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**AICPA Peer Review Board  
Open Session Highlights  
October 19, 2018  
Teleconference**

**PRB Members:**

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

**Absent:**

Jeannine Birmingham  
Mike Colgan  
Marty Shannon

**AICPA Staff:**

Jim Brackens  
Gary Freundlich  
Beth Thoresen  
Sue Lieberum  
Fran McClintock  
Tim Kindem  
Donna Freundlich  
Karen Aylor  
Ivory Bare  
Brad Coffey  
Jennifer Dintsch  
Kim Ellis  
Lisa Joseph  
Justin Long  
Tracy Peterson  
Susan Rowley  
Grace Taylor  
Andrew Volz  
Tricia Van Vliet  
Jessica Woody

**Observers:**

See attachment A

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

Mr. Kindem conducted the roll call of the Peer Review Board (PRB), staff and observer registrants. Mr. Parry called the meeting to order at approximately 1:05pm.

**Agenda Item 1.2: Approval of a Revised Effective Date for Annual Peer Review Information (PRI) Form - Mr. Pope**

*Discussion Summary:* Mr. Pope provided a summary of the information included in agenda item. Specifically, the Standards Task Force (STF) was requesting that the PRB delay the effective date of the annual PRI form requirement by one year, in other words, for PRI forms generated after May 1, 2020.

*Resolutions:* The revised effective date for the annual PRI requirement was approved unanimously.

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*Open Items:* None

### **Agenda Item 1.3: Discussion of Potential Revisions to Guidance Related to Broker-Dealers - Ms. Bare**

*Discussion Summary:* Ms. Bare provided an update on recent proposed legislation that, if passed, would potentially affect peer review guidance related to broker-dealer audit engagements.

Specifically, in June of this year, the *Small Business Audit Correction Act of 2018* was introduced to amend the Sarbanes-Oxley Act of 2002. This bill aims to allow non-carrying broker-dealers to have their audits performed under GAAS, rather than PCAOB standards. It is possible, though not probable, that the bill will be law by the end of 2018.

This potential legislation would not, however, change SEC independence rules and peer review staff remain committed to reminding firms and reviewers that this change in auditing standards would not mean auditors can assist with the preparation of those financial statements. Additionally, the related agreed upon procedure engagement performed for the Securities Investor Protection Corporation (SIPC) would likely still need to be performed in accordance with PCAOB standards for the time being.

As this legislation would potentially impact the peer review administration of firms that perform these engagements, Staff are monitoring its progress closely and are working with relevant stakeholders to determine what changes to peer review guidance, if any, are necessary.

### **Agenda Item 1.4 Task Force Updates**

*Discussion Summary:*

#### **Oversight Task Force (OTF) – Mr. Bluhm**

Mr. Bluhm provided an overview of items related to the OTF included in agenda item 1.4, including:

- Reviewer performance: New reviewer performance functionality has been introduced into PRIMA.
- Enhanced oversight: OTF continues to evaluate the consistency and materiality of comments included in reports produced for each oversight. The goal is to ensure that only material items are included in any oversight report. Additionally, subject matter experts will now focus on a firm's risk assessment for the non-single audit portion of any single audit engagement reviewed. Finally, for the 2019 enhanced oversight year, the number of times a reviewer can be randomly selected has been capped at two. If a reviewer has been selected twice in the random sample, they will not be selected in the targeted sample.
- RAB observations: A summary of common items noted in RAB observations were included in agenda item 1.4A. The OTF continues to evaluate the tone and consistency of items included in reports submitted to administering entities.
- Other items: An earlier email noted that a proposal to revise technical reviewer and RAB member qualifications would be discussed during this meeting. Staff is still collecting feedback from stakeholders related to this item (originally included in the August 2018 open session materials) and a revised proposal is scheduled to be presented at the January 2019 PRB meeting.

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### **Education and Communication Task Force (ECTF) – Ms. Kerber**

Ms. Kerber provided an overview of items related to the ECTF included in agenda item 1.4, including:

- The task force is currently in the process of assessing feedback from the 2018 Peer Review Conference. Feedback was generally positive.
- Staff are developing materials for the RAB member webcast that is scheduled for November 15<sup>th</sup>. Interested individuals can register for the webcast [here](#).
- A [September reviewer alert](#) was published that discusses the updated guidance related a peer reviewer's assessment of non-compliance with the risk assessment standards.
- A webcast related to these recent risk assessment changes was held three times between September 16<sup>th</sup> and October 4<sup>th</sup>. An archive of the webcast can be accessed [here](#).
- The task force is updating the process for selecting instructors for peer review courses. Once complete, the revised guidance, which is applicable for administering entities, will be published in PRIMA, and included in a reviewer alert.
- Staff and task force members continue to work on items designed to enhance the peer reviewer pool. This includes, but is not limited to, the development of promotional materials, changes to reviewer resume and updating the website.

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

Mr. Pope provided an overview of items related to the STF included in agenda item 1.4 including:

- The task force is assessing the sufficiency of risk assessment questions in peer review engagement checklists.
- The task force continues to work on its project to clarify peer review guidance. Mr. Pope then provided an overview of agenda items 1.4B through 1.4D.
- The task force will also continue to assess how new types of engagements, for example, cybersecurity engagements, affect peer review guidance.

### **Agenda Item 1.5 Operations Director's Report – Ms. Thoresen**

*Discussion Summary:*

Ms. Thoresen discussed the following topics:

- More than 200 fixes and enhancements have been implemented to PRIMA this year and process improvements have decreased the number of defects associated with new enhancements. There was only one defect from the September release, which affected 35 users and was resolved within one week.
- PRIMA was unavailable for emergency maintenance for two hours on September 10 to address response time issues caused by a disk space problem. Our vendors have resolved the root cause and implemented measures and additional monitors to prevent future outages.
- 85% of calls are consistently answered between 8 AM - 8PM Eastern time and emails and voicemails are consistently responded to within one business day.
- In 2019 we will continue to implement enhancements to the PRIMA user experience including a focus on reviewer search and reporting enhancements as well as tools to assist firms with using PRIMA.

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## **Agenda Item 1.6: Report from State CPA Society CEOs – Ms. Birmingham**

### *Discussion Summary:*

Mr. Parry, on behalf of Ms. Birmingham, noted that the state CEOs would meet after open session and therefore would have more to report at the upcoming PRB meeting in January 2019. Administering entities have continued to reach out to AICPA staff with ongoing PRIMA issues and they are being addressed.

## **Agenda Item 1.7: Update on National Peer Review Committee – Mr. Fawley**

### *Discussion Summary:*

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

- The NPRC has not met since the last PRB meeting. The next meeting is Thursday, October 25.
  - This meeting will consist of, among other items, the presentation of one large firm review and one QCM review.
- Since the August PRB meeting, the NPRC has held 4 RAB meetings. During those meetings 35 reviews were presented: 26 Pass, 9 Pass with Deficiencies, and 0 Fail.

## **Agenda Item 1.8: Update on QCM Project - Ms. Rowley**

### *Discussion Summary:*

Ms. Rowley provided a summary of the recently revived QCM project. The objective is to transition traditional Quality Control Material (“QCM”) Reviews performed under peer review guidance to an examination under the SSAEs on QCM (“QCM Examination”), while ensuring QCM providers and users (including peer reviewers) have a means to evaluate the reliability of the QCM.

The new guidance will address:

- Users’ expectations. A QCM examination will be better aligned with professional standards and the level of assurances they provide.
- Technological advancements in QCM. When the QCM guidance was originally drafted, QCM only consisted of written (flat) guides and practice aids. QCM now often includes complex technology and would be better aligned with some of the concepts in a SOC 2 engagement and in a SOC for an Entity’s Cybersecurity Risk Management Program engagement.

This project will include the:

- Development of guidance in the form of a ‘guide’ issued by the ASB (with cooperation from the Assurance Services Executive Committee (ASEC)) for performance and reporting on the QCM examinations.
- Development of peer review guidance (for example, a peer review interpretation) for peer reviewers relying on the QCM examinations when performing a firm’s peer review.
- Revision of guidance for peer reviewers when there is no QCM review or QCM examination to be relied upon when performing a firm’s peer review.

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- Elimination of existing guidance related to traditional QCM reviews and the reliance on them by peer reviewers.

We expect to present draft guidance for peer reviewers relying on the QCM examinations when performing a firm's peer review at a January STF meeting and the January PRB meeting. Finally, AICPA staff have started planning for the development of the "AICPA Guide to Performing and Reporting on Examinations under the SSAEs on QCM."

### **Agenda Item 1.9: Other Business – Mr. Parry**

#### *Discussion Summary:*

Mr. Parry then asked if there were any questions or additional topics that any PRB members or other observers wanted to discuss.

Mr. Brooks requested additional information from AICPA staff regarding a particular firm performing ERISA engagements in North Carolina. Ms. Joseph responded that she would reach out to Mr. Brooks directly to discuss the matter.

Mr. Brackens then discussed some initiatives related to items involving state boards of accountancy (SBOAs). Specifically, Staff is revising chapter 3 in the Oversight Handbook related to the formation of peer review oversight committees (PROCs) and Staff are making revisions to a toolkit developed related to complying with requests of information from SBOAs. Mr. Brackens also noted that NASBA's Compliance Assurance Committee (CAC) is developing a guide for SBOAs related to the formation of PROCs. Staff recommended that this guide incorporate information related to the composition of PROC, including, for example, recommendations related to avoiding conflicts of interest. In January, Staff plans to further discuss the revised chapter 3 of the Oversight Handbook, including a discussion about avoiding conflicts of interest.

### **Agenda Item 1.10: For Informational Purposes**

- A. AICPA PRB Annual Report on Oversight
- B. Compliance Update - Firm Noncooperation
- C. Report on Firms Whose Enrollment was Dropped or Terminated

#### *Discussion Summary:*

No discussion occurred at the meeting related to these items.

### **Agenda Item 1.11: Future Open Session Meetings**

- A. January 30, 2019 Open session – Scottsdale, AZ
- B. May 3, 2019 Open session – Durham, NC
- C. August 8, 2019 Open session – Washington, DC

The meeting adjourned at approximately 1:53 pm.

## AICPA Peer Review Board Meeting

Participants for Peer Review Board Open Session  
October 19, 2018

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