Peer Review Board Open Session Materials

November 9, 2017
Conference Call
AICPA Peer Review Board
Open Session Agenda
November 9, 2017
Teleconference

Date: Thursday, November 9, 2017
Time: 1:00 PM - 4:00 PM Eastern Time
Meeting room: Teleconference
Conference call number: External: 855 880 1246 (US Toll Free) AICPA Staff: 408 638 0968
Meeting ID: 919 402 2199

1.1 Welcome Attendees and Roll Call of Board** - Mr. Kindem/Mr. Parry
1.2 Approval of Revisions Related to Reenrollment After a Drop or Termination* - Mr. Pope
1.3 Approval of Revisions Related to AICPA Certificate Programs* - Mr. Pope
1.4 Approval of Revisions Related to Disagreements* – Ms. Brenner
1.5 Approval of Must-Select Engagements Including Non-Carrying Broker Dealer Engagements*
   - Mr. Pope
1.6 Task Force Updates*
   A. Standards Task Force Report - Mr. Pope
   B. Education and Communication Task Force Report - Ms. Kerber
   C. Oversight Task Force Report - Mr. Hill
1.7 Operations Director’s Report** - Ms. Thoresen
1.8 Report from State CPA Society CEOs** - Mr. Shapiro
1.9 Update on National Peer Review Committee** - Mr. Volz
1.10 Other Business** - Mr. Parry
1.11 For Informational Purposes*:
   A. Report on Firms Whose Enrollment was Dropped or Terminated*
1.12 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

* Included on SharePoint
** Verbal Discussion
*** Will be provided at a later date
Agenda Item 1.2

Reenrollment After Drop or Termination

Why is this on the Agenda?
Proposed guidance provides additional clarification about reenrollment determinations based on the nature of noncompliance and about the firm’s peer review due date after reenrollment.

Existing Interpretation 5g-1 indicates that a firm may reenroll once it completes the delinquent action that caused the firm to be terminated. Current guidance does not comprehensively address reenrollment decisions for noncooperation matters unrelated to resignations or other than delinquent action. For instance, terminations for receiving consecutive non-pass reports, failure to improve after consecutive corrective actions, or omissions or misrepresentations that materially impact an accepted peer review (recalls) may not require the firm to complete a specific delinquent action. Existing Interpretation 5h-1 indicates that such reenrollment decisions unrelated to delinquent actions are subject to approval by an AICPA Peer Review Board (PRB) hearing panel.

In addition, the proposed guidance considers recent changes to the standards to allow firms without AICPA members to enroll in the AICPA Peer Review Program (PRP). This may include firms that have been terminated from another practice monitoring program such as a state society program administered by an approved administering entity (AE) or conducted through an unaffiliated organization.

Concurrently, staff is proposing enhancements to the Rules of Procedures for the Termination of a Firm with AICPA Members and With No AICPA Members to include guidance on reenrollments.

Key elements of proposed guidance in this agenda item:
- Firms are expected to complete delinquent actions or other appropriate actions as a condition of reenrollment into the AICPA PRP. (reflected in Interpretation 5h-2)
- Administering entities will evaluate reenrollment decisions related to matters of noncooperation that are not specifically subject to the AICPA hearing panel approval. (reflected in Interpretation 5h-2)
- Firms may apply for reenrollment no sooner than 30 days after effective date of termination. (reflected in Rules of Procedure)
- Administering entities and hearing panels should consider the reason(s) that a firm was dropped or terminated from AICPA PRP or other practice monitoring programs when evaluating enrollment or reenrollment into AICPA PRP or state programs. (reflected in Interpretation 5h-2 and Plan of Administration)
- Reenrollment decisions are distinct from RAB acceptance of a review in progress.
- A reenrolled firm is ordinarily expected to complete review in progress and the firm’s subsequent review due date should be based on guidance. (reflected in Interpretation 5h-2)

Feedback Received
- Standards Task Force (STF) originally discussed firm reenrollment on October 25, 2016 and suggested additional considerations for firms without AICPA members.
- AICPA legal counsel requested that the following aspects be considered:
  - AICPA guidance should only directly address the AICPA PRP; however, AEs administering a state society program (using AICPA PRP guidance and resources
for firms without AICPA members) should similarly comply if agreed to in the AEs Plan of Administration.

- Reenrollment considerations should be based on relevant and objective criteria to enable firms to meet state board peer review requirements for licensure.
  - For example, if the firm was required to submit evidence of a pre-issuance review by an approved outside party, the firm must be allowed to reenroll if the firm submitted evidence of that action.
  - The timeliness or results of the pre-issuance review should not prohibit reenrollment, even if the pre-issuance review yielded continued poor quality results. Quality issues should be addressed through other peer review mechanisms after reenrollment like RAB determination if additional actions are warranted before final acceptance of the review, or evaluation during the firm’s next peer review.
  - Allowing reenrollment regardless of the quality implication may result in affording poor performing firms additional remediation opportunities. The counter balance is to encourage the state boards to be more proactive with monitoring and enforcement actions against dropped or terminated firms or against enrolled firms with outstanding peer reviews due to incomplete or unsatisfactory remedial actions.

- STF further discussed the topic again on September 7, 2017 and requested the following:
  - Termination and enrollment decision communications to the firm should indicate that further evidence of failure to improve, correct deficiencies, or otherwise not cooperate could result in a future termination subject to fair procedures.
  - Obtain additional representative AE (administrator) input on proposed guidance prior to board consideration.

- Administrative Advisory Task Force (AATF) provided the following input:
  - Consider the impact of reenrollment on the firm’s peer review dues dates (if past the regularly scheduled due dates) and future peer review periods or engagements covered.
  - Consider how much of a firm’s history should be considered in evaluating re-enrollment decisions.
  - Consider resources to further assist state boards with monitoring and enforcement.

The considerations of each group are incorporated in this agenda item to the extent deemed necessary. Future discussion about subsequent peer review periods (keeping the firm on cycle), reenrollment criteria evaluation, and tools for state boards will be held separately without impact on the guidance proposed in this agenda item.

**AE Impact**

AICPA responsibility: Firm enrollments terminated for withholding information (including communications related to allegations/investigations and omissions or misrepresentations), consecutive failures to correct deficiencies/significant deficiencies on the same peer review, and consecutive non-pass peer review reports are subject to a PRB hearing panel prior to reenrolling in AICPA PRP.

AE responsibility: AEs are expected to consider the firm reenrollment requests for drops or terminations not subject to AICPA PRB hearing panel. This generally relates to delinquent actions such as, but not limited to, failure to: sign an acceptance letter, provide responses, provide documentation, or complete a corrective action or implementation plan. The administrator may approve reenrollment for such instances of noncooperation except the completion of a corrective
action or implementation, which must be accepted by the peer review committee or as delegated to the technical reviewer as allowed by Chapter 2 of the RAB Handbook.

PRIMA Impact
- Add a new question about prior drop or termination reason to the enrollment form for evaluation by the AE. If firm was previously enrolled in AICPA PRP or state society program, basic information about historical resignations, drops, or terminations are already captured in PRIMA and should be considered during reinstatement requests.
- Communications/letter templates related to firm noncooperation, and terminations will need to be modified to reflect this guidance (currently a manual process- hearings requirements planned for later Phase of PRIMA).

Communications Plan
- This enhanced guidance will be discussed on AE bi-weekly calls after PRB approval. Guidance will be further documented in administrative guidance, such as the Administrative Manual or Knowledge Base within PRIMA.
- The PRB hearing panel termination decision letters provided to firms will be customized to indicate general reenrollment criteria.

Manual Production Cycle
PRP Manual for the revised interpretation is expected in the month following PRB approval.

Effective Date
- Interpretation changes - effective January 1, 2018
- Rules of Procedures changes - effective with notices of hearing proceedings communicated on or after January 1, 2018
- Plan of Administration form changes – effective with 2019 form
- Enrollment Form changes - effective pending functionality in PRIMA.

Board Consideration
1. Consider the proposed changes to the following:
   a. Interpretations 5g-1 and 5h-2 (Agenda Item 1.2 A)
   b. Plan of Administration (Agenda Item 1.2 B)
   c. Enrollment Form (Agenda Item 1.2 B)
   d. Rules of Procedures for the Termination of a Firm with AICPA Members and With No AICPA Members (Agenda Item 1.2 C)

2. Provide input on related items for additional consideration or future discussion
   a. Consider additional tools for state boards to enhance monitoring and enforcement
      i. Add review completion/final acceptance date field to FSBA for state boards with such access
   b. Are there concerns about the proposed due date guidelines in the Interpretation or keeping the firm “on cycle” if the firm reenrolls or completes the review after the expected due date of the next review?
   c. Should reenrollment determinations consider only the most recent violation that caused drop/termination even if firm has a history of multiple noncooperation issues related to the same peer review?
Proposed Changes to the Interpretations for Reenrollment After Drop or Termination

Resignations From and Reenrollment in the Program

5g-1

Question—Paragraph .05(g) of the standards discusses an enrolled firm’s responsibility to understand the board’s guidance on resignations from the program. Under what conditions may a firm resign from the program?

Interpretation—A firm whose peer review has not commenced may resign from the program by submitting a letter of resignation to the board. However, once a peer review commences, and until its completion (see Interpretation No. 25-2), a firm will not be able to resign from the program except as stated in the following paragraph. A peer review commences when the review team begins field work, ordinarily at the reviewed firm’s office in a System Review, or begins the review of engagements in an Engagement Review. The submission by the firm of a request to resign from the program once its peer review has commenced but has not been completed is considered a failure to cooperate with the administering entity and may lead to the termination of the firm’s enrollment in the program by a hearing panel of the board.

A firm will be permitted to resign once its peer review has commenced but has not been completed when the firm submits a letter pleading guilty, acknowledging its noncooperation with the program, waiving its right to a hearing, and for firms with AICPA members, agreeing to allow the AICPA to publish, in such form and manner as the AICPA Council may prescribe, the fact that the firm has resigned from the program before completion of its peer review, evidencing noncooperation with the program. In addition, if (a) the firm has been notified of the reviewer’s or administering entity’s intent to issue or require a report with a peer review rating of pass with deficiencies or fail or (b) the reviewer or administering entity has knowledge of the discovery of an engagement that was not conducted in accordance with professional standards on which the firm must take, or would likely be required to take, action in accordance with professional standards, then the fact that the situation in items (a) or (b) of the preceding existed would also be published for firms with AICPA members.

If the firm does not sign the letter pleading guilty and waiving its right to a hearing, the firm will be referred to a Peer Review Board hearing panel. The panel will consider terminating the firm’s enrollment due to noncooperation.

A firm that has been terminated from the program may reenroll in the program once it completes the delinquent action that caused the firm to be terminated. Similarly, a firm that has resigned by pleading guilty, or after the completion of its peer review but before the completion of its implementation plan, may reenroll in the program once it completes the delinquent action. The administering entity and the board make the determination of whether the action is satisfactorily completed. If the firm is past its next peer review due date, the firm will be required to complete its subsequent peer review within 90 days of reenrolling.
NEW INTERPRETATION 5h-2

Cooperating in a Peer Review

5h-2

*Question*— Paragraph .05(h) of the standards discusses matters that could impact the firm’s enrollment in the program. If a firm’s enrollment in the program is dropped or terminated, under what circumstances may the firm reenroll in the AICPA Peer Review Program (program)?

*Interpretation*— Ordinarily, firms may request reenrollment in the program after the firm has sufficient opportunity to implement appropriate changes to correct the cause of the drop or termination. Reenrollment in the program is subject to evaluation by either the administering entity or a hearing panel of the Peer Review Board.

The administering entity or a hearing panel of the Peer Review Board should be made aware of information that led to the firm’s most recent drop or termination from any practice monitoring program. The administering entity may make the determination of whether action(s) is (are) satisfactorily completed and approve reenrollment for drops or terminations such as overdue actions and all other instances of noncooperation that do not require reenrollment consideration by a hearing panel of the AICPA Peer Review Board.

Reenrollments decisions subject to approval by a hearing panel of the AICPA Peer Review Board, include, but are not limited to:

Drops for not accurately representing its accounting and auditing practice as defined by the AICPA Standards for Performing and Reporting on Peer Reviews; and

Terminations for--

- omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA Standards for Performing and Reporting on Peer Reviews;
- failure to receive a pass report rating subsequent to receiving notification via certified mail, or other delivery method providing proof of receipt, after a peer review rating of pass with deficiencies or fail; or
- failure to correct deficiencies or significant deficiencies after consecutive corrective actions required by the committee on the most recent peer review.

Reenrollment generally requires the firm to address and remediate the circumstances that caused the firm to be dropped or terminated. Common criteria for reenrollment, include but are not limited to, submitting evidence to the administering entity or hearing panel that demonstrates:

- Completion of the requested action
- Changes in the firm’s system of quality control (such as, but not limited to, personnel changes or procedural changes, methodologies to identify the complete population of
engagements performed, access to technical resources or membership in quality centers, and voluntary changes in the practice or types of industries or engagements performed)

- Competency through completion of relevant CPE, training, or competency assessments

- Assessment of quality in the performance of engagements through internal or external monitoring results (such as, but not limited to, pre-issuance reviews, post issuance reviews, and internal inspections that reflect engagements are materially performed and reported on in conformity with applicable professional standards)

The hearing panel or administering entity’s peer review committee may also require other actions as a condition of reenrollment. Determination of final acceptance or completion of a review is subject to the administering entity’s report acceptance body.

If reenrollment is approved and the firm is past its next peer review due date, the firm will generally be required to complete its subsequent peer review

- within 90 days of reenrolling if the firm’s most recent peer review is completed, or
- within 90 days of the administering entity’s report acceptance body determining that actions taken are satisfactory to complete a commenced peer review or
- by a later date set by the hearing panel or the administering entity.
POA and Enrollment Form Changes for Reenrollment After Drop or Termination

Proposed Changes to the 2019 Plan of Administration

17. For the non-AICPA firms without AICPA members for which you administer peer reviews, do you agree to follow or develop policies and procedures that are similar to those provided by the AICPA to the extent possible?

18. When a firm’s enrollment is dropped or terminated from the AICPA Peer Review Program or other practice monitoring program by a hearing panel of the AICPA Peer Review Board, the administering entity must abide by the AICPA Peer Review Program’s procedures indicated in Interpretation 5h-2 if the firm desires to re-enroll in a state society program as a non-AICPA firm as part of the AICPA Peer Review Program. Re-enrollment generally requires the firm to complete the delinquent action that caused the firm to be terminated (Interpretation 5g-1). This may also include other actions required by the board or peer review committee as a condition of re-enrollment. Re-enrollment generally requires the firm to address and remediate the circumstances that caused the firm to be dropped or terminated. For entities administering a state society program, the administering entity must consider similar procedures. Do you agree to abide by these terms?

Proposed Changes to the Enrollment Form (effective upon PRIMA implementation)

Enrollment form to be completed by all firms when a “new” or “updated” enrollment is required or firm is requesting reenrollment/reinstatement:

[Enrollment form new question] Has your firm previously been dropped or terminated from AICPA PRP or any other practice monitoring program? If so, please explain the circumstances including approximate dates, the program name and administering entity, and any stipulations on reenrollment, if known.
Proposed changes applicable to both the *Rules or Procedures for the Termination of a Firm with AICPA Members* and *Rules or Procedures for the Termination of a Firm With No AICPA Members* (effective 1/1/18)

5.1 **Decisions to be Made**

All hearing panels must make the following determinations based on the evidence presented at the hearing.

a. Whether the facts, as determined, support the charges brought against the firm.

b. Whether the charges brought are a violation of the *Standards for Performing and Reporting on Peer Reviews* established by the Board.

c. Whether the firm’s enrollment in the Program should be terminated.

d. Whether and what remedial actions should be required of the firm if its enrollment is not terminated.

e. Whether and what remedial actions or conditions should be required for reenrollment consideration if the firm’s enrollment is terminated.

A hearing panel will not reconsider a prior decision when a firm corrects the matter causing the hearing after the hearing is held. The completion of required actions after a decision has been made to terminate the firm’s enrollment does not negate the fact that the firm has failed to cooperate and the firm is not deemed to be in compliance with the requirements of the Program.

However, this does not preclude the Board’s Chair from deciding that a hearing panel (but not necessarily the same hearing panel that decided the matter initially) should reconsider a prior decision when there is new evidence, that was not available to the hearing panel and which is likely to have made a difference in the hearing panel’s decision. The procedures to be used in such instances shall be at the discretion of the Chair. Firms may request reenrollment into the program in accordance with guidance governing reenrollment (see Section 5.4).

5.4 **Requests for Reinstatement of Firm Enrollment**

A Board Resolution of the *Standards for Performing and Reporting on Peer Reviews* provides that a firm previously terminated from the AICPA Peer Review Program (Program) may request enrollment in the Program after the firm has sufficient opportunity to implement appropriate changes to correct the cause of the drop or termination. For
reenrollment requests that are subject to Board approval, the request must meet the following requirements:

a. The written request for reenrollment must be submitted to the Board no sooner than thirty days after the effective date of the enrollment termination (as described in Section 3.11). The written request should be accompanied by the decision letter from the previous hearing panel that terminated the firm’s enrollment and supported by the firm’s evidence of remediation since the date of enrollment termination.

b. The firm is allowed to participate by telephone in the Board hearing panel considering the reenrollment request. To secure its right to participate, the firm is required to notify AICPA staff at least 14 days prior to the hearing date of its desire to participate (as described in Section 2.1). However, a transcript of the hearing will not be prepared.

Reenrollment requests that are subject to evaluation by a Board hearing panel are conducted in accordance with these rules of procedure unless otherwise noted. Decisions reached will be based upon a quorum of the hearing panel (as described in Section 1.5). The decisions of the hearing panel considering the reenrollment are final and not subject to appeal or further review. The firm may reapply for reenrollment if the initial request for reenrollment is denied by a hearing panel.
AICPA Advanced Certificate Program as a Corrective Action or Remedial Action

Why is this on the Agenda?
Over the past several months, the STF has been considering how to integrate the AICPA’s Certificate Programs into the Peer Review Program. Agenda Item 1.3A illustrates proposed guidance changes that allow the AICPA’s Advanced Certificate Programs to be used as
- corrective actions for firms in response to nonconforming engagements in the single audit and employee benefit plan practice areas, and
- corrective actions for reviewers in response to reviewer performance deficiencies

The following provides a brief overview of the AICPA’s Certificate Programs.

Single Audit and EBP Certificate Programs overview:
- Intermediate certificate designed for practitioners with 3-7 years’ experience
- Advanced certificate designed for practitioners with 7+ years’ experience
- Certificate (digital badge) received when the exam is passed, two attempts per purchase
- CPE courses are available, but are not required to sit for the exam
- External and internal subject matter experts created and/or reviewed exams and courses prior to being published
- Programs developed to cover common deficiencies found in practice

EBP Advanced Certificates are offered in three areas:
- Defined Contribution Retirement Plans
- Defined Benefit Pension Plans
- Health and Welfare Benefit Plans

Members of the Member Learning & Competency team (which developed the certificate programs) attended the STF meetings and provided additional details of the programs during these meetings. More information on each of the certificate programs can be found using the links below:

Single Audit Certificates: http://sacert.aicpastore.com/
Employee Benefit Plan Certificates: http://ebpcert.aicpastore.com/

Feedback Received
Practitioner feedback has been positive, including that the courses and exams are challenging. Additionally, practitioners have shared with our ML&C team that the badges have given the firm an edge when bidding on new business. When other factors are the same, such as firm size and pricing, the badge has offered an additional level of comfort in competence.

PRIMA Impact
An additional type of corrective action and reviewer monitoring code would need to be added in PRIMA. Administering entities (AEs) would be instructed to use the “other” codes in these areas as a work around until programming could be completed. Expected programming completion for the corrective action code estimated December 2017, and for the reviewer monitoring code estimated first quarter 2018.
AE Impact
To create consistency in implementation of the proposed guidance, we would discuss with AEs prior to implementation.

Communications Plan
The approved guidance will be presented in a reviewer alert. Additionally, we will present at an AE Bi-Weekly call.

Manual Production Cycle (estimated)
November production cycle

Effective Date
The proposed effective date would be for reviews commencing on or after December 1, 2017.

Board Considerations
Consider for approval proposed changes to PRP Section 3300 RAB Handbook illustrated at Agenda Item 1.3A.
PRP Section 3300 AICPA Peer Review Program Report Acceptance Body Handbook

Chapter 4

Objectives, Overview of System Review Process, and Evaluation and Acceptance of System Reviews

IV. Types and Consideration of Reports to Issue in a System Review

A. In an effort to promote consistency, the following situations should be considered before deciding upon certain corrective actions and implementation plans on FFCs on System Reviews.

   
a. A RAB should not require any remedial, corrective action(s) as a condition of acceptance of a System Review with a report with a rating of pass. However, there may be instances where an implementation plan is required as a result of FFCs. See item (A.4) in the following text, for treatment of FFCs, if any.

   
a. When a firm receives a report with a rating of pass with deficiencies, the RAB ordinarily should require some type of remedial, corrective action as a condition of acceptance regardless of whether the firm appears to have an understanding of professional standards. In addition, there may be instances where an implementations plan is required as a result of FFCs. See item (A.4) in the following text for treatment of FFCs, if any.

   b. The type of action required would depend on the nature of the deficiencies. See suggested actions in exhibit 4-2.

   (1) If, for example, the deficiencies are related to engagement performance (including documentation matters), the RAB may decide to require that the firm allow the team captain or someone acceptable to the RAB to revisit the firm within a reasonable period of time. The purpose of the revisit is to determine that the corrective actions discussed by the firm in its response are being effectively implemented. The individual performing the revisit should issue a report that describes the results of revisit procedures and his or her conclusions on the firm’s progress.
(2) If the deficiencies are related to noncompliance of another element of the quality control system (human resources, for example), as evidenced by engagement deficiencies related to a specific industry or area of accounting or auditing subjects, the RAB should ordinarily require that identified members of the firm take specified amounts and types of continuing professional education (CPE) and submit evidence of completion. If the firm’s response indicates that someone has already taken the needed CPE, or that it has hired someone with the needed expertise, the RAB may conclude that the problem is resolved by asking the firm to allow the team captain or someone acceptable to the RAB to review the report, financial statements, and selected working papers on an engagement performed subsequent to the peer review.

(3) If the deficiencies are related to a specific industry (governmental or employee benefit plans), the RAB may consider that requiring the firm to join an audit quality center and submit evidence of joining such a center may be a viable corrective action in addition to other corrective actions. For this type of corrective action, the report deficiency must be supported by industry specific engagements that are not performed or reported on in conformity with applicable professional standards in all material respects. The requirement to join the AICPA Government Audit Quality Center or Employee Benefit Plan Audit Quality Center may only be prescribed as a corrective action when the firm is eligible to enroll in the centers and when prescribed in conjunction with other corrective actions.

(4) If the deficiencies are related to engagements in a specific industry (for example, single audit or employee benefit plans) that are not performed or reported on in conformity with applicable professional standards in all material respects, the RAB may consider requiring the identified firm members to take specified amounts and types of continuing professional education (CPE) and submit evidence of completion. In these situations, the RAB may allow the identified firm members to pass the related AICPA Advanced Certificate Exam, if applicable, in lieu of CPE.

(5) If the deficiencies pertain to other quality control matters, the corrective action should be tailored to those matters.
The RAB may choose to require the firm allow the team captain or someone acceptable to the RAB to review completion of its intended remedial actions outlined in its letter of response or evaluate appropriateness of alternative actions.

The RAB may choose to permit, but should not require except in rare circumstances, the firm to undergo an accelerated peer review in lieu of other remedial or corrective actions considered necessary in the circumstances. This would only be allowed when the firm elects, in writing, to have an accelerated review. An accelerated review would only be appropriate when the corrective action is post-issuance review or a team captain revisit.

The accelerated review should generally commence after the firm has had sufficient opportunity to implement the corrective actions.

c. The RAB should establish a due date when the corrective action should be completed. The corrective action should be completed as soon as reasonably possible; however, all known and relevant facts and circumstances should be considered (such as the anticipated completion date of subsequent engagements).


a. When a firm receives a report with a rating of fail, the RAB should consider the nature of the significant deficiencies and evaluate what actions should be taken. The RAB should require some type of remedial, corrective action as a condition of acceptance regardless of whether the firm appears to have an understanding of professional standards. In addition, there may be instances where an implementations plan is required as a result of FFCs. See item (A.4) in the following text for treatment of FFCs, if any.

b. Examples of appropriate actions are those previously described within item (A.2.b). Additionally, the RAB may:

(1) Require that members of the firm take specified amounts and types of continuing professional education and submit evidence of attendance at those courses, and/or

(2) Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report quarterly to the RAB on the firm’s progress or allow the team captain or
someone acceptable to the RAB to revisit the firm to
determine that the corrective actions discussed by the firm
in its response are being effectively implemented.

(3) Choose to permit, but should not require except in rare
circumstances, the firm to undergo an accelerated peer
review in lieu of other remedial or corrective actions
considered necessary in the circumstances. This would only
be allowed when the firm elects, in writing, to have an
accelerated review. An accelerated review would only be
appropriate when the corrective action is post-issuance
review or a team captain revisit.

The accelerated review should generally commence after
the firm has had sufficient opportunity to implement the
corrective actions.

c. The RAB should establish a due date when the corrective action
should be completed. The corrective action should be completed as
soon as reasonably possible; however, all known and relevant facts
and circumstances should be considered (such as the anticipated
completion date of subsequent engagements).

4. System Review Finding for Further Consideration Form(s)
a. Unless a nonconforming engagement is included as part of the
finding, a RAB ordinarily would not require an implementation
plan for a firm when its responses to the findings addressed on the
FFC form(s) are comprehensive, genuine, and feasible. RABs may
not be able to determine if responses are comprehensive, genuine,
and feasible if the reviewed firm does not describe how the firm’s
actions taken or planned to remediate findings in the firm’s system
of quality control and nonconforming engagements, if applicable,
and the timing of the remediation. If the responses are not
comprehensive, genuine, and feasible, the RAB should have the
firm revise its responses. An implementation plan is not required if
the finding includes a nonconforming engagement, however, if the
firm’s remediation of the engagement was not reviewed or
understood by the team captain, it is strongly encouraged. If the
RAB determines, as part of its deliberations regarding the peer
review, that an implementation plan in addition to the plan
described by the firm in its responses on the FFC forms is
warranted, the firm will be required to evidence its agreement to
the implementation plan.

An implementation plan may consist of requiring specified CPE or
submission of the firm’s next monitoring report to the RAB. If the
RAB is considering a more extensive action involving submission of documents to an outside party, then the RAB needs to consider whether the findings should have been elevated to deficiencies in the report. If the finding is related to an engagement that was not performed or reported on in accordance with professional standards in all material respects, involving an outside party in the implementation plan may be appropriate as described in 4b. The RAB should not require an accelerated review as an implementation plan. However, the reviewed firm may elect to have an accelerated review as an alternative to completing an implementation plan of post-issuance review or submission of the firm’s monitoring report to an outside party.

b. When a firm receives a finding on a FFC form in relation to an engagement that was not performed or reported on in accordance with professional standards in all material respects and the RAB has determined the finding should not be a deficiency, the RAB should consider whether the engagement was in a must select industry as described in Interpretation No. 63-1 of par. .63 in PRP sec. 1000, Standards for Performing and Reporting on Peer Reviews (PRP sec. 2000). See allowable plans in exhibit 4-2.

(1) Must select industry—the implementation plan for an initial or repeat finding may include requiring the firm to hire an outside party acceptable to the RAB to perform pre-issuance or post-issuance reviews or to review the firm’s internal monitoring or inspection report. The pre-issuance or post-issuance review should focus on the issues identified in the finding and may not need to be performed on the entire engagement. The monitoring and inspection procedures should place particular emphasis on the findings reported on the FFC form and the actions outlined in the firm’s response.

(2) Industries other than must select—the implementation plans described previously for must selects would only be appropriate for repeat findings.

c. When a firm receives a finding on a FFC form, which is determined to be a repeat, there is a question about whether some further action is required. In making this decision, the RAB must first look to see whether the firm made a genuine effort to correct the situation from the prior review(s).

(1) If it is apparent that the firm attempted to correct the repeated finding, and the firm’s response on the FFC form is specific on how the situation will be corrected, the RAB
may decide that no additional implementation plan is necessary.

(2) If, on the other hand, it appears that the firm did not make a concerted effort to correct the repeated finding or if the RAB does not believe that the firm is committed to correct the situation, then it may require an implementation plan. The implementation plan could include such actions as requiring specified CPE or requiring the firm to submit a copy of an internal monitoring or inspection report to the RAB for review. The monitoring and inspection procedures should place particular emphasis on the findings reported on the FFC form, and the actions outlined in the firm’s response. As noted previously, involvement of an outside party is only acceptable in relation to engagements not performed or reported on in accordance with professional standards in all material respects. See allowable plans in exhibit 4-2.

(3) The guidance for allowable plans as discussed previously and included in exhibit 4-2 must be followed, even in instances when the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required CPE. For example, the RAB may determine that more than eight hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm’s monitoring report to the RAB.

d. Actions that should not be required by RABs as implementation plans, in any situation, are that a team captain revisit or monitoring performed by an outside party. Such actions may be appropriate responses for broader system deficiencies, but they are not appropriate to address an isolated finding resulting in engagements not performed or reported on in accordance with professional standards in all material respects except as those activities described in 4b. If the RAB believes one of these broader system-based actions is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report. The RAB also should not require an accelerated review as an implementation plan. However, the reviewed firm may elect to have an accelerated review as an alternative to completing an implementation plan of post-issuance review or submission of the firm’s monitoring report to an outside party.
The committee should establish a due date when the implementation plan should be completed. The implementation plan should be considered as soon as reasonably possible; however, all known and relevant facts and circumstances should be considered (such as the timing of CPE program presentations or availability, or the timing of the firm’s monitoring procedures).

Exhibit 4-2 — Suggested Actions and Allowable Plans

**System Review Peer Review Rating—Pass With Deficiencies or Fail**

<table>
<thead>
<tr>
<th>Deficiency or Significant Deficiency</th>
<th>Suggested action(s) to be performed as soon as reasonably possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficiency or significant deficiency related to engagement performance</td>
<td>• Require the firm to hire an outside party acceptable to the RAB to perform a team captain revisit fn 6</td>
</tr>
<tr>
<td></td>
<td>• Require members of the firm to take specified types of and amounts of CPE</td>
</tr>
<tr>
<td></td>
<td>• <strong>Allow firm members responsible for the applicable type of engagement(s) not performed or reported on in accordance with professional standards to pass the related AICPA Advanced Certificate Exam, if applicable, in lieu of CPE.</strong> fn 9</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance review</td>
</tr>
</tbody>
</table>

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fn 6 RAB should allow flexibility and allow the firm to elect to have an accelerated review in lieu of team captain revisit or post-issuance review.

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fn 9 This option is only allowable for firms who have engagements in certain industries that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects and a related AICPA Advanced Certificate exists.
<table>
<thead>
<tr>
<th>Deficiency or Significant Deficiency</th>
<th>Suggested action(s) to be performed as soon as reasonably possible</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>reviews of certain types or portions of engagements and to report quarterly to the RAB on the firm’s progress</td>
</tr>
<tr>
<td></td>
<td>• Require post-issuance review of a subsequent engagement by an outside party fn 7</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s completion of its intended remedial actions outlined in its letter of response or evaluate the appropriateness of alternative actions</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to join an AICPA audit quality center applicable to the type of engagement(s) not performed or reported on in accordance with professional standards in all material respects fn 8</td>
</tr>
</tbody>
</table>

fn 7 See footnote 6.

fn 8 This option is only allowable for firms who have governmental and employee benefit plan engagements that were identified in the peer review as not performed or reported on in accordance with professional standards in all material respects. In addition the firm must be eligible to enroll in the respective audit quality center. This action
<table>
<thead>
<tr>
<th>Deficiency or Significant Deficiency</th>
<th>Suggested action(s) to be performed as soon as reasonably possible</th>
</tr>
</thead>
</table>
| Deficiency or significant deficiency related to design or noncompliance of another element of the quality control system | Tailor corrective action accordingly, such as the following:  
  - Require submission of monitoring or inspection report  
  - Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance reviews of certain types or portions of engagements and to report periodically to the RAB on the firm’s progress |

**Finding for Further Consideration Form(s)**

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may not be in lieu of any other corrective action deemed appropriate by the committee and must be used in conjunction with other corrective actions

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**fn 910** These are the only situations in which implementation plans are appropriate. Further, these are the only plans allowable. If the RAB believes a different implementation plan is necessary, what has been reported as a finding should more likely be reported as a deficiency in the report.
<table>
<thead>
<tr>
<th>Finding</th>
<th>Allowable plans to be performed as soon as reasonably possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagements not performed or reported on in conformity with professional standards in all material respects and there are:</td>
<td>• Require the firm to hire an outside party acceptable to the RAB to perform pre-issuance or post-issuance reviews of certain types or portions of engagements focusing on the areas identified in the finding</td>
</tr>
<tr>
<td>• initial finding(s) on must select industry, or</td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s internal monitoring or inspection report</td>
</tr>
<tr>
<td>• repeat finding(s) for any industry</td>
<td>• Require members of the firm to take specified types of and amounts of CPE</td>
</tr>
<tr>
<td></td>
<td>• Require firm to submit monitoring or inspection report to the RAB</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s remediation of an engagement not performed or reported on in conformity with professional standards in all material respects</td>
</tr>
<tr>
<td></td>
<td>• Require the firm to hire an outside party acceptable to the RAB to review the firm’s completion of its intended remedial actions outlined in its response on the FFC form or evaluate the appropriateness of alternative actions</td>
</tr>
</tbody>
</table>
### Finding

<table>
<thead>
<tr>
<th>Finding</th>
<th>Allowable plans to be performed as soon as reasonably possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement(s) indicate the following:</td>
<td></td>
</tr>
<tr>
<td>• Repeat findings(^{fn 1011})</td>
<td>• Require members of the firm to take specified types of and amounts of CPE</td>
</tr>
<tr>
<td>• Require members of the firm to take specified types of and amounts of CPE</td>
<td></td>
</tr>
<tr>
<td>• Require firm to submit monitoring or inspection report to the RAB</td>
<td></td>
</tr>
<tr>
<td>• Failure to possess applicable firm license(s)</td>
<td>• Submit proof of valid firm license(s)</td>
</tr>
</tbody>
</table>

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**Chapter 8**

**Reviewer Qualifications, Responsibilities, and Performance**

**IV. Reviewer Performance**

**D. Performance Deficiency Letters**

\(^{c.}\) indicate that the individual must agree to comply with one or more actions in order to continue performing reviews, such as, but not limited to, the following:

\(^{i.}\) Oversight (at the reviewer’s expense) until evidence of completion of a future reviewer’s training or accounting or auditing course(s) is received or performance improves.

\(^{ii.}\) Have committee oversight on the next peer review(s) performed by the reviewer at the expense of the reviewer’s firm (including out-of-pocket expenses, such as cost of travel).

\(^{fn 1011}\) The guidance for allowable plans as discussed previously in this section must be followed, even in instances when the same finding is included on more than two reviews. However, in these instances, the RAB should consider a more rigorous implementation plan, including the adequacy of the amount and nature of required continuing professional education (CPE). For example, the RAB may determine that more than eight hours of CPE is necessary and may require 24 hours or change the nature of the required courses. Another example would be for the RAB to require both CPE and submission of the firm’s monitoring report to the RAB.
iii. Consult with the AE to discuss the planning and
    performance of the next review.

iv. Complete all reviews to the satisfaction of the committee,
    including submitting all reports and appropriate
documentation on all outstanding peer reviews before
    scheduling or performing another review, thus limiting the
    number of reviews that the reviewer may schedule or have
    open at one time.

v. Have pre-issuance review(s) of the report and peer review
documentation on future peer reviews by an individual
acceptable to the committee Chair or designee who has
    experience in performing peer reviews.

vi. Take specified types of and amounts of CPE, training, or
    pass the related AICPA Advanced Certificate Exam.

vii. Remove or revise the résumé code until appropriate proof
    of experience and knowledge have been provided to the
    satisfaction of the committee.

viii. Other corrective action(s) that would assist the reviewer
    in his or her performance of future reviews.
Agenda Item 1.4

Disagreement Guidance

Why is this on the Agenda?
The number and frequency of firms and reviewers disagreeing with peer review results are increasing as we implement the Enhancing Audit Quality Initiative. Current guidance lacks sufficient detail around disagreements and related procedural guidelines. In addition, concerns about lack of transparency have been raised by stakeholders. Accordingly, staff is recommending revisions to the existing RAB Handbook guidance for AEs and AICPA staff. Staff is also proposing comprehensive Rules of Procedures for AICPA Disagreement Review Panels (“review panels”).

These documents describe the following key changes to the disagreement process:
- Clarifies responsibility of the administering entity to arrange for a disagreement panel at the AE level, including when necessary to use independent peer review committee members from another approved administering entity;
- Removes the ad hoc committee evaluation of appeal requests, which was previously conducted in executive session;
- Clarifies that appeal requests to review panels must relate to a deficiency or significant deficiency (report-level issues, including corrective actions);
- Grants rights to disagreeing parties, including the right to participate in the review panel and the right to a written recording, or transcript, of the review panel proceedings;
- Clarifies that a decision of a review panel is final; and
- Clarifies appeal rights associated with termination decisions resulting from non-cooperation with review panel directives/decisions.

Feedback Received
Several framework proposals were evaluated by the Standards Task Force prior to approval of these final documents at their September 7, 2017 meeting.

Staff met with internal legal counsel on July 31, 2017 to review the proposal and supporting guidance. Staff sought guidance on the overall approach, including limitation of review panels to report-level issues, including corrective actions; participant rights; transcripts; and structure/placement of guidance. There were no legal concerns identified.

PRIMA Impact
Some automation could be incorporated into a later phase of PRIMA.

AE Impact
Revisions incorporate a mechanism to address situations in which there are not enough independent members of the AE’s peer review committee, allowing the AE to utilize qualified committee members from another administering entity.

Communications Plan
Staff will develop alerts informing of the changes to the RAB Handbook and providing a link to the AICPA website where the Rules of Procedure for Disagreement Review Panels will be posted. These alerts would be sent in November 2017 or shortly after PRB approval.
Manual Production Cycle (estimated)
The changes to the RAB Handbook (PRP Section 3300) will be included in the next manual production (November 2017).

Effective Date
Guidance proposed to be effective for disagreements and appeal requests received after the date of Board approval.

Board Consideration
Review and approve the proposed changes, including:
1. changes to Chapter 7 of the RAB Handbook (PRP Section 3300),
2. draft Rules of Procedures for Disagreement Review Panels, and
3. draft letters for use upon implementation.
Agenda Item 1.4A

PRP Section 3300, AICPA Peer Review Program Report Acceptance Body Handbook, Chapter 7 - Consultations and Disagreements

II. Disagreements

Professional judgment often becomes a part of the peer review process, and each party has the right to challenge the other on an issue. It is important that personal preferences do not override professional standards. Equally important is the ability for the peer review process to recognize unreasonable professional judgments that lack support under professional standards. When a disagreement arises, the parties should consult with their administering entity to resolve the matter (sec. 1000 par. .93 and .116).

Disagreements may arise between the reviewer, reviewed firm, or administering entity (the disagreeing parties). Such disagreements may include, but are not limited to, (sec. 1000 par. .93, .100, and .116) the following:

- Type of peer review report to be issued to the reviewed firm
- Application of professional standards related to the review of particular engagements.
- The systemic cause for a deficiency or issues related to a design or compliance deficiency.
- Performance, reporting, or both, in conformity with applicable professional standards.
- Actions planned or taken by the firm, if any, that the review team does not believe are appropriate, (for example, if the reviewed firm believes that it can continue to support its opinion on a previously issued report, and the review team continues to believe that the firm will fail to reach appropriate conclusions in the application of professional standards).

Disagreements may also arise after the acceptance of a peer review, such as when the reviewed firm, reviewer, or committee disagree about whether peer review documents should be recalled. See chapter 3 of the Report Acceptance Body Handbook.

The objective of a disagreement panel is to assist the disagreeing parties in resolving issues. A disagreement panel may be requested by any disagreeing party.

A. Administering Entity Considerations in Handling Disagreements

An administering entity must establish written policies and procedures that describe the process for handling disagreements. The following is an outline of some of the procedures that should be included when establishing the policy and procedures.
1. After a discussion with the reviewer, if the reviewed firm disagrees with one or more of the review team’s conclusions, the reviewed firm or review team should consult with the administering entity. The administering entity should attempt to resolve the disagreement through discussions with the technical reviewer or through oversight procedures at the administering entity’s discretion. The reviewed firm and the reviewer should be aware that additional matters may be identified in this process and may result in findings or deficiencies.

2. After consultation with the administering entity, if the reviewed firm still disagrees with one or more of the review team’s conclusions, the reviewed firm should describe the reasons for the disagreement in the MFC or FFC form(s) or the letter of response, whichever is applicable. The administering entity should also confirm that the disagreeing parties desire to have the matter referred to a disagreement panel prior to acceptance by the RAB.

3. The administering entity should refer the disagreement to a panel (see Section III below) of its peer review committee members (“disagreement panel”) for consideration.

4. Once the panel has reached a decision, even if the firm and/or reviewer still disagree, the matter/issue is considered resolved by the administering entity. A decision letter containing the decision will be communicated to the firm and review team along with the actions required by each party to cooperate with the peer review committee will be sent to the firm and review team.

5. Any of the disagreeing parties may request an appeal of the decision of a disagreement panel relating to a deficiency or significant deficiency (report-level matters) to the AICPA Peer Review Board by writing the board within 30 days of the decision as further described in section IV, and explaining why he or she believes a review or the disagreement panel’s decision is warranted. The party requesting the appeal shall bear the burden of convincing the ad hoc committee of the board that the matter should be referred to a review panel of the board and must provide support for the request by submitting evidence.

The disagreeing parties should provide details of the basis for their conclusions in writing along with supporting documentation. This communication may be made via electronic mail or by letter. Any of the disagreeing parties may request an appeal of the decision of a disagreement panel relating to a deficiency or significant deficiency (report-level matters) to the AICPA Peer Review Board.

An expectation exists that all disagreeing parties are timely and responsive during this process. If at any time during this process, one of the disagreeing parties is not responsive and timely, the administering entity may follow the noncooperation guidance for timely and professional performance.
Examples include failure to respond to questions or submit documents or other information requested by the administering entity within the specified time.

3. Along with the notification of disagreement and supporting documentation provided by the disagreeing parties, the administering entity should prepare a memorandum summarizing the disagreement and provide additional supporting documentation where possible. The memorandum should, at a minimum, contain the following key elements:

Issue(s) to be resolved

Chronology of events with references to supporting documents

Examples of supporting documents might include peer review documents, including the team captain or review captain working papers; administrative and technical reviewer checklists; and oversight reports.

The memorandum and all supporting documents should be submitted to the disagreement panel, the reviewer, the reviewed firm and any other parties involved in the disagreement.

III. Objective and Procedures for Disagreement Panels

Requests must be in writing and provide details of the basis for the conclusions positions, including any supporting documentation. The request should, at a minimum, contain the following key elements:

- the issue(s) to be resolved;
- the basis for the disagreeing party’s conclusions positions (with reference to applicable professional standards); and
- a chronology of events with references to supporting documents.

The objective of the panel is to assist the disagreeing parties in resolving issues, including relevant peer review documents.

Conclusions The disagreement panel request and supporting documents of disagreeing parties must be submitted in writing to the administering entity via a method providing proof of receipt and should provide details of the basis for their conclusions along with any supporting documentation. Supporting documents may include, but not be limited to, peer review documents, team captain or review captain working papers; administrative and technical reviewer checklists; and oversight reports.

An expectation exists that all disagreeing parties are timely and responsive during the disagreement process. If a disagreeing party is not responsive and timely, the administering entity may follow the noncooperation guidance for timely and professional performance. Examples of noncooperation may include, but not be limited to, failure to respond to
questions or submit documents or other information requested by the administering entity within the specified time.

An administering entity must arrange for a disagreement panel to occur within 60 days of receipt of the initial written request for a disagreement panel notification that there is a disagreement. The objective of the panel is to assist the disagreeing parties in resolving issues.

- A panel should be formed of at least three members of the peer review committee members who are independent of the disagreeing parties and not involved in the acceptance of the review. A reasonable effort should be made to assemble members with practice experience commensurate with the area or industry reviewed. The administering entity may use independent peer review committee members from another AICPA-approved administering entity.

- One member should serve as the panel chair.

- The administering entity will send a Notice of Teleconference at least 30 days in advance of the date of the teleconference to the disagreement panel members and disagreeing parties. The Notice will contain the date, time, and conference call number. The conference call number should be communicated to the disagreeing parties and the panel members at least 30 days in advance of the date of the teleconference. The Notice will also be supported by the request for the disagreement panel and any supporting documentation submitted by the disagreeing parties.

- If new information relevant to the disagreement becomes available subsequent to the original submission of supporting documentation, it must be received by the panel at least 14 days prior to the teleconference to be considered. The date the new information became available must be substantiated. Copies of the information received by the administering entity will be forwarded to the panel members for review at least 14 days prior to the teleconference date.

- Each disagreeing party will have the right to participate during the teleconference in addition to providing written comments previously submitted for the panel’s consideration prior to the teleconference referred to previously. If new information relevant to the disagreement becomes available subsequent to the original submission of supporting documentation, it must be received by the panel 14 days prior to the teleconference to be considered. The date the new information became available must be substantiated. Copies of the information received by the administering entity will be forwarded to the panel members for review in advance of the teleconference date.

- Each party will have the opportunity to make a presentation or respond to questions, or both. If either party is unable or chooses not to participate, the panel will consider his or her position based on written correspondence received prior to the teleconference.
Agenda Item 1.4A

• At the discretion of the panel, AICPA staff may requested to participate in the teleconference to provide guidance related to peer review standards.

• At the teleconference, the panel should discuss the disagreement, including the supporting documentation submitted by the disagreeing parties, the basis for the disagreement, and how it should resolve the disagreement. The panel may ask any questions and request additional information from the disagreeing parties, the administering entity or AICPA staff to assist it in making its decision.

• The panel (and, at the discretion of the panel, AICPA staff) should then discuss the matter in executive session without the disagreeing parties. In some cases, the panel may recommend performing oversight on the peer review or engagement allowing the results of the oversight to assist them in resolving the disagreement. Additional matters may be identified in this process and may result in findings or deficiencies. The panel must reach a decision to resolve the disagreement. In the event that the panel is unable to reach a decision during the executive session, it may adjourn the executive session to such later date as it shall determine or it may agree to reach its final decision by telephone.

• The decision of the panel should be provided to all parties immediately following the panel’s decision. A written communication of the panel’s decision should be sent within three business days of the decision of the panel.

• The AICPA Peer Review Board

Once the panel has reached a decision, even if the firm and/or reviewer still disagree, the matter is considered resolved by the administering entity. The decision will be communicated to the firm and review team along with actions required by each party in order to cooperate with the peer review committee. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the disagreement panel’s decision is warranted. The party requesting the appeal shall bear the burden of convincing the ad hoc committee of the board that the matter should be referred to a review panel of the board and must provide support for the request by submitting evidence.

IV. Appeals to an Ad Hoc Committee of the Board of Disagreement Panel Decisions

Any of the disagreeing parties may request an appeal of the decision of a disagreement panel relating to a deficiency or significant deficiency (report-level issues, including corrective actions) to the AICPA Peer Review Board. The request must explain why he or she believes a review of the disagreement panel’s decision is warranted and provide support for the request by submitting evidence. At a minimum, the request must include the disagreement panel decision letter and the Notice of Teleconference with all supporting documents. Ad hoc committees are formed when a disagreeing party requests an appeal of the disagreement panel’s decision.

An AICPA Disagreement Panel-Review Panel (“review panel”) formed by the board will review and consider the appeal or request for review and take further action pursuant to
fair procedures that it has established, and the board Chair or the Chair’s designee shall appoint three members to the ad hoc committee. Members of the ad hoc committee may be board members or other designees with appropriate expertise.

The disagreeing party(ies) will be notified of the request, sent a copy of the evidence submitted, and informed of the ad hoc committee meeting date at least 30 days prior to the ad hoc committee meeting. The other involved party(ies) that did not request the appeal, may submit additional evidence supporting the decision of the disagreement panel to the ad hoc committee not later than 14 days prior to the meeting date.

The ad hoc committee will meet in an executive session. At the discretion of the committee, AICPA staff may participate in the meeting to provide guidance related to peer review standards. The disagreeing parties, administering entity representatives and general counsel shall not be present during the meeting. No transcript will be prepared based on the meeting. The ad hoc committee will decide whether such request for review by a review panel shall be granted. The ad hoc committee’s decision will be communicated to the disagreeing parties and administering entity. See exhibit 7-3.

A decision by the ad hoc committee denying a request for consideration by a review panel is final and not subject to further review. If the ad hoc committee decides the matter should be referred to a review panel, the disagreeing parties will receive notification of the Review Panel. The objective of the review panel is to assess the facts to determine whether the decision relating to a deficiency or significant deficiency (report-level issues, including corrective actions) of the earlier disagreement panel was appropriate and to provide procedural fairness by acting as an appeal mechanism. The Rules of Procedures for Disagreement Panels include the following: date and time that a review panel will meet to review the matter. The participant or AE representative of the reviewing panel will review and consider the disagreement and take further action pursuant to fair procedures the board has established.

Decisions by the review panel are final and not subject to any further review.

V. Noncooperation

By Reviewer

- After a decision of the review panel is reached, a letter detailing that decision will be sent to the reviewer, reviewed firm and administering entity. A reviewer’s failure to cooperate with the directives contained in the decision letter of a disagreement panel may be referred to a hearing panel of the AICPA Peer Review Board for failure to cooperate with the peer review committee.

- A reviewer’s failure to cooperate with the directives contained within the decision letter of a review panel (for example, failure to submit documents or other information requested by the administering entity) within 30 days of the delivery of the letter will result in immediate removal from the list of qualified peer reviewers without the opportunity for further appeal.
By Reviewed Firm

- A reviewed firm’s failure to cooperate with the directives contained in the decision letter of a disagreement panel may be referred to a hearing panel of the AICPA Peer Review Board for failure to cooperate with the peer review committee.

- A reviewed firm’s failure to cooperate with the directives contained within the decision letter of a review panel after a final decision is reached (for example, by failing to respond to questions or submit documents or other information requested by the administering entity within the specified time), may result in a decision by the board to terminate the firm’s enrollment in the program without further hearing.

If the firm’s enrollment is terminated, the firms with AICPA members will have the right to appeal to the AICPA Joint Trial Board, to consider reversing the decision to terminate the firm’s enrollment. As to AICPA members, the fact that a firm’s enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe. Firms without AICPA members will have the right to appeal pursuant to fair procedures established by the board which will consider reversing the decision to terminate the firm’s enrollment. If enrollment is terminated for a firm, whether or not there are AICPA members associated, the state board of accountancy issuing the firm’s permit or license to practice shall be notified. The fact that a firm’s enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

Noncooperation of either a reviewer or a reviewed firm not related to the specific decisions or directives contained in the decision letter of either a disagreement panel or a review panel may be referred to the board. The board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider the matter.
Exhibit 7.1 — Notice of Teleconference to Resolve Disagreement

[Date]

Common Carrier—Proof of Delivery

To: [Name of Team or Review Captain], CPA
[Firm Name]
[Firm Address]
[Name of Reviewed Firm’s Managing Partner], CPA
[Firm Name]
[Firm Address]

Re: Notice of Teleconference to Resolve Disagreement Between the Reviewer and Firm

A panel of at least three members of the [Administering Entity] peer review committee (committee) will consider the disagreement between [Name of Team, Review Captain, or Oversight Reviewer] and [Name of Reviewed Firm] at a teleconference scheduled for [date, time, and phone number]. Each party will have the right to participate during the teleconference in addition to providing written comments for the panel’s consideration prior to the teleconference. This will allow each party the opportunity to make a presentation or respond to questions, or both. If either party is unable or chooses not to participate, the panel will consider his or her position based on written correspondence received prior to the teleconference.

New information relevant to the disagreement may become available subsequent to the original submission of supporting documentation. For such information to be considered, it must be received by the panel 14 days prior to the teleconference. The date the new information became available must be substantiated.

Please note that this teleconference will be conducted on an informal basis. It is designed to allow each party and the panel an opportunity to discuss the disagreement. Following the presentation of each party, the panel will deliberate the basis for the disagreement in executive session (without disagreeing parties) and determine a resolution.

The committee will issue the panel’s decision regarding the disagreement in writing to the disagreeing parties. Once the panel has reached a decision, even if the firm and/or reviewer still disagree, for purposes of the standards, the matter is considered resolved. The decision will be communicated to the firm and review team in writing along with actions required by each party in order to cooperate with the peer review committee.

Please contact [Name] by [date], to make arrangements for the timing of your participation. If you have any questions regarding the teleconference or the procedures governing your participation, please contact [Name].

Sincerely,
[Name]

[Chair], [Administering Entity] Peer Review Committee

cc: AICPA Peer Review Board

[Administering Entity] Peer Review Program Administrator
Exhibit 7.2 — Notification to Reviewer and the Firm of Disagreement Panel Decision

[Date]

Common Carrier—Proof of Delivery

To: [Name of Team or Review Captain], CPA
  [Firm Name]
  [Firm Address]

[Name of Reviewed Firm’s Managing Partner], CPA
  [Firm Name]
  [Firm Address]

Re: Panel Decision in the Review of [Firm Name]

On [date], a panel of the [Administering Entity] peer review committee met to consider the disagreement between [Reviewed Firm Name] and [Team, Review Captain, or Oversight Reviewer Name]. The panel [state decision].

If any of the disagreeing parties believe a review of the disagreement panel’s decision is warranted, they may request an appeal by writing the board at:

American Institute of Certified Public Accountants
Association of International Certified Professional Accountants
Attn: Peer Review Board – Disagreements
220 Leigh Farm Road
Durham, NC 27707

If such a request is made, the board will form an ad hoc committee to meet in executive session in order to decide whether further review by a review panel of the Peer Review Board is warranted.

Sincerely,

[Name]

[Chair], [Administering Entity] Peer Review Committee

c: AICPA Peer Review Board

[Administering Entity] Peer Review Program Administrator
Exhibit 7.3 — Notification to the Reviewer, Firm and Administering Entity of Ad Hoc Committee Decision

[Date]

Common Carrier—Proof of Delivery

To: [Name of Team or Review Captain], CPA
[Firm Name]
[Firm Address]
[Name of Reviewed Firm’s Managing Partner], CPA
[Firm Name]
[Firm Address]

Re: Panel Decision in the Review of [Firm Name]

On [date], an ad hoc committee of the AICPA Peer Review Board met to consider the disagreement between [Disagreeing party] and [Disagreeing party]. The panel determined [the decision of the disagreement panel was appropriate/the disagreement requires further review consideration by a review panel of the AICPA Peer Review Board].

(If the matter is being referred to a review panel) The disagreeing parties will receive notification of the date and time that the review panel will meet to review the matter. The review panel will review and consider the disagreement and take further action pursuant to fair procedures that the board has established.

(If further review is denied and the decision is not favorable to firm) The ad hoc committee’s decision is final. If a reviewed firm does not cooperate, the board may decide to terminate the firm’s enrollment in the program without further hearing. If a decision is made by the board to terminate a firm’s enrollment in the program, the firm will have the right to appeal to the AICPA Joint Trial Board for a review of the board’s decision. The fact that a firm’s enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

(If further review is denied and the decision is not favorable to reviewer) If the reviewer does not cooperate within 30 days of the date of this letter, the board will remove the reviewer’s name from the list of qualified reviewers.

Please contact [AICPA staff name] at [phone number] if you have any questions.

Sincerely,

[Name]

AICPA Peer Review Board

cc: [Name], [Chair], [Administering Entity] Peer Review Committee
AICPA Peer Review Board

Rules of Procedures for AICPA Disagreement Review Panels

Effective Date – November 9, 2017
FOREWORD

Peer reviewers and reviewed firms should understand that professional judgment often becomes a part of the peer review process. Both parties have the right to challenge each other on an issue.

Such disagreements may include, but are not limited to, (sec. 1000 par. .93, .100, and .116) the following:
• Type of peer review report to be issued to the reviewed firm
• Application of professional standards related to the review of particular engagements.
• The systemic cause for a deficiency or issues related to a design or compliance deficiency.
• Performance, reporting, or both, in conformity with applicable professional standards.
• Actions planned or taken by the firm, if any, that the review team does not believe are appropriate, (for example, if the reviewed firm believes that it can continue to support its opinion on a previously issued report, and the review team continues to believe that the firm will fail to reach appropriate conclusions in the application of professional standards).

Disagreements may also arise after the acceptance of a peer review, such as when the reviewed firm, reviewer, or committee disagree about whether peer review documents should be recalled.

A disagreement during the resolution of an issue may persist in some circumstances. The reviewed firm or reviewer should consult with their administering entity and, if necessary, request that a panel of the administering entity’s peer review committee members to resolve the disagreement. The panel must reach a decision to resolve the disagreement. However, any of the disagreeing parties may request an appeal of the decision of a disagreement panel relating to a deficiency or significant deficiency (report-level matters) by writing the board and explaining why he or she believes a review of the panel’s decision is warranted.

An AICPA Disagreement Review Panel (“review panel”) formed by the AICPA Peer Review Board will review and consider the request and, if warranted, take further action pursuant to these rules of procedures. These procedures have also been prepared for the information of the disagreeing parties.

The overriding objectives of these procedures are to provide for an orderly proceeding, achieve a fair result, and adequately safeguard the rights of disagreeing parties.
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1. GENERAL

1.1 Authority to Conduct Proceedings

The AICPA Standards for Performing and Reporting on Peer Reviews ("Standards") (PRP §1000.93 and §1000.116) establish a framework for disagreement panels, which includes an appeal mechanism. This basic framework is expanded upon in chapter seven of the AICPA Peer Review Program Report Acceptance Body Handbook for the use of administrators, administering entities peer review committees (committees), report acceptance bodies (RABs), technical reviewers, and reviewers.

1.2 Applicability of Rules of Procedures

The Standards provide that any of the disagreeing parties involved in a disagreement panel may appeal the panel’s decision relating to a deficiency or significant deficiency (report-level matters) by submitting why he or she believes a review of the panel’s decision is warranted in writing to the AICPA Peer Review Board ("Board"). The Board has authorized the Director of the Program or their designee to determine if a review panel is appropriate. These rules of procedures set forth herein become applicable when the Director of the Program or their designee decides that a review panel will be formed to review and consider the disagreement and take further action. Once these rules of procedures become applicable to a proceeding, they are to be applied until a final decision regarding the disagreement is reached.

1.3 Nature of Review Panel Proceedings

Review panel proceedings are designed both (a) to assist the review panel in assessing the facts on which to base a decision as to whether or not the decision of the earlier disagreement panel was appropriate and (b) to provide procedural fairness by acting as an appeal mechanism. Review panel procedures are informal to provide all parties maximum flexibility in presenting every side of an issue. The disagreeing party making the request may participate telephonically in the review panel proceedings. At the discretion of the panel, AICPA staff may participate in the meeting to provide guidance related to peer review standards. Proceedings before a review panel shall not be open to the public (see section 2.4).

1.4 Review Panel

The review panel determines if the decision of the earlier disagreement panel was appropriate. The Board Chair or designee shall appoint five members, independent of the disagreeing parties and not involved in the acceptance of the review, to the panel. A reasonable effort should be made to assemble members with practice experience commensurate with the area or industry reviewed. Panel members will be drawn from either current Board members or other members of the AICPA
appointed at the sole discretion of the Chair of the Board or the Chair’s designee. One member of the review panel will be appointed as the presiding officer by the Chair or the Chair’s designee. The Chair, or designee, may appoint himself or herself as a member of a panel or as its presiding officer. A majority of the review panel constitutes a quorum.

The review panel has the authority to affirm, modify or reverse all or any part of the decision regarding actions previously required by the disagreement panel. In addition, the review panel may require additional actions of either of the disagreeing parties.

1.5 **Parties to the Proceeding**

Only the requesting disagreeing party and the AICPA peer review staff are parties to the proceeding. Intervention by third parties in proceedings shall not be permitted, except other parties may be present as provided in paragraph 3.4. The designated staff of the AICPA or other individuals with responsibility for presenting the charges to the review panel and the requesting disagreeing party may • present evidence;  
• call and question witnesses, which may include representatives of the administering entity; and  
• make arguments, including rebuttal arguments.

The AICPA’s Office of General Counsel acts as counsel to the panel to advise on practice and procedures and may be present at the proceeding and during any executive sessions.

**2. RIGHTS OF THE PARTIES**

2.1 **Right to Participate via Conference Call**

A party to a proceeding has the right to participate and be heard at a panel, which is conducted by conference call. To secure its right to participate, the party is required to notify AICPA staff at least 14 days prior to the panel date of its desire to participate. Upon notification that the party does want to participate, the Board may reschedule the proceeding to a day and time convenient to the panel, which may be fewer than 30 days from the originally scheduled date. If rescheduled, the parties will be notified as described in paragraph 3.3.

A party may be represented by counsel, other representatives, or both. A review panel is empowered to conduct proceedings in the absence of a representative of the disagreeing party, provided notification pursuant to section 3.3 has been properly served, and there is no compelling reason, in the view of the presiding officer of the review panel, not to proceed.
2.2 Right to Present Evidence and to Cross Examine

A party to a proceeding has the following rights in a panel:

a. To present evidence.

b. To present arguments on issues relevant to the subject of the proceeding.

c. To cross-examine witnesses at the panel.

2.3 Right to Copy of Transcript

A party to a proceeding who has participated by phone may request a copy of the transcript of the review panel when a transcript is prepared in accordance with section 4.3. The request must be made at the time of the review panel. Such a request does not stay the effective date of the decision.

3. BASIC PRINCIPLES

3.1 Purpose of Rules of Procedures

Although review panels are informal, these rules of procedures have been adopted to insure fairness and an orderly disposition of such proceedings.

3.2 Rules of Evidence

In review panels governed by these rules of procedures, the formal rules of evidence applicable to proceedings at law or in equity do not apply, and evidence that would be inadmissible in a court of law may be received so long as it is relevant in the discretion of the presiding officer. The review panel shall determine the weight to be given to any evidence.

3.3 Notification of Proceeding

Within a reasonable period of time after the Director of the Program or their designee decides that a review panel should convene, the staff of the Board shall mail to the firm at least 30 days prior to the proposed review panel date, a “Notice of Review Panel” containing the time and date the panel will hear the matter and indicating that the disagreeing party has a right to participate by telephone as long the Director of the Program or designee is informed of the intent to participate at least 14 days prior to the panel date. Upon notification that the disagreeing party elects to participate, the Board may reschedule the proceeding to a day and time convenient to the panel, which may be fewer than 30 days from the originally scheduled date. If rescheduled, the staff of the Board will notify the disagreeing party by mail of the new review panel date within five days of the firm’s notification of their wish to participate. The notice of review panel will include:
• the disagreeing party’s appeal request, which must explain why they believe a review of the disagreement panel’s decision relating to a deficiency or significant deficiency (report-level matters) is warranted,
• the disagreement panel decision letter,
• the Notice of Teleconference with all supporting documents provided to the disagreement panel, and
• a copy of these rules of procedures.

Such Notice, when mailed by registered or certified mail (postage prepaid), return receipt requested, or other means of delivery providing proof of delivery, addressed to the disagreeing party at the address on the appeal request shall be deemed to be properly served.

3.4 **Confidentiality of Proceedings**

No disagreement before a review panel shall be open to the public. Relevant staff of the AICPA, and Board members may observe a review panel. Briefs, memoranda, documentary evidence introduced at review panels shall be available to the following on a confidential basis:

a. The parties to the proceeding, observers to the preceding as set out in the preamble above, and their consultants, advisors or representatives.

b. The AICPA Joint Trial Board or an independent appeal panel established by the Board (see section 5.2), if the firm appeals an enrollment termination decision by the Board pursuant to a review panel decision.

c. Members of the Board and review panel members.

However, if a firm’s enrollment is terminated due to noncooperation with a directive resulting from decision by a review panel, the termination will be reflected in the records maintained by the AICPA so that individuals making inquiries about the firm may be so advised in accordance with the Standards for Performing and Reporting on Peer Reviews. In addition, if enrollment is terminated for a firm:

• with AICPA members, the fact that the firm’s enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.
• without AICPA members, the state board of accountancy issuing the firm’s permit or license to practice shall be notified.

3.5 **Decisions**

Once a review panel is convened to consider a matter, every effort will be made to reach a decision while it is convened.

3.6 **Disqualification from Participating in a Proceeding**
The following preclude a person from participating in any part of a proceeding on behalf of the Board or serving on a review panel:

a. The individual’s firm has performed a peer review in the last two peer review cycles of the affected enrolled firm’s accounting and auditing practice.

b. The individual has served on the review team that performed a peer review in the last two peer review cycles of the affected enrolled firm.

c. The individual’s firm is the subject of the proceeding.

d. The individual serves on the board of accountancy of the state in which any office of the firm is located or where the firm has a license to practice public accounting.

e. The individual believes he or she could not be impartial and objective with respect to the charges or has a conflict of interest.

3.7 Effective Date

A decision by the review panel shall be effective immediately.

4. CONDUCTING A REVIEW PANEL

4.1 Responsibilities of the Presiding Officer

The Chair of the Board or the Chair’s designee shall appoint a member of the Board to serve as the presiding officer. The Chair can also appoint himself or herself as the presiding officer.

The presiding officer is to take action necessary to maintain order; rule on motions and procedural questions arising during the panel; call recesses or adjourn the panel; determine the admissibility of evidence; and take such reasonable actions as may be necessary to provide for a fair and orderly panel.

4.2 Order of Proceedings

If the disagreeing party advises that they will participate in the review panel as set forth in section 2.1, the panel conference call will be conducted in accordance with the following rules:

a. The presiding officer calls the session to order, identifies a representative of the office of General Counsel, if present, who will serve as legal counsel to
Agenda Item 1.4B

the panel, identifies the case by name of the disagreeing party, and determines that a reporter is present and prepared to make a transcript of the proceeding.

b. The presiding officer requests that the disagreeing party identify themselves for the record.

c. If the disagreeing party is not present, the presiding officer may proceed if he or she determines on the record that it is appropriate to do so.

d. He or she calls the roll of the members of the review panel. The presiding officer asks all those present to identify themselves for the record. The presiding officer announces for the record whether a quorum is present. (A quorum is a majority of those members appointed to the panel, including the presiding officer.)

e. The presiding officer states for the record a brief statement of the subject of the review panel and the authority for holding it.

f. The presiding officer states that the review panel will be conducted under these rules of procedures, noting in particular the informal nature of the proceeding, especially as it relates to rules of evidence, and the need to maintain confidentiality.

g. The presiding officer allows the parties to the proceeding to state for the record any objection they have to any premeeting procedures, such as service of the Notice of Review Panel, and to make any premeeting motions they have, such as request for postponement (see Section 3.3).

h. The presiding officer requests the parties to the proceeding to identify their witnesses for the record.

i. The presiding officer requests the disagreeing party to present why he or she believes a review of the panel’s decision is warranted. In the course of this presentation, which may include taking testimony from witnesses, any exhibits to be introduced as evidence are passed to parties to the proceeding for inspection. They are then passed to the presiding officer, who indicates orally whether they are to be admitted. The presiding officer should see that all documentary and physical evidence is marked for identification and that a list is kept that describes the exhibit and its identification.

j. The presiding officer permits the following individuals to question witnesses called on behalf of the firm upon completion of their testimony:

i) The staff or other individuals with responsibility for presenting the charges to the review panel.
ii) Members of the panel and the representative from the Office of the General Counsel, if present.

k. The presiding officer permits the staff to offer rebuttal evidence.

l. The presiding officer permits the disagreeing party to make a closing statement that is then followed by the closing statement of staff.

m. The presiding officer requests that all individuals other than the members of the panel and its counsel, if any, disconnect from the conference call. (If for any reason the members of the review panel desire to speak with any other individual after this point, all parties to the proceeding shall be recalled to observe the discussion.)

n. In the executive session, the panel discusses and decides its disposition of the case by polling all participating members, including the presiding officer (see section 5). A decision of the panel requires the affirmative vote of a majority of the participating members. In the event that the review panel is unable to reach a decision during the executive session, it may adjourn the executive session to such later date as it shall determine or it may agree to reach its final decision by telephone.

o. If a decision is reached on the day of the proceeding, all persons present prior to executive session and the reporter are recalled (assuming they are still available) for the purpose of recording the decision. If a decision cannot be reached on the day of the proceeding, the parties to the proceeding shall be informed of the decision by letter, which is to be mailed within a reasonable period of time after the decision in the same manner as a Notice of Review Panel (see section 3.3).

The decision of the review panel will also be provided in the closed session minutes of the next meeting of the Board.

5. THE REVIEW PANEL’S DECISION

5.1 Decisions to be Made

All review panels must make the following determinations based on the evidence presented at the proceeding:

a. Whether the facts, as determined, support the decision of the earlier disagreement panel.

b. What, if any, additional actions should be required of the disagreeing parties.
Decisions by the review panel are final and not subject to any further review.

After a decision of the review panel is reached, a letter detailing that decision, including specific directives to disagreeing parties will be sent to the reviewer, reviewed firm and administering entity. The decision letter will be mailed to the reviewer and reviewed firm by registered or certified mail (postage prepaid), return receipt requested, or other means of delivery providing proof of delivery.

A reviewer’s failure to cooperate with the directives contained within the decision letter (for example, failure to submit documents or other information) within 30 days of the delivery of the letter will result in immediate removal from the list of qualified peer reviewers without the opportunity for further appeal.

A reviewed firm’s failure to cooperate with the directives contained within the decision letter (for example, by failing to respond to questions or submit documents or other information within the specified time) will be referred to the Board. The Board, in closed session, may decide to terminate the firm’s enrollment in the program without further hearing. This decision, for these purposes, will constitute the decision of a hearing panel.

Noncooperation of either a reviewer or a reviewed firm not related to the specific decisions or directives contained in the decision letter may be referred to the Board. The Board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider the matter.

5.2 Firm Appeal of Termination

As noted in section 5.1, a decision reached by a review panel is final and no appeal of that decision may be made. However, if a firm’s enrollment is terminated as result of noncooperation with a decision of a review panel, the firm may appeal the termination decision.

- Firms with AICPA members will have the right to appeal to the AICPA Joint Trial Board, to consider reversing the decision to terminate the firm’s enrollment. As to AICPA members, the fact that a firm’s enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.
- Firms without AICPA members will have the right to appeal pursuant to fair procedures established by the Board which will consider reversing the decision to terminate the firm’s enrollment. If enrollment is terminated for a firm without AICPA members, the state board of accountancy issuing the firm’s permit or license to practice shall be notified.

Appeal requests must be received within 30 calendar days of the date of the notice of the decision, be in writing, and shall set forth the petitioner’s reasons why the decision of the Board should be modified or set aside.
5.3 **Burden of Proof**

A determination that the facts support the decision of the disagreement panel must be based on the preponderance of the evidence and the disagreeing party has the burden of proof as to the disagreement it brings.
Notice of Teleconference to Resolve Disagreement

[Date]

Common Carrier—Proof of Delivery

[Name of Team or Review Captain], CPA
[Firm Name]
[Firm Address]

[Name of Reviewed Firm’s Managing Partner], CPA
[Firm Name]
[Firm Address]

Re: Notice of Teleconference to Resolve Disagreement

A panel of at least three members of the [Administering Entity] peer review committee (committee) or their designees will consider the disagreement between [Name of Team, Review Captain, or Oversight Reviewer] and [Name of Reviewed Firm] at a teleconference scheduled for [date and time]. The teleconference can be accessed by calling [phone number] and entering [conference code or access number]. Each party will have the right to participate during the teleconference in addition to providing written comments for the panel’s consideration prior to the teleconference. This will allow each party the opportunity to make a presentation or respond to questions, or both. If either party is unable or chooses not to participate, the panel will consider his or her position based on written correspondence received prior to the teleconference.

We are enclosing the request for the disagreement panel and supporting documentation provided to date. Any supporting evidence or documentation either party believes will support their position must be received by the [Administering Entity] at least 14 days prior to the teleconference for it to be considered. New information relevant to the disagreement may become available after the original submission of supporting documentation. For such information to be considered, the date the new information became available must be substantiated.

Please note that this teleconference will be conducted on an informal basis. It is designed to allow each party and the panel an opportunity to discuss the disagreement. Following the presentation of each party, the panel will deliberate the basis for the disagreement in executive session (without disagreeing parties) and determine a resolution. In some cases, the panel may recommend performing oversight on the peer review or engagement causing the disagreement to assist them in their decision. The disagreeing parties should be aware that additional matters may be identified in this process and may result in findings or deficiencies.

Once the panel has reached a decision, even if the firm and/or reviewer still disagree, for purposes of the standards, the matter is considered resolved. The decision will be
communicated to the firm and review team in writing along with actions required by each party to cooperate with the peer review committee.

Please contact [Name] by [date], to arrange for the timing of your participation. If you have any questions regarding the teleconference or the procedures governing your participation, please contact [Name] at [E-mail or phone].

Sincerely,

[Name]
[Chair], [Administering Entity] Peer Review Committee

c: [Administering Entity] Disagreement Panel Members
[Administering Entity] Peer Review Program Administrator
Notification to Reviewer and the Firm of Disagreement Panel Decision

[Date]

Common Carrier—Proof of Delivery

[Name of Team or Review Captain], CPA
[Firm Name]
[Firm Address]

[Name of Reviewed Firm’s Managing Partner], CPA
[Firm Name]
[Firm Address]

Re: Panel Decision in the Review of [Firm Name]

On [date], a panel of the [Administering Entity] peer review committee met to consider the disagreement between [Reviewed Firm Name] and [Team, Review Captain, or Oversight Reviewer Name]. The panel [state decision].

Any of the disagreeing parties may request an appeal of the disagreement panel decision relating to a deficiency or significant deficiency (report-level matters). Requests must explain why he or she believes a review of the panel’s decision is warranted and be submitting in writing to:

Association of International Certified Professional Accountants
Attn: Peer Review Board – Disagreements
220 Leigh Farm Road
Durham, NC 27707

If such a request is made, an AICPA Disagreement Review Panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.

Sincerely,

[Name]

[Chair], [Administering Entity] Peer Review Committee

cc: AICPA Peer Review Board
[Administering Entity] Peer Review Program Administrator
Notice of AICPA Disagreement Review Panel

[Date]

Common Carrier—Proof of Delivery

[Name of Disagreeing Party], CPA
[Address on the appeal request]

Re: Panel Decision in the Review of [Firm Name]

Pursuant to an appeal request, an AICPA Disagreement Review Panel (“review panel”) of the AICPA Peer Review Board will convene to consider this matter, specifically:
• whether the facts support the decision of the recent disagreement panel and
• what, if any, additional actions may be required of the disagreeing parties.

The teleconference is scheduled for [date and, time] and can be accessed by calling [phone number] and entering [conference code or access number].

We are enclosing the:
• appeal request, which explains why a review of the disagreement panel’s decision relating to a deficiency or significant deficiency (report-level matters) is warranted;
• disagreement panel decision letter;
• Notice of Teleconference with all supporting documents provided to the disagreement panel; and
• The Rules of Procedures for Disagreement Review Panels.

Any supporting evidence or documentation you believe will support your position must be received by the review panel at least 14 days prior to the teleconference for it to be considered. New information relevant to the disagreement may become available after the original submission of supporting documentation. For such information to be considered, the date the new information became available must be substantiated.

Please contact [AICPA staff name] at [phone number] if you have any questions.

Sincerely,

[Name]

AICPA Peer Review Board

cc: AICPA Disagreement Review Panel Members
   [Name], [Chair], [Administering Entity] Peer Review Committee
Notification of AICPA Disagreement Review Panel Decision

[Date]

Common Carrier—Proof of Delivery

[Name of Disagreeing Party], CPA
[Address on the appeal request]

Re: AICPA Disagreement Review Panel Decision in the Review of [Firm Name]

On [date], an AICPA Disagreement Review Panel (‘review panel’) of the AICPA Peer Review Board met to consider the appeal request of the disagreement panel decision relating to a deficiency or significant deficiency (report-level matters). The review panel [state decision with specific directives for each party, including due date].

This decision is final and no appeal of it may be made. Please contact [AICPA staff name] at [phone number] if you have any questions.

Sincerely,
[Name]
AICPA Peer Review Board

cc: AICPA Peer Review Board
[Name], [Chair], [Administering Entity] Peer Review Committee
Agenda Item 1.5

Consideration of all Broker Dealer Engagements as Must-Selects

Why is this on the Agenda?
PCAOB inspections staff continue to find many deficiencies in the broker-dealer audit and attestation engagements covered by the inspections. Many of these deficiencies were similar in nature to those described in previous annual reports and related to the fundamentals of auditing performed under PCAOB standards.

Additionally, based upon technical reviews and recent oversights performed by staff, it is apparent that peer reviewers continue to struggle in the evaluation of broker-dealer audit and attest engagements. Also, recent analysis of peer review program results vs. PCAOB inspection results further supports the concern that reviewers are failing to reach appropriate conclusions and identify instances of material nonconformity. Additionally, some peer reviewers do not adequately address non-carrying broker-dealers in risk assessments, leading to an insufficient engagement selection.

As a result, staff requests the Board to consider the proposed changes to Peer Review Standards and Interpretations to include non-carrying broker-dealers as a must-select engagement type as outlined in Agenda Item 1.5A. Additionally, Staff requests the Board to approve conforming changes to the manual, which would be the deletion of “carrying” when it precedes “broker dealers”. An example of the conforming change can be seen in Agenda Item 1.5B and is reflective of the same conforming changes that will be made to the following Peer Review Program Manual sections: 01000, 02000, 03100, 03200, 03300, 03600, 04100, 04200, 10000, 24190, and 24240.

Feedback Received
At its August 17th meeting, the PRB discussed issues related to broker-dealer engagements and instructed Staff to draft guidance that would make non-carrying broker-dealer engagements must-selects.

PRIMA Impact
PRIMA will be programmed to establish non-carrying broker-dealers as must-selects. Before this programming is finalized, staff will manually run a report to identify any missed scheduling errors.

AE Impact
N/A

Communications Plan
This enhanced guidance will be communicated as a Reviewer Alert after PRB approval.

Manual Production Cycle (estimated)
PRP Manual for the revised interpretation is expected in January 2018.

Proposed Effective Date
Reviews commencing on or after January 1, 2018.
Board Consideration

1. Consider the proposed changes to the Peer Review Standards Interpretations at Agenda Item 1.5A.
2. Consider and approve the conforming changes, as discussed above. For an example, see an example in Agenda Item 1.5B.
Question—Paragraph .59 of the standards requires that engagements selected for review should provide a reasonable cross section of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk, and the guidance provides examples of factors to consider when assessing peer review risk at the engagement level. What are some other considerations?

Interpretation—A reasonable cross section of a firm’s accounting and auditing practice, not only includes consideration of the specific industries that are required to be selected, but other industries that have a significant public interest. Industries that have a significant public interest are those that benefit the general welfare of the public, such as those that have recent regulatory and legislative developments (for example broker-dealers). Public interest industries will vary across firms and reviewers should consider the composition of a firm’s accounting and auditing practice when determining if their risk assessment should address a public interest industry. The reviewer also needs to carefully consider the industries that the firm has identified in the category of “other audits” when determining whether to select such an engagement(s). A selection consisting solely of public interest industries would not necessarily represent a reasonable cross section. Other factors to consider in selecting a reasonable cross section may include the number of partners, the number of practice offices, and materiality thresholds of accounting and auditing hours.

The reviewer should explain and document in the Summary Review Memorandum key decisions that he or she made when he or she chose not to select any one or more of the following: a level of service, industries in which a significant public interest exists, and industries in which the firm performs a significant number of engagements. This does not give authority to the reviewer to avoid selecting an engagement(s) by simply documenting the reason(s) why he or she did not select certain engagement(s). Therefore the reviewer should document important considerations regarding the engagement selection process.

A reasonable cross section does not always require that at least one engagement from every level of service provided by the firm be selected for review; however, it often may be appropriate in the circumstances. There is no percentage of coverage that necessarily ensures a reasonable cross section. Therefore, there is a relationship between a risk-based approach and a reasonable cross section when selecting engagements, and in that regard each peer review needs to be considered on a case-by-case basis.

The following are examples of risk considerations when addressing obtaining a reasonable cross section of the engagements, including engagements that must be selected and non-carrying broker dealers. It is expected that the various types of engagements within an industry are specifically addressed in the risk assessment. Similar
considerations should be made for industries that have a significant public interest, such as engagements subject to SEC independence rules.

a. *Governmental—Government Auditing Standards*—Inclusion of a must select engagement should not supersede the reviewer’s consideration of engagements and industries that have a significant public interest such as state and local governments, school districts and HUD engagements. For example, if for-profit HUD multifamily housing project audit engagements constitute a significant percentage of a firm’s practice, one would expect the reviewer to select at least one such engagement for review. However, if the firm also performed an audit of an engagement subject to the Single Audit Act, such as a local government or not-for-profit organization, one such engagement must also be selected to perform an evaluation of the firm’s single audit compliance. Peer reviewers should also consider audit firm experience such as how many governmental audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on GAS engagements. Further consideration should be given to communications from regulatory agencies.

b. *Employee benefit plans*—For employee benefit plans under ERISA, the peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in limited versus full scope audits and in different types of benefit plans such as defined benefit, defined contribution, and voluntary health and welfare plans. If a firm has more than one of the preceding types of plans, the reviewer must consider the unique risks associated with that type of plan and document how these risks were addressed in the risk assessment. Peer reviewers should also consider audit firm experience such as how many ERISA audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on ERISA engagements. Further consideration should be given to communications from regulatory agencies.

c. *Depository Institutions*—For FDICIA engagements, peer reviewers should take into consideration the amount of total assets held by the federally insured depository institution (less than $500 million, more than $500 million, more than $1 billion). Peer reviewers should also consider audit firm experience such as how many FDICIA audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on FDICIA engagements. Further consideration should be given to the risks of the audited company such as the level of reporting the institution complies with (the holding company level or the bank subsidiary level and the regulatory issues associated with each), the balance of the lending portfolio (the industries and concentration percentage of the portfolio), any regulatory correspondence and examination results, capital ratios, financial institution
management experience, economic environment and geographic location of the institution, number of branches, and experience and longevity of the board of directors and audit committee.

d. **Broker-dealers**—The peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in carrying and non-carrying broker-dealers. Consideration of carrying broker-dealers should include carrying, clearing, and custodial broker-dealers. Consideration of non-carrying broker-dealers should include introducing broker-dealers. The peer reviewer should also consider other types of broker-dealers that fit the description of carrying and non-carrying broker-dealers in **Interpretation No. 63-2**. If a firm has more than one of the preceding types of audits, the reviewer must consider the unique risks associated with that type of audit and document how these risks were addressed in the risk assessment. For all broker-dealer engagements, the peer reviewer should consider audit firm experience such as how many broker-dealer audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on broker-dealer engagements. Further consideration should be given to communications from regulatory agencies. For non-carrying broker-dealers, the peer reviewer’s risk assessment is expected to address the risks associated with those broker-dealers (for example, if the broker-dealer has some form of custody and control that may create risk and require additional internal controls). If a firm has more than one of the preceding types of broker-dealer audits, the reviewer must consider the unique risks associated with that type of audit and document how these risks were addressed in the risk assessment. For all broker-dealer engagements, the peer reviewer should consider audit firm experience such as how many broker-dealer audits the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on broker-dealer engagements. Further consideration should be given to communications from regulatory agencies.

e. **Service Organizations**—The peer reviewer should consider whether the engagement selection process has adequately addressed the risks involved in different types of SOC engagements (SOC 1 and SOC 2 engagements). If a firm performs more than one of the preceding types of SOC engagements, the reviewer must consider the unique risks associated with that type of engagement and document how these risks were addressed in the risk assessment. Peer reviewers should also consider audit firm experience such as how many SOC engagements the firm performs, the length of experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, whether the firm utilizes a group that specializes in internal controls for completing its SOC engagements, and reasonableness of hours spent on SOC engagements. Additional considerations
should be given to whether the firm performs SOC engagements with significant sub-service organizations identified in the auditor’s opinion (inclusive method is higher risk than carve out). Further consideration should be given to communications from regulatory agencies. Although SOC 1 and SOC 2 engagements are different, noncompliance for one type may be indicative of noncompliance in the other. SOC 3 engagements are not must select engagements but when considering the pervasiveness of a systemic cause and the portion of the firm’s practice that may be impacted by matters identified with other SOC engagements, the reviewer should also consider SOC 3 engagements.

63-1

*Question*—Paragraph .63 of the standards requires that specific types or number of engagements must be selected in a System Review as well as specific audit areas. In a System Review, what specific types and number of engagements, if any, should be included in the sample of engagements selected for review or assessed at a higher level of peer review risk?

*Interpretation*—At least one of each of the following types of engagements is required to be selected for review in a System Review:

a. *Governmental*—*Government Auditing Standards*, issued by the U.S. Government Accountability Office, requires auditors conducting engagements in accordance with those standards to have a peer review that includes the review of at least one engagement conducted in accordance with those standards. If a firm performs an engagement of an entity subject to GAS and the peer review is intended to meet the requirements of those standards, at least one engagement conducted pursuant to those standards should be selected for review. Additionally, if the engagement selected is of an entity subject to GAS but not subject to the Single Audit Act and the firm performs engagements of entities subject to the Single Audit Act, at least one such engagement should also be selected for review. The review of this additional engagement must evaluate the compliance audit requirements and may exclude those audit procedures strictly related to the audit of the financial statements.

b. *Employee Benefit Plans*—Regulatory and legislative developments have made it clear that there is a significant public interest in, and a higher risk associated with, audits conducted pursuant to ERISA. Therefore, if a firm performs the audit of one or more entities subject to ERISA, at least one such audit engagement conducted pursuant to ERISA should be selected for review. Refer to *Interpretation No. 59-1*.

c. *Depository Institutions*—The 1993 FDIC guidelines implementing the FDICIA require auditors of federally insured depository institutions having total assets of $500 million or greater at the beginning of its fiscal year to have a peer review that includes the review of at least one audit of an insured depository institution subject to the FDICIA. If a firm performs an audit of a federally insured
depository institution subject to the FDICIA and the peer review is intended to meet the requirements of the FDICIA, at least one engagement conducted pursuant to the FDICIA should be selected for review. The review of that engagement should also include a review of the reports on internal control if applicable because those reports are required to be issued under the FDICIA when total assets exceed $1 billion.

d. **Broker-Dealers**—Regulatory and legislative developments have made it clear that there is a significant public interest in, and a higher risk associated with, audits of broker-dealers. The type of broker-dealer with the highest risk is a carrying broker-dealer. Therefore, if a firm performs the audit of one or more carrying broker-dealers, at least one such audit engagement (and the related attestation engagement) should be selected for review. It is also expected that if a firm’s audits of broker-dealers include only non-carrying broker-dealers, the team captain should be aware of and give special consideration to the risks associated with such broker-dealer audits in making engagement selections select at least one such engagement (including the related attestation engagement) for review.

e. **Service Organizations**—Due to the reliance on Service Organization Control Reports, particularly SOC 1 and SOC 2 reports, there is a significant public interest in examinations of service organizations relevant to user entities. Therefore, if a firm performs an examination of one or more service organizations and issues a SOC 1 or SOC 2 report, at least one such engagement should be selected for review. If a firm performs both SOC 1 and SOC 2 engagements and a proper risk assessment determined that only one SOC engagement should be selected, ordinarily a SOC 1 engagement should be selected over a SOC 2 engagement due to the reliance upon the report by other auditors. Because SOC 2 engagements are a new type of service, peer reviewers may deem it necessary to select both SOC 1 and SOC 2 engagements. However, there may also be situations in which it would be appropriate to pick on SOC 2 engagement and not select a SOC 1 engagement. An example may be that the SOC 2 engagements have not been previously selected and the SOC 1 engagements have been selected; the SOC 2 practice is growing and the SOC 1 practice is stable; and so on.

In complying with the requirements in the previous list, peer reviewers should also ensure that the engagements selected include a reasonable cross section of the firm’s accounting and auditing engagements, appropriately weighted considering risk. Thus, the peer reviewer may need to select greater than the minimum of one engagement from these industries in order to attain this risk weighted cross section. Refer to Interpretation No. 59-1.

The team captain’s consideration of this coverage should be discussed in his or her risk assessment documentation. This discussion should include any factors considered when the reviewed firm has a significant number of engagements in one of these high risk areas and it is not otherwise evident why only one engagement from the industry has been included in the scope of the review.
Appendix B

Illustration of a Representation Letter That Has No Significant Matters to Report to the Team Captain for a System Review

(The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain.)

October 31, 20XX

To [Name of Team Captain]:

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have provided a list of all engagements to the team captain with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued as of the date of this letter. This list appropriately identified and included, but was not limited to, all engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying-broker-dealers, and examinations of service organizations (SOC 1 and SOC 2 engagements), as applicable. We understand that failure to properly include engagements subject to the scope of the peer review could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body.

[For system reviews; customized where applicable] We have completed and issued the following must-select engagements and, to the best of our knowledge and belief, the peer review team has selected and reviewed at least one of each category:

1. Engagements performed under Government Auditing Standards
2. Compliance audits under the Single Audit Act
3. Audits of employee benefit plans
4. Audits performed under FDICIA

5. Audits of carrying broker-dealers

6. Examinations of service organizations (SOC 1 and SOC 2 engagements)

We have discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies with the team captain, if applicable. We have also provided the team captain with any other information requested, including communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. We confirm, to the best of our knowledge and belief, that there are no known restrictions or limitations on the firm’s or its personnel’s ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

Sincerely,

[Reviewed Firm Representative(s)]
Agenda Item 1.6

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 as a way 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:
- Approved revisions related to the process for resolving disagreements
- Approved revisions related to a firm’s reenrollment in the AICPA Peer Review Program.
- Approved revisions related to corrective actions and the AICPA Advanced Certificate Programs
- Approved the inclusion of non-carrying broker-dealer engagements as must-select engagements
- Considered integrating the AICPA’s Advanced Certificate Program into the reviewer qualification framework, specifically as it relates to employee benefit plan audit engagements
- Considered inclusion of familiarity threats and related safeguards examples in peer review guidance
- Discussed framework for clarifying the peer review standards
- Discussed proposals to enhance the conclusions section of peer review engagement checklists in order to help reviewers identify non-conforming engagements.

Upcoming tasks:
- Continued focus on clarifying the peer review standards
- Continued consideration of QCM review guidance revisions
- Further evaluation of ways to help reviewers identify nonconforming engagements
- A discussion of how the Data Analytics Guide impacts peer review
- Consider reintroducing the matrix “Guidance for Monitoring Findings” which was previously removed from PRP Section 3100.
- Assessment of guidance needed in response to the implementation of PRIMA;
  - Risk Assessment Toolkit in narrative form
- A discussion of how peer review guidance should address Cybersecurity advisory services

Education and Communication Task Force

Accomplished since last PRB meeting:
- Assessed feedback received from the 2017 AICPA Peer Review Program conference
- Have begun to plan for the 2018 conference including:
  - Discussing a draft agenda, including potential concurrent session topics
  - Discussing potential conference case topics
- In the process of updating the on-demand training courses for:
- Team Captain/Review Captain Ongoing training
- Employee Benefit Plan Must-Select Update training
- Governmental Must-Select Update training
- Developing content for RAB training webcast
  - This is optional training for existing RAB members and will be held on December 13th from 3pm to 5pm Eastern Time

**Upcoming tasks:**
- Analyze the peer reviewer pool by state, including must-select reviewers
- Continue to identify and implement improvements to the Peer Review website
- Update content for various live seminar offerings including:
  - Peer Review Update for State Societies
  - Advanced Course
  - Becoming a Peer Review Team Captain/Review Captain
  - Are You Ready for Your Firm’s Peer Review?
- Continue to issue communications on an as needed basis related to various Peer Review initiatives
- Update the various on-demand training offerings.

**Oversight Task Force**

**Accomplished since last PRB meeting:**
- Approved Report Acceptance Body (RAB) observation reports
- Reviewed responses from Administering Entities (AE) to RAB observation reports
- Approved responses from AEs to AE oversight visit reports
- Monitored the Enhanced Oversight results
- Reviewed sample of Enhanced Oversight reports for consistency
- Discussed type of feedback issued by AEs as a result of the Enhanced Oversights
- Discussed AE benchmarks

**Upcoming tasks:**
- OTF members will conduct AE oversight visits
- Monitor results of Enhanced Oversights
- Approve RAB observation reports
- Discuss AE benchmarks
- Monitor open reviews
- Monitor reviewer performance
Oversight Task Force Report - Summary of RAB Observations

Why is this on the Agenda?
2017 RAB Observations performed through September 30, 2017 as presented to the Oversight Task Force on October 18, 2017.

Our goal is to perform approximately three RAB observations per AE per year.

Summary of RAB Observations Performed

The chart below summarizes the statistics and includes a comparison to the prior year.

<table>
<thead>
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<td>RAB meetings</td>
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<td>AEs</td>
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<td><strong>Based on observers’ comments:</strong></td>
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<td>Acceptance delayed or deferred</td>
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<td>Feedback forms issued</td>
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<td>Monitoring letter issued</td>
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Recurring comments in the RAB observation reports include:

Items not initially identified by the RAB:
- Potential issue regarding auditor compliance with independence requirements of Government Auditing Standards (Yellow Book).
- Reviewers’ risk assessments were not comprehensive. Items not addressed include unique risks associated with employee benefit plan audits when the firm had multiple types.
- Firms’ response on the FFC forms did not address all items listed.
- Systemic cause missing or did not appropriately address the underlying cause of the finding on FFC forms.
- MFC forms included specific reviewer, firm or client names.
- Firm representation letters not consistent with the illustration in Appendix B of the Standards.
- Reviewer performance feedback not initially recommended when:
  - Reviewers did not appropriately aggregate and evaluate matters
  - Reviewers failed to identify non-conforming engagements
  - Oversight resulted in issues not previously detected by the reviewer

Other comments:
- Reviews are not consistently presented to the RAB free from open technical issues. This causes the RAB to spend extra time discussing reviews which ultimately leads to deferred or delayed acceptance.
• RAB members should review criteria for “delayed acceptance” and “deferral of a review” as set forth in the RAB Handbook.
• RAB members that performed or participated in a review did not recuse themselves from the meeting when their reviews were presented.
• RAB members did not meet the training requirements as established in the RAB Handbook.
• Technical reviewer, rather than committee member, signature on reviewer performance feedback form.

Administrative matters:
• Deferral letters not sent timely or at all.
• All required documents not included in the RAB package.

**Board Consideration**
None. For informational purposes only.
## Agenda Item 1.11A

**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation**

**Since Reporting at August, 2017 Meeting**

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<td>900010155711</td>
<td>Biondi-Shannon Panebianco Consulting, PLLC</td>
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<td>Nancy C. Smith CPA PA</td>
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<td>900005575822</td>
<td>Brenda S. Boyd CPA</td>
<td>TN</td>
</tr>
</tbody>
</table>
Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program Since Reporting at August 2017 Meeting

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 firm did not complete corrective actions designed to remediate deficiencies identified in the firm’s most recent peer review.

- Fylstra & Fylstra – Hawthorne, NJ
- David P. Guenther – Goodlettsville, TN
- Charles H. Houston – Spring, TX
- Sidney W. Sorensen – Arlington, TX

Failing to submit signed acknowledgement letter
The AICPA Peer Review Program terminated the following firms’ enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not timely submit evidence of agreement to perform remedial actions as required as a condition of completion of its peer review.

- Laudadio, Hayes & Associates – Coral Springs, FL
- Claude M. Bogues, CPA – Durham, NC

Consecutive non-pass reports in system reviews
The AICPA Peer Review Program terminated the following firm’s 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.
