AICPA Peer Review Board
Open Session Agenda
Wednesday, September 2, 2020
Virtual Meeting

Date: Wednesday, September 2, 2020
Time: 1:00PM – 3:00PM Eastern Time

1.1 Welcome Attendees and Roll Call of Board** – Mr. Kindem/Mr. Pope
1.2 Vice President’s Report** – Mr. Brackens
1.3 Approval of Guidance Changes Related to Performing System Reviews at a Location Other Than the Reviewed Firm’s Office* – Ms. Lewis
1.4 Update on the QCM Project* - Ms. Forhan
1.5 Task Force Updates*
   • Oversight Task Force Report – Mr. Bluhm
   • Education and Communication Task Force Report – Mr. Beck
   • Standards Task Force Report – Ms. Lewis
     o A – Update on Clarified Peer Review Standards*
1.6 Other Reports*
   • Operations Director’s Report – Ms. Thoresen
   • Report from State CPA Society CEOs – Mr. Colgan
   • Update on National Peer Review Committee – Mr. Fawley
1.7 Other Business** – Mr. Pope
1.8 For Informational Purposes*:
   A. Report on Firms Whose Enrollment was Dropped or Terminated*
   B. Compliance Update - Firm Noncooperation*
1.9 Future Open Session Meetings**
   A. November 11, 2020 – Teleconference
   B. February 11, 2021 – Teleconference
   C. May 19, 2021 – Durham, NC
   D. August 5, 2021 – San Diego, CA
   E. October 6, 2021 – Durham, NC

* Included on SharePoint
** Verbal Discussion
*** To Be Provided at a Later Date
Guidance Changes Related to Performing System Reviews at a Location Other Than the Reviewed Firm’s Office

Why is this on the Agenda?
Recently extended temporary guidance allows a reviewer to perform a System Review remotely without obtaining prior approval from the administering entity (AE). To promote consistency and reflect the changes within standards, the Standards Task Force (STF) would like the board to consider revisions to Interpretation No. 8-1 illustrated in Agenda Item 1.3A. The proposed changes are consistent with the temporary and current iterations of clarified guidance.

Additionally, the STF is proposing to remove the System Reviews Performed at a Location Other Than the Reviewed Firm’s Office section from PRPM Section 3100, Supplemental Guidance as well as the Offsite System Review Request Form from the website, as shown at Agenda Items 1.3B and 1.3C, respectively.

AE Impact
Staff will continue to educate AEs, technical reviewers, and report acceptance bodies in their evaluations of the reviewer’s documentation related to the performance of remote procedures.

Communications Plan
After board approval, the guidance change will be communicated through a Reviewer Alert and presented to technical reviewers and administrators during upcoming meetings with the respective groups.

Manual Production Cycle (estimated)
October 2020

Effective Date
Upon approval

Board Consideration
1. Discuss and vote on whether to approve the proposed changes as described above and in agenda item 1.3A.
Performing System Review Procedures Remotely at a Location Other Than the Reviewed Firm’s Office

8-1

*Question* — Paragraph .08 of the standards states that the majority of the procedures in a System Review should be performed at the reviewed firm’s office. What criteria have been established by the board for procedures to be performed remotely at a location other than the reviewed firm’s office?

*Interpretation* — The board has suspended the requirement in par. .08 for reviews commencing before June 30, 2021. The reviewer should consider the impact of performing system review procedures remotely on the peer review risk assessment and document those considerations in the SRM.

If the review can reasonably be performed at the reviewed firm’s office, it should be. Although certain planning procedures may be performed at the peer reviewer’s office, it is expected that a majority of the peer review procedures, including the review of engagements, testing of functional areas, interviews, and concluding procedures should be performed at the reviewed firm’s office.

However, it is recognized that there are some situations that make an on-site peer review cost prohibitive or extremely difficult to arrange, or both. In these situations, if the firm and reviewer mutually agree on the appropriateness and efficiency of an approach to the peer review such that it can be performed at a location other than the reviewed firm’s office, then the reviewer can request the administering entity’s approval to perform the review at a location other than the reviewed firm’s office. This request should be made prior to the commencement of fieldwork, and the firm and reviewer should be prepared to respond to the administering entity’s inquiries about various factors that could affect their determination. These factors, which are not mutually exclusive and will be considered judgmentally, include but are not limited to

- the availability of peer reviewers qualified to review the firm, including whether they have the experience in the industries and related levels of service for which the firm practices, whether they are independent of the firm and not, for instance, competitors within the same close geographic area, and whether the firm is reasonably accessible to those reviewers;

- whether the review conducted at the reviewer’s office or another agreed-upon location can still achieve the objectives of a System Review;

- whether the results are expected to be the same as they would be if the peer review was performed at the reviewed firm’s office.
the size of the reviewed firm, including the number of personnel and where they perform their work (for instance, whether they work solely at clients’ offices and the firm does not have its own office).

the number of engagements covered by the SASs, Government Auditing Standards, examinations under the SSAEs, or engagements performed pursuant to the standards of the PCAOB.

the ability of the reviewed firm and the peer reviewer to hold one or more effective meetings by telephone to discuss the firm’s system of quality control, perform inquiries and interviews necessary to perform functional testing, discuss “No” answers on engagement checklists, the reviewer’s conclusions on the peer review, and any recommended corrective actions.

the prior peer review results of the firm, including whether the firm received a report with a peer review rating of pass with deficiencies or fail on its last System or Engagement Review, or if it is the firm’s first System Review.

whether the firm is able to effectively comply with the reviewer’s requests for materials to be sent to the reviewer prior to the review (except as noted in the following list). Those requests should include, in addition to materials outlined in section 4100, Instructions to Firms Having a System Review, the following materials:

a. All documentation related to the resolution of independence questions (1) identified during the year under review with respect to any audit or accounting client or (2) related to any of the audit or accounting clients selected for review, no matter when the question was identified if the matter still exists during the review period

b. The most recent independence confirmations received from other firms of CPAs engaged to perform segments of engagements on which the firm acted as principal auditor or accountant

c. The most recent representations received from the sole practitioner concerning his or her conformity with applicable independence requirements

d. A written representation, dated the same as the peer review report, as described in paragraph .05f and appendix B, "Considerations and Illustrations of Firm Representations," of the standards

e. Documentation, if any, of consultations with outside parties during the year under review in connection with audit or accounting services provided to any client
f. A list of relevant technical publications used as research materials, as referred to in the quality control policies and procedures questionnaire

g. A list of audit and accounting materials, if any, identified in response to the questions in the “Engagement Performance” section of the quality control policies and procedures questionnaire

h. Continuing professional education (CPE) records sufficient to demonstrate compliance with state, AICPA, and other regulatory CPE requirements

i. The relevant accounting and auditing documentation and reports on the engagements selected for review

j. Documentation of the firm’s monitoring results for each year since the last peer review or enrollment in the program

k. Any other evidential matter requested by the reviewer

The reviewed firm should understand that in the event that matters are noted during the review of selected engagements, the scope of the review may have to be expanded before the review can be concluded.
Supplemental Guidance to be Removed

System Reviews Performed at a Location Other Than the Reviewed Firm’s Office

Though the majority of reviews are required to take place at the reviewed firm’s office, the new Standards provide criteria for when a review can be performed at a location other than the reviewed firm’s office. Reviewers and reviewed firms should always consider that if the review could be reasonably performed at the reviewed firm, it should be. Reducing the cost of a peer review or convenience for the reviewer is not acceptable criteria, except in extraordinary circumstances.

**Examples:**

*Scenario 1*

The reviewed firm requests that the reviewer perform the review at the reviewer’s office to reduce the travel expenses and the cost of the review. The reviewer is willing and able to travel to the reviewed firm’s office. The cost for the travel is reasonable. Should the administering entity approve the review to be performed at a location other than the reviewed firm’s office?

No, the ability to reduce the peer review or reasonable travel costs is not a valid reason to have the review take place at the reviewer’s office.

*Scenario 2*

The reviewed firm has been using the same peer reviewer for all of their prior peer reviews. The peer reviewer recently relocated and is now three hours away from the reviewed firm, making it more difficult for him to perform the review at the reviewed firm’s office. The reviewed firm would like to continue using this peer reviewer. Should the review be allowed to take place at a location other than the reviewed firm’s office?

No, if there are other qualified reviewers available to do the review at the reviewed firm’s office, the reviewed firm cannot choose to have the review performed at another location without good reason.

*Scenario 3*

A reviewer arranges to perform the peer review of a sole practitioner. The sole practitioner has only one audit (in an industry in which the reviewer is experienced). Due to the low number of audits, should the administering entity approve to have the review performed at a location other than the reviewed firm’s office?
No, if the review could be performed at the reviewed firm’s office without extreme difficulty or excessive costs, the review should be performed there.

Scenario 4

A firm in Alaska performs two audits in the construction industry. There are no reviewers with qualifications in the relevant industries in which the firm practices in the state of Alaska. Should the team captain be permitted to perform the review at a location other than the reviewed firm’s office?

Yes, the Administering Entity should allow a qualified reviewer from another state to perform the review from his home state, providing the necessary documents can be sent and the results of the review would be substantially the same as if it was performed at the office of the reviewed firm.

Scenario 5

A small firm performs a small number of engagements in the banking industry. The industry and engagements are considered high risk, but the firm is concerned about having a review by a competitor in the vicinity of his firm. Aside from these competitors and other firms that are not considered independent, no other qualified reviewers exist within a reasonable vicinity. Should the review be permitted to be performed at a location other than the reviewed firm’s office?

Yes, it is a reasonable request to not have a competitor as a reviewer. If no other reviewer with the necessary expertise is available, the administering entity could allow a review to be performed at a location other than the reviewed firm’s office, providing the necessary documents can be sent and the results of the review would be substantially the same as if it was performed at the office of the reviewed firm.

Another acceptable solution would be to involve the expert as a team member to only review those industry specific engagements, and the team captain performs the review of the remaining engagements and other responsibilities at the reviewed firm’s office.
Performing System Reviews at a Location

Other Than the Reviewed Firm’s Office

Paragraph .08 of the standards states that the majority of the procedures in a System Review should be performed at the reviewed firm’s office.

**Interpretation**—If the review can reasonably be performed at the reviewed firm’s office, it should be. Although certain planning procedures may be performed at the peer reviewer’s office, it is expected that a majority of the peer review procedures, including the review of engagements, testing of functional areas, interviews, and concluding procedures should be performed at the reviewed firm’s office. However, it is recognized that there are some situations that make an on-site peer review cost prohibitive or extremely difficult to arrange, or both. In these situations, if the firm and reviewer mutually agree on the appropriateness and efficiency of an approach to the peer review such that it can be performed at a location other than the reviewed firm’s office, then the reviewer can request the administering entity’s approval to perform the review at a location other than the reviewed firm’s office. This request should be made prior to the commencement of fieldwork.

**Instructions:** Please fill out the following information related to the request to perform a peer review at a location other than the firm’s office. Please provide as much information as possible to assist the Committee (or administering entity). Decisions will be based on Interpretation 8-1 of the Peer Review Standards.

<table>
<thead>
<tr>
<th>Reviewed Firm’s Name</th>
<th>Firm number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewer’s Name</td>
<td>Review Number</td>
</tr>
<tr>
<td>Due Date</td>
<td>Commencement Date</td>
</tr>
</tbody>
</table>

1. Is the request related to the availability of peer reviewers qualified to review the firm? Why is the firm unable to find a qualified reviewer?  
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

2. If the review is conducted at another agreed-upon location, please use the following space to explain how the objectives of a System Review can still be achieved:  
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

3. Size of the reviewed firm:  
   a. Number of personnel:  
      __________________________________________
   b. Location personnel perform their work:  
      __________________________________________
4. Number of engagements covered by:
   a. Statement on Auditing Standards: ________________________________
   b. Government Auditing Standards: ________________________________
   c. Examinations of prospective financial statements under SSAEs: __________
   d. Audits of non-SEC issuers pursuant to PCAOB standards: ______________

5. Does the reviewer and the reviewed firm have the ability to hold one or more effective meetings by telephone to discuss the firm’s responses to the quality control policies and procedures questionnaire and other practice aid questionnaires, Engagement Review results, the reviewers conclusions on the peer review, and any recommended corrective actions? Please use the following space for comments: ________________________________
   ________________________________
   ________________________________
   ________________________________
   ________________________________

6. Prior type of peer review report: ___System ___Engagement ___Report ___N/A (First review)

7. Rating or prior peer review report: __

8. __

9. Will the reviewed firm be able to effectively comply with the reviewer’s requests for materials prior to the review? ________________________________
   ________________________________
   ________________________________
   ________________________________

Reviewer Name: ________________________________
Reviewer Signature: ___________________________ Date: ___________________________
Reviewer Phone #: _____________________________ Reviewer Email: _______________

Committee Member Name (or designee): _________________________________
Committee Member Signature (or designee): ____________________________

Approved:_________ Denied:_________ Date:_________
Proposed Quality Control Material (QCM) Examinations

Erica Forhan, CPA
Partner, Moss Adams LLP
Erica is a partner in Moss Adams' Professional Practice Group. As the firm's Director of Audit and Attest, she oversees the firm's assurance practice. In this role she provides technical consultations to practice office personnel on audit and accounting matters, develops and issues guidance to firm personnel regarding assurance services, and leads quality control functions of the firm. Erica is the immediate past chair of the AICPA GAQC Executive Committee and serves on the AICPA National Peer Review Committee.
What are Quality Control Materials (QCM)?

• QCM is guidance, such as written or electronic manuals, and tools, such as software, including industry or subject matter-specific material that assists user firms in complying with the professional standards that the QCM purports to encompass.

• Complying with professional standards includes performing and reporting on engagements in conformity with applicable professional standards.

• QCM are adopted by a user firm as an integral part of that user firm’s system of quality control.
QCM Review

- A QCM review results in opinions on whether:
  - The system of quality control for the development and maintenance of QCM was suitably designed and being compiled with for the year under review
  - The QCM are reliable aids

- Primarily has been a voluntary engagement
# QCM Project overview

<table>
<thead>
<tr>
<th>Task</th>
<th>Topic</th>
<th>Proposal</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Peer Review Interpretations 42-2 &amp; 42-3</td>
<td>Eliminate from Peer Review Guidance</td>
<td>With Clarified Peer Review Guidance</td>
</tr>
<tr>
<td>2</td>
<td>Peer Review Guidance on Performing and Reporting on QCM Reviews</td>
<td>Eliminate from Peer Review Guidance</td>
<td>With Clarified Peer Review Guidance</td>
</tr>
<tr>
<td>3</td>
<td>Guidance for Performing and Reporting on QCM Examinations (Criteria + Guide)</td>
<td>Add to guidance offered by AICPA</td>
<td>Early 2021</td>
</tr>
</tbody>
</table>
Peer Review Interpretations 42-2 & 42-3

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. This includes:

• Obtaining a sufficient understanding of the firm’s policies and procedures (P&P) for:
  – Adopting, developing, updating, modifying and maintaining QCM
  – Determining the reliability and suitability of the QCM used by the reviewed firm
• Evaluating whether those P&P are appropriately designed and implemented
• Determining that the firm’s QCM are reliable and suitable for the firm
Quality Control Standards

• .35 The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements and that the firm issues reports that are appropriate in the circumstances. Such policies and procedures should include the following:

a) Matters relevant to promoting consistency in the quality of engagement performance……

• .A32 The firm promotes consistency in the quality of engagement performance through its policies and procedures. This is often accomplished through written or electronic manuals, software tools or other forms of standardized documentation, and industry or subject matter-specific guidance materials. Matters addressed may include the following:……

• Processes for complying with applicable engagement standards……

• Appropriate documentation of the work performed and of the timing and extent of the review…. 
Proposal for Peer Review Interpretations

• Eliminate QC guidance from the peer review guidance

• Eliminate guidance previously developed regarding reliability and suitability

• Amend the Guidelines for Review of/Testing Compliance with Quality Control Policies & Procedures Checklists to better align with QC standards

• Provide feedback to the Auditing Standards Board (ASB) on the expected quality management standards and related practice aid
Proposal for assurance on QCM

Traditional QCM Review performed under Peer Review guidance

Examination of QCM performed under the Statements for Attestation Engagements (SSAEs) (QCM Examination)
QCM Examinations – Subject matters and criteria

• **Subject matters:**
  – Description of the QCM
  – QCM

• **Criteria:**
  – QCM Description Criteria: Identify the information to be included in the Description of the QCM
  – QCM Attribute Criteria: Identify attributes of the QCM
QCM Examinations – New guidance

- Criteria (benchmarks used to measure or evaluate the subject matter):
  - QCM Description Criteria, to be codified as DC Section 400, *AICPA 2020 Description Criteria for a Description of Quality Control Materials (QCM)*
  - QCM Attribute Criteria, to be codified as QCM Section 100, *AICPA 2020 Quality Control Materials (QCM) Attribute Criteria*

- **AICPA Guide**: Examinations of Quality Control Materials under the SSAEs (Guide)
# How are QCM Examinations different from QCM Reviews?

<table>
<thead>
<tr>
<th>Topic</th>
<th>QCM Review</th>
<th>QCM Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency of the Engagement</strong></td>
<td>Generally accepted to be performed triennially</td>
<td>Guide provides factors to consider in determining the appropriate timing and frequency of the engagement</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>QCM Reviews have primarily focused on paper-based QCM</td>
<td>• Recognition that QCM delivery options are expanding due to advances in technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A QCM Provider is not precluded from obtaining other assurances</td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
<td>• System of quality control for the development &amp; maintenance of the QCM</td>
<td>• Description of the QCM is in accordance with the QCM Description Criteria</td>
</tr>
<tr>
<td></td>
<td>• Reliable aids</td>
<td>• QCM is in accordance with the QCM Attribute criteria</td>
</tr>
<tr>
<td><strong>National Peer Review Committee (NPRC) Involvement</strong></td>
<td>Administration and oversight by the QCM Task Force, and acceptance by the NPRC</td>
<td>• No QCM Task Force/NPRC involvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• QCM Examinations will be included in the scope of the practitioner firm’s peer review</td>
</tr>
</tbody>
</table>
## QCM Assurance Engagements

<table>
<thead>
<tr>
<th>QCM Provider</th>
<th>Most Recent Engagement Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO USA, LLP</td>
<td>QCM Review</td>
</tr>
<tr>
<td>CaseWare International</td>
<td>QCM Review</td>
</tr>
<tr>
<td>CCH Incorporated</td>
<td>QCM Examination (w/attached criteria)</td>
</tr>
<tr>
<td>RSM US LLP</td>
<td>Other (contact firm)</td>
</tr>
<tr>
<td>Thomson Reuters Inc (PPC)</td>
<td>QCM Review</td>
</tr>
<tr>
<td>Wiley Advantage Audit</td>
<td>QCM Review</td>
</tr>
<tr>
<td>AICPA’s OnPoint PCR</td>
<td>QCM Examination (w/attached criteria)</td>
</tr>
</tbody>
</table>
Impact on Peer Reviews

• The existence and type of QCM results are considered when evaluating the firm’s compliance with its policies and procedures and the quality control standards, and are factors involved in determining the peer review risk assessment.

• We do not believe there will be a significant change in the overall level of effort required from peer reviewers during this transition from QCM Reviews to QCM Examinations.
QCM Project’s development process

• NPRC’s QCM Task Force is developing the criteria and guide

• Currently, seven volunteer members from different sized firms, who have significant prior experience performing and/or overseeing QCM Reviews

• Supported by Peer Review and Audit & Attest Standards team staff

• Considering input from QCM Providers who have had QCM Reviews + practitioners who have historically performed QCM Reviews
QCM Project’s development process (continued)

• Coordination with standard-setting groups:
  – Updates to peer review guidance subject to Standards Task Force (STF) and Peer Review Board (PRB) review and exposure for public comment as part of the Peer Review Clarity Project
  – Development and exposure of criteria under auspices of the AICPA Assurance Services Executive Committee (ASEC) of the ASB
  – Development of the guide under the auspices of the ASB
Additional outreach performed & planned to solicit feedback

- National Peer Review Committee
- Peer Review Conference attendees
- Peer Review Board
- Reviewer Alerts

Interested in hearing more?
Contact: QCMexam@aicpa.org
Next steps

• Delivery of criteria to ASEC in late 2020
• Exposure period for criteria to be determined by ASEC
• Criteria and guide projected to be available in early 2021
Thank you.
Agenda Item 1.5

Standing Task Force Updates

Why is this on the Agenda?
Each of the standing 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 1.5A)
- Approved revisions to Interpretation 8-1 to support the temporary guidance related to performing System Reviews at a location other than the reviewed firm’s offices (Agenda Item 1.3)
- Approved electronic delivery of letters that combine the acceptance letter with the noncooperation warning notice (known as a REPEAT letter) for firms receiving non-pass reports and changing practice now to allow electronic means, which is expected to be implemented through PRIMA in early 2021
- Discussed the Quality Control Materials (QCM) Task Force recommendation related to QCM guidance provided in the clarified standards
- Approved changes to the audit checklists related to risk assessment

Upcoming tasks:
- Continued focus on the clarity project
  - For additional information, see Agenda Item 1.5A
- Continued consideration of QCM review guidance revisions
- Assessment of potential guidance needed in response to continued PRIMA enhancements

Oversight Task Force

Accomplished since last PRB meeting:
- Approved Report Acceptance Body (RAB) observation reports
- Reviewed administering entity (AE) responses to RAB observation reports
- Reviewed AE benchmark summary forms and feedback received
- Monitored enhanced oversight results
- Reviewed sample of enhanced oversight reports for consistency
- Discussed the type of feedback issued by AEs as a result of the enhance oversights
- Monitored reviewer performance
- Approved AE plans of administration for 2020
- Approved 2021 plan of administration form

Upcoming tasks:
- Approve RAB observation reports
- Approve responses from AEs to RAB observation reports
- OTF members will perform AE oversights
• Approve responses from AEs to AE oversight reports
• Review and approve revisions to guidance for establishing an AE back-up plan
• Review AE benchmark summary forms and feedback received
• Monitor results of enhanced oversights
• Monitor reviewer performance

Education and Communication Task Force

Accomplished since last PRB meeting:
• Developed and finalized the agenda and related materials for the first fully virtual Peer Review Conference held on August 5-7 including:
  o Concurrent session topics and presentations
  o Specialized sessions for stakeholder groups such as peer reviewers, committee members, and technical reviewers
  o Sessions for must-select Employee benefit plan engagements and Governmental engagements
  o Conference cases for system and engagement reviews
• Held the “Case Study Applications” portion of “Becoming an AICPA Peer Review Team or Review Captain”
• Published archives for recent webcasts including:
  o 2020 Are You Ready for Your Peer Review?
  o Peer Review Update: Performing System Reviews in a COVID-19 World

Upcoming tasks:
• Assess informal and formal feedback received from the 2020 AICPA Peer Review Conference and plan for the 2021 conference in San Diego, CA.
• Publish conference cases from the 2020 Peer Review Conference taking into consideration any attendee feedback
• Publish an FAQ of unanswered questions submitted during 2020 Peer Review Conference sessions.
• Continue analysis of peer reviewer pool data by state, including must-select reviewers and implement plans to improve the pool where necessary
• Continue to identify and implement improvements to the AICPA Peer Review website
• Continue monitoring our available courses to see if improvements can be made to our overall training framework
• Continue or begin development of communications relevant to peer reviewers and their peer review clients, including
  o Reviewer Alerts
  o PR Prompts (a newsletter for reviewers that can be distributed to firms highlighting information that may be relevant to them, such as new resources related to new or upcoming A&A standards)
  o Podcasts focusing on certain peer review topics
• Assess ability to update or rebroadcast certain sessions from the 2020 Peer Review Conference for certain stakeholders, such as:
  o Committee Member Training or RAB Update Webcast
  o Must-Select Update for Employee Benefit Plan Engagements
  o Must-Select Update for Governmental Engagements
Agenda Item 1.5A

Update on Clarified Peer Review Standards

Why is this on the Agenda?
The STF will have an update on the project to clarify peer review standards as a standing agenda item during the Task Force Update portion of upcoming PRB open session meetings.

The STF is either reviewing or has completed their detailed review of guidance related to:
- System Reviews from the perspective of the peer reviewer
- Administration related to the technical reviewer
- Concepts common to all peer review stakeholders
- General peer reviewer responsibilities and
- Engagement Reviews from both the perspective of the peer reviewer and the reviewed firm

Staff and the related sub task forces are currently drafting and reviewing guidance related to:
- System Reviews from the perspective of the reviewed firm
- General firm responsibilities and
- Administration (including administrator, technical reviewer and Committee/RAB responsibilities)

The following is a summary of the meetings related to the clarity project since the last PRB Meeting:
- May 12, 2020 – The entire STF met to finalize their review of PR-C secs. 210, which will contain guidance for firms having System Reviews, 420, which will contain guidance for technical reviewers, and began their review of PR-C sec. 410, which will contain guidance for committees and RABs.
- June 23, and July 15, 2020 – The entire STF met to discuss a change in format to PR-C sec. 400, which will contain general administrative guidance. The change will consolidate sections 410 and 420 into section 400 and move detailed guidance into appendices for that section. The STF also finalized their review of PR-C sec. 100, which will contain guidance for all peer review stakeholders.
- May 18, June 15, July 16, and August 10, 2020 – The Administration Sub Task Force* continued discussions on PR-C sec. 400, which will contain general administrative guidance.
- August 11, 2020 – The General Principles Sub Task Force** finalized their review of PR-C sec. 300, which will contain general principles and responsibilities for firms.

Currently scheduled future meetings include:
- September 9, 2020 – The entire STF will meet to begin their review of PR-C sec. 310, which will contain guidance for firms undergoing a System Review
- September 3, 2020 – The Administration Sub Task Force will continue discussing PR-C sec. 400

*Administration Sub Task Force members: Brian Bluhm, Paul Brown, Jerry Cross and Bonnie Stewart
**General Principles Sub Task Force members: Andrew Pope, Ethan Miller, Joe Beck, and Marcia Hein
**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.
Agenda Item 1.6

Other Reports

Why is this on the Agenda?
The purpose of this agenda item is to provide PRB members and other attendees an update on various PRB related activities and initiatives.

Operations Director's Report
Since the last PRB meeting, we’ve sent more than 40 communications to the peer review community detailing changes to the Program in response to the COVID-19 pandemic, including Reviewer alerts, PR Prompts, AE alerts, Journal of Accountancy articles, State Regulatory Updates, PRIMA announcements and FAQs.

As mentioned in the ECTF report, we hosted the first entirely virtual Peer Review Conference earlier this month with record-breaking attendance at 601 attendees! Please save the date for the 2021 Conference from August 2-4 at the Loews Coronado Bay Resort in San Diego.

We continue to focus on enhancing the PRIMA user experience. Many changes have been made in response to user requests and the feedback from reviewers, firms and administrators has been positive. Additional design changes will be implemented in September to make PRIMA even easier to use, and in November we will implement new customer service tools that will enable users to request and receive support directly in PRIMA when needed.

Report from State CPA Society CEOs
Mr. Colgan will provide his state society CEO update verbally during the meeting on September 2.

Report on the National Peer Review Committee
The NPRC has met once since the last PRB meeting in May on July 16. One large firm review was presented, and it was accepted.

Since the May PRB meeting, the NPRC has held five RAB meetings. During those meetings:

- 28 reviews have been presented including:
  - 26 Pass
  - 1 Pass with Deficiencies and
  - 1 Fail reports

The next NPRC meeting will be held on October 29, 2020.
Agenda Item 1.8A

Firms Dropped from the AICPA Peer Review Program for Non-Cooperation
between April 21, 2020 and August 5, 2020

In response to the coronavirus impact on firms and the probability of firms not receiving fair procedure notifications, the AICPA Peer Review Program temporarily ceased dropping firm enrollment in March. Enrollment drops notifications restarted in August and, accordingly, will be affected in September and subsequently reported.

<table>
<thead>
<tr>
<th>Firm Number</th>
<th>Firm Name</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Reporting at the May 2020 Meeting

In response to the coronavirus impact on firms and the probability of firms not receiving fair procedure notifications, the AICPA Peer Review Program temporarily ceased terminating firm enrollment in March. Since that time, proceedings have restarted with compassion. Enrollment terminations since last report are reported below:

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 their most recent peer review.

- Peter Witts, CPA – Lowell, MA
- Koshers & Company – Merrick, NY
- Profectus CPA – Clackamas, OR
- The Robert Halliday Co., Ltd – Solon, OH

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.

- Haley & Associates, LLC – Beltsville, MD
- Caldwell, Taylor & Brown, Ltd. – Minneapolis, MN

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.

- Keith Day CPA, P.C. – Carlsbad, NM

Firm terminations are also published on our website at:
https://www.aicpa.org/forthepublic/prfirmterm/2020peerreviewfirmterminations.html
Compliance Update - Firm Noncooperation

Why is this on the Agenda?
This is an informational item to keep AICPA Peer Review Board (PRB) members informed about firm noncooperation, such as drops and terminations.

As previously reported, the AICPA Peer Review Program (PRP) made several temporary changes in March 2020 to respond to the coronavirus impact on firms due to the probability of firms not receiving fair procedure notifications:

- Increased interval between warning communications that might lead to drop or termination of a firm’s enrollment (effectively delaying end processes by at least 60 days);
- Ceased dropping or terminating firm enrollment; and
- Extended appeal periods for firm enrollment drops or terminations.

In the coming months, we will begin to revert to normal timeframes and functions. However, the impact of the temporary changes on the drop, termination and appeal processes and related volume are reflected throughout this agenda item.

Hearings, Drops, and Terminations

Firm Hearing Referrals and Mediation
Referrals are firm noncooperation cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing. Firms referred to the PRB for a termination hearing increased significantly after PRIMA implementation in 2017, due in part, to process automation as well as changes in guidance to expedite such matters and align more closely with Enhancing Audit Quality initiatives.

Due to the previously discussed temporary changes, the table below shows a significant decrease in the current year to date:

*through 7/31/20
We anticipate referrals to increase in the latter part of the year as normal timing and function resumes. Excess resource capacity has been utilized for the consideration of reenrollment requests (discussed below). Staff will continue to assess the volume to determine if additional panel resources are required.

The types of matters for which firms are referred for termination hearings were as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUOD</td>
<td>31%</td>
</tr>
<tr>
<td>NC</td>
<td>28%</td>
</tr>
<tr>
<td>NOAGRE</td>
<td>5%</td>
</tr>
<tr>
<td>REPEAT</td>
<td>35%</td>
</tr>
<tr>
<td>SIGNED</td>
<td>1%</td>
</tr>
</tbody>
</table>

*through 7/31/20

Legend:
- FUOD: Failure to complete corrective action(s)
- NC: General non-cooperation (includes completeness activities/material omission from scope, failure to undergo/complete peer review, failure to improve after consecutive corrective actions, etc.)
- NOAGRE: Failure to agree to corrective action
- REPEAT: Failure to improve after consecutive non-pass peer reviews
- SIGNED: Failure to sign MFCs, FFCs, etc.

The increase in failure to agree to or complete corrective action(s) and failure to complete peer review (an increased portion of the NC number above) cases appear to relate to increased ability for AEs to monitor old open reviews due to improved PRIMA reporting. Firms in these situations can sometimes be encouraged and assisted to resolve these matters and avoid a hearing. AICPA staff attempts to mediate hearing referrals where appropriate, which ultimately leads to fewer panels and other resource usage. In the current year to date, staff has successfully mediated approximately 40% of recourse hearing cases. Recourse hearings do not include charges such as consecutive non-pass reports or material omission from scope because those firms do not have any recourse to avoid the hearing (other than by acknowledging the charges and agreeing to termination without a hearing).

Firm Drops and Terminations
A firm’s enrollment may be dropped from the AICPA PRP without a hearing (typically prior to the commencement of a review) for failure to submit requested information concerning the arrangement or scheduling of its peer review or timely submit requested information necessary to plan or perform the peer review. A detailed list of noncooperation reasons that may lead to a drop is in the Peer Review Board Drop Resolution (Interpretation 5h-1) on aicpa.org. Although warning letters are sent, staff does not perform mediation outreach to firms that may be dropped. Firms whose enrollment will be dropped from AICPA PRP are sent to PRB members for approval via negative clearance and subsequently reported in PRB open session materials. Firms may appeal being dropped or terminated from the AICPA PRP.
A firm’s enrollment may be terminated for other failures to cooperate with the AICPA PRP (typically after the commencement of a review). A detailed list of noncooperation reasons that may lead to a termination is in the Peer Review Board Termination Resolution (Interpretation 5h-1) on aicpa.org. Terminations from the AICPA PRP must be decided upon by a hearing panel of the PRB.

Drops and terminations of firms enrolled in the AICPA PRP are ordinarily reported in a monthly communication to state boards of accountancy Executive Directors and State Society CEOs and are available on the Extranet for AEs.

Firms with AICPA members whose enrollment in the AICPA Peer Review Program is terminated are published on aicpa.org and included in the PRB open session materials. Firms without AICPA members whose enrollment in AICPA PRP has been terminated are not published by the AICPA but are included in the statistics of this agenda item.

Below is a summary of firm hearing panel decisions over the past several years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Terminated</th>
<th>Not Terminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>41</td>
<td>6</td>
</tr>
<tr>
<td>2017</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>2018</td>
<td>41</td>
<td>25</td>
</tr>
<tr>
<td>2019</td>
<td>59</td>
<td>57</td>
</tr>
<tr>
<td>2020*</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>175</td>
<td>104</td>
</tr>
</tbody>
</table>

*through 7/31/20

Terminated firms reported above include 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.

For firms whose enrollment was not terminated, the firm may be required to complete additional corrective actions to remain enrolled. Examples of additional corrective actions that might be required include, but are not limited to:

- Replacement review (omission cases)
- Formalization (in writing) of a firm’s decision to limit practice in a certain industry or engagement type or
- Pre-issuance or post-issuance review

In the rare circumstances that additional corrective actions are not required, the review continues uninterrupted. For example, any outstanding corrective actions would need to be completed and accepted before the review is completed.
This summary does not reflect:

- Later decisions by an appeal mechanism to reverse or modify PRB hearing panel termination decisions or
- Cases that are mediated or the underlying cause is resolved (stopped hearings)

Firm Reinstatements and Reenrollments
Ordinarily, a dropped firm may be reinstated and a terminated firm may be reenrolled by correcting the cause of the drop or termination. For example, a firm terminated for failure to complete a corrective action may be reenrolled by completing the corrective action to the peer review committee’s satisfaction. However, reinstatement or reenrollment requests for some firms must be considered by a hearing panel (Interpretation 5h-2). These include firms:

- Dropped for not accurately representing its accounting and auditing practice;
- Terminated for:
  - Omission or misrepresentation of information relating to its accounting and auditing practice;
  - Failure to improve after consecutive non-pass peer reviews; and
  - Failure to improve after consecutive corrective actions

The hearing case increase in the past two years has been largely comprised of these types of cases. Accordingly, an increase in the number of reenrollment cases before hearing panels has resulted. In 2020 to date, ten reenrollment cases have been considered resulting in approval for six firms. Reinstatement and reenrollment approvals by a hearing panel may be contingent upon some required action(s), such as a successful pre- or post-issuance review of a particular engagement type. Such required actions are a condition of reinstatement/reenrollment and, as such, evidence of completion must be completed (attached to the reinstatement case in PRIMA) at the time of reinstatement/reenrollment.