

**AICPA Peer Review Board  
Open Session Highlights  
May 12, 2017**

***PRB Members:***

Tom Parry, Chair  
Jeannine Birmingham  
Dawn Brenner  
Brian Bluhm  
Bill Calder\*  
James Clausell  
Bert Denny  
Liz Gantnier  
Jeff Gendreau  
John Guido  
Richard Hill  
Karen Kerber  
Barbara Lewis  
Michael Pescatore  
Andrew Pope  
Todd Shapiro  
Scott Szabo  
Mike Wagner  
Karen Welch

***Absent:***

Marty Shannon

***Observing:***

Ethan Miller\*

\*attendance via phone

***AICPA Staff:***

Dave Andrews  
Karen Aylor  
Jaime Beasley  
Jim Brackens  
Brad Coffey\*  
Rachelle Drummond  
Kim Ellis  
Gary Freundlich  
Donna Freundlich  
Laurel Gron  
Jennifer Gum  
Lisa Joseph  
Tim Kindem  
Toni Lee-Andrews  
Sue Lieberum  
Fran McClintock  
LaVonne Montague  
Tracy Peterson  
Susan Rowley\*  
Beth Thoresen  
Tricia VanVliet\*  
Andrew Volz  
Jessica Woody

***Guest Registrants:***

See [Exhibit 1](#)

**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, welcomed the PRB members and introduced the new PRB members; Mike Pescatore ECTF, Scott Szabo new KPMG representative, Mike Wagner new PWC representative and Richard Hill OTF.

**Agenda Item 1.2: Approval of QCM Interpretation Updates – Mr. Pope**

*This agenda item was deferred.*

**Agenda Item 1.3: Approval of Revised National PRC Requirements – Mr. Pope**

***Discussion Summary:***

Mr. Pope provided an overview of the changes to Interpretations presented in Agenda Item 1.3A. The changes are proposed to clarify any confusion on which firms are subject to National Peer Review Committee (PRC) administration of their peer review. The National PRC and the Standards Task Force (STF) recommend firms that perform or play a substantial role in, as defined by the PCAOB, an engagement performed under PCAOB standards with a year-end during the peer review year

should have their reviews administered by the National PRC. Additionally, it was determined that if the engagement performed under PCAOB standards was done so voluntarily, it should be subject to National PRC administration.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.3A were approved, effective for reviews commencing on or after July 1, 2017, with the following revisions:
  - a. Compress letter note “b” into letter note “a”
  - b. Eliminate “subject to inspection by the PCAOB” in letter note “b”

*Open Items:*

1. Changes as previously described will be approved by Ms. Gantnier prior to implementation.

**Agenda Item 1.4: Approval of Revised Guidance Related to Failure to Improve or Correct Deficiencies or Significant Deficiencies after Consecutive Corrective Actions – Mr. Pope**

*Discussion Summary:*

The STF discussed this topic at its January 30 meeting and recommend the proposed changes to standards, interpretations and the RAB Handbook as presented in Agenda Item 1.4A. The proposed changes clarify that a firm may be deemed as refusing to cooperate if the firm fails to correct deficiencies or significant deficiencies after consecutive corrective actions on the same peer review. Agenda Item 1.4B contains examples of revised acceptance letter and follow-up letter language. Recommend to change the word “requested” to “required” for consistency.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.4A & 1.4B were approved, effective immediately

*Open Items:*

None

**Agenda Item 1.5: Approval of Nonconforming Engagement Reason Code Revisions – Mr. Pope**

*Discussion Summary:*

In May 2016, the STF approved changes to the nonconforming engagement reason codes included on the System Review Engagement Statistics Data Sheet in the Summary Review Memorandum (SRM) and on the Engagement Review Engagement Statistics Data Sheet in the Review Captain Summary (RCS). The changes are intended to provide reviewers with more appropriate options for identifying the reason(s) for the nonconforming engagement. The proposed changes align with the professional standards referenced by MFCs and engagement checklists.

Consideration was given to expand even further by including a secondary set of reasons such as; independence, sufficiency of audit documentation and other similar topics. Currently, the SRM provides an area to describe why the engagement was nonconforming, therefore it was considered duplicative.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.5A were approved as presented, effective immediately

*Open Items:*  
None

### **Agenda Item 1.6: Discussion of the Peer Review Information Form – Ms. Brenner**

*Discussion Summary:*

Ms. Brenner discussed the Peer Review Information Form (PRIF), which will be used to reduce the administrative burden on firms so they can focus on audit quality. She further went on to explain the numerous purposes of the PRIF as detailed in the agenda item. Agenda Item 1.6A is a Q&A presented for feedback from the PRB on suggestions and improvements. Agenda Item 1.6B is a flat form of the PRIF that highlights additional information requested from the firm (not how the process will look in PRIMA). The process is about the firm and for the firm. For example, if a firm responds that this is its first EBP engagement, PRIMA will automatically provide resources to the firm for the new industry. Ms. Benner tested the form and it took less than five minutes to complete because it is prepopulated with previously provided information. The expanded practice areas are currently for information gathering. Note, this is a discussion and a request for feedback and any ideas on how to improve, especially the Q&A. Additionally, consider how we can communicate to firms in a positive light so they don't feel it is an administrative burden.

The process will be assisted through PRIMA, which will send three notices for the firm to complete its PRIF. Subsequently, the AE would have to send a certified letter for noncooperation to begin.

The PRB was in favor of:

- Annual completion of the PRIF
- Voluntary completion until the firm's peer review year, then mandatory. This would allow ample communication time to firms
- Once mandatory, noncooperation procedures should be applicable

### **Agenda Item 1.7: Approval of National Suspension for Resume Verification – Mr. Hill**

*Discussion Summary:*

Mr. Hill explained that the PRB is being asked to approve revisions to the RAB Handbook that will allow national suspension from scheduling and performing reviews when a reviewer has not complied with requests for resume verification, without consideration by AICPA staff or a PRB hearing panel, effective when able to be implemented in PRIMA. Staff has noted during the AE oversight process that many reviewers have not submitted documentation supporting the experience codes reflected on the reviewer's resume when requested by AEs, but not all AEs are consistently referring reviewers to staff for national suspension in accordance with guidance. The proposed changes would promote consistency, efficiency and effectiveness throughout the resume verification process.

Prior to any reviewer suspension, the AE must attempt to reach out to the reviewer more than once, as established in the current procedure. The process will be automated in PRIMA, but it must be initiated by the AE after the required communication attempts. Additionally, the due date can be updated within PRIMA if another one has been established between the AE and reviewer.

*Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.7A were approved as presented, estimated to be effective August 2017.

*Open Items:*  
None

### **Agenda Item 1.8: Approval of Revised Reviewer Noncooperation - Unsigned Performance Deficiency Letter – Mr. Hill**

#### *Discussion Summary:*

Mr. Hill discussed the lack of immediate consequences to reviewers who fail to sign a performance deficiency letter (PDL) and have not appealed the letter. The OTF is proposing changes to the RAB Handbook that would allow a reviewer to be restricted from scheduling reviews and performing reviews that have been scheduled but not commenced if they have not signed a PDL or appealed a PDL within 30 days of issuance. The current guidance recommends a committee to submit a removal letter, which could take approximately 60 to 90 days more than the proposed process. The recommended changes to the RAB Handbook are illustrated in Agenda Item 1.8A, and the recommended changes to the PDL are illustrated in Agenda Item 1.8B. PRIMA will be utilized to track the timing of the issuance and receipt of the PDL, the notifications and apply the restrictions. The AE will enter the date the reviewer received the PDL. Additionally, the AE will have the functionality to extend the due date if an agreement has been reached with the reviewer or the reviewer has appealed the PDL.

#### *Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.8A & 1.8B were approved as presented, estimated to be effective August 2017 when fully implemented in PRIMA.

#### *Open Items:*

None

### **Agenda Item 1.9: Approval of Revisions to the Reviewer Performance Feedback Form – Mr. Hill**

#### *Discussion Summary:*

Mr. Hill introduced proposed changes to the Reviewer Performance Feedback Form which align the form to current PR standards. Additionally, consideration was given to clarify the difference between B1 and D1. A question will be added to the reviewer resume verification process in PRIMA that will prompt the reviewer to look at the reviewer feedback form.

#### *Resolutions:*

1. The proposed guidance changes outlined in Agenda Item 1.9A & 1.9B were approved subject to editorial changes to B1 and D1, effective upon PRIMA implementation.

#### *Open Items:*

1. Mr. Hill to approve the editorial changes prior to publication.

### **Agenda Item 1.10: Approval of Peer Review Administration Change Form – Mr. Guido**

#### *Discussion Summary:*

Mr. Guido discussed the changing landscape of peer review administering entities (AEs) over the past few years. When transitions occur, the AE can be in any stage of the required oversight procedures. Currently, there is not a requirement for the AE to notify the OTF or the PRB of an intention to transition to another AE. Typically, the AICPA has been notified via email once the transition decision has been finalized. Agenda Item 1.10A is a Peer Review Administration Change Form, which will communicate key information to the OTF prior to the transition. The OTF would like the PRB to provide any additional questions/changes to the form prior to publishing.

Revise the following questions

- termination date, usually these are auto renewed, reword to reflect that possibility

- “Have you obtained signed confidentiality agreements...?” Reword to “Will you complete a confidentiality agreement when it is appropriate?”

*Resolutions:*

1. The proposed Peer Review Administration Change Form at Agenda Item 1.10A was approved with the preceding edits, effective immediately.

*Open Items:*

None

**Agenda Item 1.11: Task Force Updates**

*See PRB Open Meeting Agenda Item 1.11 for details of what was covered during this discussion.* In addition, Mr. Hill discussed the due date change for AEs’ Plans of Administration (POA). The POA forms will be due November 1, 2017, but will carve out the oversight reporting component. AEs will continue to report oversights on a calendar year basis, but the oversight list and supporting reports will be due March 31, 2018. The changes in due date should facilitate the OTF’s timely approval of POAs which will be communicated in the January 2018 PRB open session meeting.

**Agenda Item 1.12: Enhanced Oversight Update – Mr. Hill**

*See PRB Open Meeting Agenda Item 1.12 for details of what was covered during this discussion.*

**Agenda Item 1.13: Completeness Projects Update – Ms. Montague**

*See PRB Open Meeting Agenda Item 1.13 for details of what was covered during this discussion.*

**Agenda Item 1.14: Operations Director’s Report – Ms. Thoresen**

*Discussion Summary:*

Ms. Thoresen discussed the following:

- The Peer Review Integration Management Application (PRIMA), the system that replaced PRISM for program administration, launched May 1, 2017. The launch was delayed by two weeks based on feedback from stakeholders of the need for additional training. Some minor data migration issues occurred between PRISM and PRIMA. Most hotline calls have been for log in issues, not related to PRIMA. For example, a user may have multiple emails, or not be registered with aicpa.org.

Staff is working overtime to respond to inquiries. However, the login issues have caused excessive volume and created a backlog of calls and emails. IT is working diligently on a fix for the data discrepancies identified. Outstanding issues include missing MFC data (update – resolved May 24, 2017) and slow response time; the issue related to staff running large reports has been corrected.

Overall, users are pleased with the system, and other than the login issues, feedback on PRIMA has been positive

A free PRIMA training session will be held May 16, 2017. Details and information including recordings of prior trainings are available at [aicpa.org/PRIMA](http://aicpa.org/PRIMA).

Thank you to everyone who assisted with launching this system and for everyone’s patience as we respond to inquiries.

Key changes with implementation of PRIMA:

- Firms now enter their scheduling information and can follow the status of their reviews online
- Nonmembers may enroll in the AICPA Peer Review Program (PRP).
- AEs wishing to continue to use PRIMA to administer their non-member programs will be assessed a fee per nonmember firm to cover associated system usage costs beginning in spring 2018. Based on a change to Standards in 2016, firms without AICPA members may enroll in the AICPA PRP. Benefits of the AICPA PRP include;
  - Enhancing Audit Quality
  - Enhanced oversight
- Evolution (evolution of administration of the peer review program) – A revised proposal was published in January and focused on AE performance measurements. Minor requirements around staffing include a CPA leading the program at each AE. Ms. Thoresen presented to state society CEOs and state board executive directors at the NASBA Executive Directors Conference in March, and Mr. Brackens will speak at the NASBA Regional Meetings in June.
  - Only four formal comments have been received thus far. The deadline is June 30, 2017.
  - The final AE structure model will be shared with the PRB at the August meeting for their approval and specific benchmarks will be determined by the PRB once the final plan is approved.

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.15: Report from State CPA Society CEOs – Mr. Shapiro**

*Discussion Summary:*

Mr. Shapiro began the discussion focusing on PRIMA. Currently, the state societies are busy working with firms and clients with their transition to PRIMA. The states need to evaluate whether to keep their state society programs. Stakeholders will be asked for their feedback during the evaluation. Most of the reviews performed under the state programs are engagement reviews which are not subject to the national administration fee of the AICPA. Additionally, Mr. Shapiro and Ms. Birmingham will discuss the Peer Review Administration Change Form, Evolution and AE Oversight timing changes at next month's Council meeting.

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.16: 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:

- February 7, 2017 and May 4, 2017 – Conference Calls
  - 2 new members; Mike Wagner (PWC) and Scott Szabo (KPMG)

- 1 large firm and 1 QCM review were accepted
- 2 Association Information forms were accepted
- 10 large firm reviews requiring oversight, 4 of which will have panels, 2 QCM reviews, and 2 Association Information forms are expected to be completed in the remainder of 2017
- RAB calls/monitoring
  - 8 RAB calls since the last PRB meeting
    - 133 reviews were presented
      - 111 pass
      - 17 pass with deficiencies
      - 5 fail
- Future Meetings
  - October 26, 2017 conference call

*Resolutions:*

None

*Open Items:*

None

**Agenda Item 1.17: Other Business – Mr. Parry**

*Mr. Parry surveyed the room for topics, but no discussion occurred.*

**Agenda Item 1.18: For Informational Purposes**

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

*\*See PRB Open Meeting Agenda Item 1.18A for the items noted above, no discussion occurred at the meeting.*

**Agenda Item 1.19: Future Open Session Meetings**

- A. August 17, 2017 Open session – Nashville, TN
- B. September 29, 2017 Open session – Conference call

The meeting adjourned at 1:27pm EDT.

**Exhibit 1:  
AICPA PRB Meeting – Open Session  
Guest Registrants**

Name	Organization	Email Address	In Person (Y or N)
1. Nancy Corrigan	SingerLewak LLP	ncorrigan@singerlewak.com	N
2. Nichole Favors	Indiana CPA Society	nfavors@incpas.org	N
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4. Leona Johnson	NASBA	ljohnson@nasba.org	N
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6. Paul Pierson	Illinois CPA Society	piersonp@icpas.org	N
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12. Daniel Weaver	Texas SBOA	dweaver@tsbpa.texas.gov	N
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21. Wendy Garvin	Tennessee SBOA	Wendy.garvin@tn.gov	N



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