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**AICPA Peer Review Board  
Open Session Highlights  
May 2, 2018  
Durham, NC**

**PRB Members:**

Tom Parry, Chair  
Jeannine Birmingham\*  
Brian Bluhm  
Dawn Brenner  
Mike Colgan  
Bert Denny  
Liz Gantnier  
Jeff Gendreau  
John Guido  
Karen Kerber  
Barbara Lewis  
Kristen Mascis\*  
Ethan Miller  
Mike Pescatore  
Andrew Pope  
Marty Shannon  
Mike Wagner  
Lori Warden  
Karen Welch

**AICPA Staff:**

Jim Brackens  
Gary Freundlich  
Beth Thoresen  
Sue Lieberum  
Fran McClintock  
Rachelle Drummond  
LaVonne Montague  
Tim Kindem  
Donna Freundlich  
Jennifer Gum  
Lisa Joseph  
Andrew Volz  
Jennifer Dintsch  
Tracy Peterson  
Ivory Bare  
Karen Aylor\*  
Justin Long\*  
Brad Coffey\*  
Tricia Van Vliet  
Kim Ellis

**Observers:**

See attachment

\*telephonically

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

Mr. Kindem conducted the roll call of the Peer Review Board (PRB), staff and observer registrants. Mr. Parry called the meeting to order at approximately 10:25am.

**Agenda Item 1.2: Approval of Revisions to the Technical Reviewer's Checklist – Mr. Bluhm**

*Discussion Summary:*

Mr. Bluhm provided a brief overview of the proposed changes to the technical reviewer's checklists that are included in the RAB Handbook (PRP Section 3300). Based on RAB observation results, the checklists were modified to help technical reviewers comply with items they have otherwise struggled with. Additionally, modifications were made to assist technical reviewers comply with the Evolution benchmarks that recently went into effect.

Mr. Bluhm also noted that editorial style changes were received late on May 1<sup>st</sup>. He noted those suggestions would be incorporated into the published versions of the checklists.

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*Resolutions:*

The proposed changes were approved unanimously subject to the formatting and editorial revisions proposed.

*Open Items:*

The revised checklists will be made publicly available and Staff are currently determining how best to accomplish that objective.

**Agenda Item 1.3: Task Force Updates**

*Discussion Summary:*

See PRB Open Meeting Agenda Item 1.3 for details of what was covered during this discussion, a summary of which is provided below.

**Education and Communication Task Force – Ms. Kerber**

Ms. Kerber provided an overview of the following topics:

- For the 2018 Peer Review Conference, the task force approved the final agenda for general session as well as a series of conference cases to be presented
- With respect to the pool of peer reviewers:
  - Based on analysis performed by AICPA Staff, there is evidence to suggest that there is a shortage of:
    - Team captains in certain states
    - Review captains in a few other states
    - Peer reviewers (i.e. team members) in certain industries.
  - In response, Staff have developed a plan, reviewed by the ECTF, to:
    - Encourage individuals to become new team captains, review captains and other industry specific reviewers, and work with state societies to help achieve this goal (of recruiting new reviewers)
    - Develop resources to make it easier for team captains to find and engage reviewers outside of their firm and even outside their home state (as team members don't necessarily need to be onsite).
    - Develop ways to allow team members and review captains to inform others they are willing to perform out-of-state reviews.
  - Examples of ways the task force plans to address these issues include:
    - Developing a guide to help team captains through the process of identifying, engaging and relying on the work of another reviewer.
    - Developing a page on aicpa.org with resources to assist team captains in doing the things we're asking them to (succession planning, relying on the work of another reviewer)
    - Performing a root cause analysis of why reviewers are leaving the pool and/or why others don't join the pool.
  - Finally, many recent efforts related to reviewer feedback have focused on remediating poor performing reviewers. Now, in addition to that, Staff and the task force are planning efforts to recognize top performing reviewers. The ECTF has begun brainstorming ways to let our reviewers know how well they are doing. Stay tuned for more information.

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- Several reviewer and firm training courses have been developed or updated including the:
    - EBP Must-Select Update course
    - Governmental Must-Select Update Course
    - Peer Reviewer Update course
    - Initial Training Framework online modules
    - Initial Training Framework Live Seminar Case Study module
    - Live seminar Advanced course (for the ongoing team captain training requirement)
    - Live seminar Peer Review Update course offered by the State Societies
    - Other conference sessions including at the
      - EBP Conference – May 15<sup>th</sup> through the 17<sup>th</sup>. (EBP Must-Select Update)
      - Engage Conference – June 9<sup>th</sup> through the 14<sup>th</sup> (TC/RC Ongoing Training)
      - NFP Industry Conference – June 18<sup>th</sup> through the 20<sup>th</sup>. (GAS Must-Select Update)

#### **Oversight Task Force – Mr. Bluhm**

Mr. Bluhm provided an overview of the following topics:

- Enhanced oversight:
  - (1) While the results from the 2017 sample are not statistically valid, inferences can be drawn from the results. 47% of selections were considered non-conforming by SMEs, while 30% of selected engagements were considered non-conforming by the peer reviewer.
  - (2) The task force continues to evaluate referrals from Ethics (which are minimal), and whether these individuals should be targeted selections.
  - (3) The task force continues to get feedback from reviewers to make improvements to the process
  - (4) Finally, the task force continues to monitor trends with the related peer review report ratings for each enhanced oversight
- Reviewer Performance Monitoring –
  - (1) The task force continually monitors reviewer feedback, communicating to AEs when appropriate.
  - (2) PRIMA programming related to reviewer feedback is planned for August 2018.
  - (3) Through this process of monitoring reviewer feedback, the PRB has removed one reviewer in 2018 to date (as compared to 2 in total in 2017 and 1 in total in 2016).
- RAB observations
  - (1) There are 100 observations planned in 2018 (3 per AE roughly), selections being based on risk factors. Statistics are summarized in the agenda item.
  - (2) In an effort to increase transparency into the process, the checklist used during the RAB observation is included in the materials for this meeting.
  - (3) Future RAB observations will have an exit conference of sorts to go over preliminary results to make feedback more timely
  - (4) Reports related to RAB observations will try to provide better clarity of the results (e.g. by identifying particular review such as “System Review A”)

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- (5) The task force will requests for more information on any reviews deferred as a result of observation comments (for example, was the report ultimately accepted, and if so, what additional information was provided by the firm or reviewer).
  - Plans of Administrations (for AEs)
    - (a) CPA on Staff waivers were vetted, with approvals included on the website.

### **Standards Task Force – Mr. Pope**

Mr. Pope provided an overview of the following topics that have been approved discussed by the STF:

- Broker-Dealer checklist – an updated version will be published by the end of June. Changes include:
  - (a) Usage of bold questions,
  - (b) usage of italicized questions,
  - (c) modifications of risk assessment questions,
  - (d) the creation of a standalone checklist
- A reviewer alert providing reviewer more information on how the recent data analytics guide impacts peer reviews they perform
- Clarity Project – the task force continues to move forward with its project to clarify peer review guidance. Currently the group has gone through the Standards (PRP Section 1000) to identify what requirements exists. Next, the task force will complete a similar project with the Interpretations (PRP Section 2000). As a reminder, the overall goal of this project is to consolidate guidance and make it easier for stakeholders to find or use the guidance they need.

### **Agenda Item 1.4 Operations Director’s Report – Ms. Thoresen**

*Discussion Summary:*

Ms. Thoresen reported on the following:

#### PRIMA:

- Staff have, in the past year, implemented over 100 fixes & enhancements in direct response to the feedback we heard. An additional 100 updates to existing functionality will launch in the coming weeks. Some highlights include:
  - Not all changes to the firm’s Peer Review Information (PRI) form made through an UPDATE case will cause the scheduling case to reopen.
  - The Review (RVW) case no longer goes on hold if the firm updates its PRI case through an Update (UPD) case or if there is a change in team members.
  - The captain can ask the firm to update its PRI form through the REVIEW case, which will open an UPDATE case for the firm in their “Action Items” and the captain can leave notes for the firm on what to update.
  - Captains can add or delete team members within the REVIEW case.
  - Captains can move the review case from the firm so that the firm does not have to log in to PRIMA to send it to them.
  - If reviewers have not updated their resume since December 9, 2017, a new check, involving CPA licensure expiration, will result in a scheduling error on each review until you update your resume.
- We have already begun work on Phase 2 of PRIMA that will include additional enhancements to existing functionality as well as some new functionality related to

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Reviewer Feedback and ineligibility processes. These changes are scheduled to be released in PRIMA by August

Evolution:

The plan for evolution of administration establishes formal performance benchmarks that Administering Entities (AEs) will be held to. The benchmarks were finalized at the last PRB meeting in February, and reports were built in PRIMA to assist AEs in monitoring their progress against benchmarks. However, the enhancements going into PRIMA this weekend required some changes to the reports. These reporting changes will also be released this weekend. As such, the beginning of the upcoming pilot period for monitoring progress against the benchmarks has been moved from May 1<sup>st</sup> to July 2<sup>nd</sup>.

34 Administering Entities submitted plans of administration for 2018, and of those, 18 requested waivers for the CPA on staff requirement. AEs are reminded that all waivers are approved for 2018 and may be requested again for 2019 and 2020. For the remaining two years waivers will be approved based on performance related to the benchmark requirements. All AEs will be expected to have a CPA on staff to manage the program as of January 1, 2021.

As AEs continue to determine whether or not to continue administering the program, the AICPA maintains a current list of administering entities here:

<https://www.aicpa.org/interestareas/peerreview/community/links/statesocietiesandneprlinks.html>

Finally, 22 AEs have decided to discontinue offering a separate program for non-members. Those AEs that will continue to use PRIMA to administer a separate non-member program will be billed by AICPA to cover the PRIMA subscription costs.

Other Communications:

- 1) The 2018 Peer Review Conference will be from July 30<sup>th</sup> through August 1<sup>st</sup> in Minneapolis, MN. The registration page was made available recently.
- 2) The 2019 Peer Review Conference will be from August 5<sup>th</sup> through the 7<sup>th</sup> in Washington, DC.
- 3) Rebroadcasts of the Are You Ready webcast will be held on July 20<sup>th</sup> and October 16<sup>th</sup>.
- 4) Several sections of the Peer Review Program Manual were updated effective for May. A complete list will be published in the May reviewer alert, which will be published shortly.

**Agenda Item 1.5: Report from State CPA Society CEOs – Mr. Colgan**

*Discussion Summary:*

Mr. Colgan informed the Board that no meeting among State Society CEOs has been held since the February PRB meeting. The group plans to meet in a couple of weeks. Therefore, there will be more to report on at the next Peer Review Board meeting.

In the meantime, state societies continue work on implementing or enhancing policies and procedures designed to meet the benchmark requirements.

**Agenda Item 1.6: Update on National Peer Review Committee – Mr. Fawley**

*Discussion Summary:*

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Mr. Fawley provided a high level overview of recent NPRC activity, which included the following:

- The NPRC held conference calls on February 8, 2018 and March 27, 2018
  - (1) 2 Large firm reviews were presented and accepted at those meetings
  - (2) The NPRC discussed and approved its Plan of Administration for 2018. The POA was approved by the POA focus group of the PRB's Oversight Task Force.
- The next NPRC meeting will be May 10, 2018. One QCM review and the 2016 Annual Report on Oversight will be presented.
- Since the February PRB meeting, the NPRC has held 6 RAB meetings. During those meetings 116 reviews were presented: 101 Pass, 11 Pass with Deficiencies, and 4 Fail.

**Agenda Item 1.7: Other Business – Mr. Parry**

*Discussion Summary:*

Mr. Parry then opened the session to observers. No additional matters were brought before the Board.

**Agenda Item 1.8: For Informational Purposes**

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

*Discussion Summary:*

See PRB Open Meeting Agenda Item 1.8A for the item noted above, no discussion occurred at the meeting.

**Agenda Item 1.9: Future Open Session Meetings**

- A. August 2, 2018 Open Session – Minneapolis, MN
- B. October 19, 2018 Open session – Teleconference
- C. January 30, 2019 Open session – Scottsdale, AZ
- D. May 3, 2019 Open session – Durham, NC
- E. August 8, 2019 Open session – Washington, DC

The meeting adjourned at approximately 11:00 am.

**AICPA Peer Review Board Meeting**  
**Participants for Peer Review Board Open Session**

**May 2, 2018**

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