit quality team indicated that the status quo (firms can indicate on their Peer Review Information form that they perform these engagements if they so choose) was acceptable for the time being.

Resolutions: The PRB requested that Staff continue to monitor the amount of Cybersecurity and Supply Chain engagements being performed and to alert the PRB if the question needs to be revisited. Staff will also recommend for other relevant AICPA teams to utilize a survey to ascertain how often these engagements are performed.

Open Items: None.

1.4 Approval of Guidance Related to Non-Compliance with Expectations for Analytical Procedures in a Review Engagement – Ms. Gantnier

Discussion Summary: Ms. Gantnier described the changes outlined in Agenda Item 1.4A and stated the objective of the change is to eliminate inconsistency in practice of how the failure to document expectations for analytical procedures in a review engagement performed in accordance with AR-C section 90 should be assessed.

While members of the PRB did not have issue with the proposed change, there was significant discussion regarding the proposed effective date. There was concern that an immediate effective date would unfairly influence or delay peer reviews in process.

While effective dates based on a peer review's commencement date or the date the peer review's working papers were submitted to the administering entity (AE) were considered, ultimately, members of the PRB decided that the change should be effective for peer reviews with year ends on or after December 31, 2019. This would allow peer reviewers and peer review staff ample time to communicate the change to reviewed firms, so that reviewed firms could take the guidance into account when performing review engagements.

Peer review staff will also develop communications that emphasize that a peer reviewer or report acceptance body can currently decide that non-compliance related to expectations for analytical procedures in a review engagement represents a non-conforming engagement even though it isn't required until peer reviews with year-ends on or after December 31, 2019 are performed.

Resolutions: The changes outlined in agenda item 1.4A were approved unanimously effective for peer reviews with year-ends on or after December 31, 2019.

Open Items: Staff to determine when and how to update the peer review program manual to reflect this change.

1.5 Discussion of Revised Example Familiarity Threat Policies and Procedures – Mr. Bluhm

Discussion Summary: Mr. Bluhm described the nature and the reasoning of the proposed changes to the example familiarity threat policies and procedures that are included in PRPM Section 3300, the RAB Handbook. The Oversight Task Force (OTF) acknowledges that not all AEs have the same familiarity threats, and AEs may have different safeguards to combat those threats. Additionally, it is not the OTF's intent to suggest that if certain threats or safeguards do not exist, then an issue exists with the AE's familiarity threat policies and procedures. Finally, Mr. Bluhm noted that typically, the design of an AE's familiarity threat policy would be assessed during the plan of administration approval process with the oversight of the AE checking for compliance with those policies.

Additionally, Mr. Bluhm noted that an AE's peer review committee should be involved in the overall design and assessment of risks and safeguards and there isn't an explicit documentation requirement per se for AEs related to this assessment.

Resolutions: The updated example familiarity threat policies and procedures outlined in agenda item 1.5 were approved unanimously effective immediately.

Open Items: The changes will be reflected in PRPM Section 3300 when the manual is updated in October.

1.6 Revisions to Administering Entity Confidentiality Agreements – Mr. Bluhm

Discussion Summary: Mr. Bluhm described the nature and the reasoning for the proposed revisions outlined in agenda item 1.6A and the new confidentiality agreement outlined in 1.6B.

Resolutions: The revisions outlined in agenda item 1.6A and the new confidentiality letter included in agenda item 1.6B were approved unanimously effective immediately.

Open Items: Staff will send an administrative alert to the AEs notifying them of these changes and the revised agreements will be posted on SharePoint in the near term.

1.7 Task Force Updates

Discussion Summary: Ms. Gantnier alerted attendees to the updates for the various PRB task forces included in agenda item 1.7. No questions were received from PRB members or observers. Finally, Ms. Welch, thanked PRB members, Staff and others for their contributions in making the 2019 Peer Review Conference a success.

1.8 Technical Director's Report – Mr. Freundlich

Discussion Summary: Mr. Freundlich provided updates on three items, which included that:

- Staff are working on various initiatives designed to support AEs' CPAs on Staff. This includes developing an internal role within the team that would be responsible for supporting CPAs on Staff. Specifics related to these initiatives and this internal role are yet to be finalized.
- Staff are evaluating the responses to a survey sent to state boards of accountancy early in the year that asked for feedback on the types of objective information they need to

monitor their licenses as they go through the peer review process. Examples provided included enrollment information, commencement date information, acceptance date information, corrective action information and information related to extension letters. Staff are looking into how this information can be provided through a PRIMA solution, in the most efficient and effective manner possible.

- Staff intends to present proposed changes to Chapter 3 of the Oversight Handbook at the October PRB open session meeting for discussion and approval. On May 28, Staff sent all SBOAs the latest proposed revisions from the May PRB meeting. We received a few comments which are being evaluated. After considering those comments, a new draft will be developed and discussed among some advisory and other task forces. The goal is to then distribute the final proposals 10 days in advance of the PRB meeting (or earlier if available).

1.9 Other Reports

Discussion Summary: Ms. Gantnier noted written updates were provided in agenda item 1.9 related to peer review operations, state society CEO activity and the National Peer Review Committee (NPRC). No additional items were noted related to the reports from the state society CEOs and the NPRC, however related to Peer Review operations, Ms. Thoresen noted that the benchmark reports noted in agenda item 1.9 will go into effect over Labor Day weekend. Additionally, a full weekend outage for PRIMA is upcoming due to an upgrade in the underlying platform. A message will be put into PRIMA once those specific dates are known.

1.10 Other Business – Mr. Pope

Discussion Summary: Ms. Gantnier opened the floor for any other matters from PRB members or observers. No other matters were brought to the attention of the PRB.

1.11 For Informational Purposes:

Discussion Summary: Ms. Gantnier informed attendees that the following items were included in the meeting materials for their reference.

- A. Compliance Update - Firm Noncooperation*
- B. Report on Firms Whose Enrollment was Dropped or Terminated*

Attendees should inform Staff of any questions they may have.

1.12 Future Open Session Meetings

Discussion Summary: Ms. Gantnier noted the dates for future open sessions are as follows:

- A. October 24, 2019 – Teleconference
- B. January 30, 2020 – Teleconference
- C. May 13, 2020 – Durham, NC
- D. August 6, 2020 – St. Louis, MO
- E. November 11, 2020 – Durham, NC

AICPA Peer Review Board Meeting

Participants for PRB Open Session

August 28, 2019

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