

## 2018 Peer Review Conference General Session FAQs

### General Session Questions

**Why are Report Acceptance Body (RAB) packages frequently incomplete? For example, some have incomplete checklists or have multiple versions of the same material. Is there a quality control in place?**

Administering entities (AEs) use PRIMA to create RAB packages that include documents uploaded to PRIMA by the reviewer and technical reviewer. The quality of those materials is likely dependent upon the quality of the uploaded documents. We have discussed with AEs on multiple occasions how the PRIMA functionality works and explained the limitations of PDF documents. AEs should also establish policies and procedures regarding document revisions, including the uploading of multiple versions of documents in PRIMA; as well as for reviewing the completeness of any set of RAB materials provided to a RAB or Committee for acceptance. AICPA Staff continue to work with AEs to reduce these types of issues in the future.

**Is there any plan to create other tools or resources to assist peer reviewers with the risk assessment they perform as part of a peer review?**

Yes, AICPA Staff intend on creating an enhanced tool (when compared to the tool currently located in the System Review Practice Management Toolkit available on the [Practice Management Toolkit Webpage](#)) for peer reviewers designed to assist in the performance of a peer review risk assessment. Stay tuned for updates!

**Has the AICPA's OnPoint PCR tool been subject to a quality control materials (QCM) review? If not, what impact does that have on the firm's review and the amount of work the peer reviewer will need to do?**

As previously discussed at recent Peer Review Board (PRB) meetings, the AICPA has been involved with the development of OnPoint PCR which combines AICPA methodology and guidance with CaseWare's dynamic new cloud platform, to provide QCM to support the performance of preparation, compilation and review (PCR) engagements. To avoid any concerns about the AICPA's objectivity in conducting practice monitoring and its involvement with traditional QCM reviews, the AICPA is hiring an independent 3rd party to perform a QCM examination of OnPoint PCR. Related peer review guidance to address this situation is still in development and should be presented to the PRB for approval at its January 2019 meeting. In the meantime, reviewers should use existing guidance related to evaluating the results of a traditional QCM review and what to consider when one is not available.

**Is there consideration to allow the firm to enter the number of hours and engagements and the reviewer to enter what they reviewed? Seems like the first should be a firm responsibility.**

Engagement related statistics can be entered by the peer reviewer or the reviewed firm for either an Engagement Review or a System Review. Since preferences vary, peer reviewers are encouraged to communicate with the reviewed firm up-front to establish an understanding of who will input this information in PRIMA.

For Engagement Reviews, the review case (which has an ID with the following format: RVW-123456) is initially assigned to the reviewed firm to complete engagement related statistics in the Engagement Summary Form. The review case is then sent to the review captain.

For System Reviews, the review case is initially assigned to the team captain. The team captain can then assign the review case to the reviewed firm to populate the Scope and Results of Engagements Form.

**If you have a nonconforming engagement that is only taken to an MFC, do you refer to the MFC in the representation letter?**

Yes. When an MFC is associated with a nonconforming engagement and it is not elevated to a finding or deficiency, the firm representation letter should reference its planned or taken actions to remediate the nonconforming engagement as stated on the MFC. For example, the firm may state in its representation letter “We confirm that we will implement the remedial plans for nonconforming engagements stated in our response to the Matter for Further Consideration Form.”

**If the firm is not planning to remediate nonconforming engagements, should the paragraph in the firm representation letter discussing the remedial plans, etc. not be included?**

In its representation letter, the firm is required to confirm it will remediate nonconforming engagements as stated by the firm on the Matter for Further Consideration Form, Finding for Further Consideration Form or Letter of Response, as applicable.

In a System Review, a firm’s failure to appropriately remediate nonconforming engagements is a strong indicator of a tone at the top weakness and the team captain should consider whether a related deficiency is appropriate. In general, if firms can articulate their consideration of the professional standards and why the actions taken or planned are deemed appropriate by the team captain, it would not result in a tone at the top deficiency. Firms are discouraged from defaulting to a response of “we’ll fix it on the next engagement” without thought behind that response. It may be the appropriate response in certain situations, but firms should be able to articulate why that is the appropriate response.

**Is it always correct to use the most recent peer review checklists, or do you need to consider the peer review year or engagement date?**

Generally, reviewers should use the most recent peer review checklists when performing a peer review. However, the reviewer should document their rationale somewhere in their peer review working papers if using a previous version of a checklist is considered appropriate.

For example, a previous version of an engagement checklist may be used if it more adequately evaluates the firm’s compliance with professional standards applicable to the engagement being reviewed. One such situation would be using the 22,100A and 22,100B checklists (instead of 22,100 Part A-UG and 22,100 Part B-UG) if you happen to be reviewing an A-133 engagements not subject to the Uniform Guidance (for whatever reason).

**Is a manager qualified to perform engagement quality control reviews (EQCR)?**

A manager would need to meet the qualifications of an engagement quality control reviewer as detailed in the relevant standards and in the firm’s quality control policies and procedures. The definition of an engagement quality control reviewer provided in QC Section 10 states:

Engagement quality control reviewer. A partner, other person in the firm, suitably qualified external person, or team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments that the engagement team made and the conclusions it reached in formulating the report.

### **Is the peer reviewer pool in each state published somewhere?**

Some state societies may keep directories of reviewers in their state and can supply you with a list of firms that are interested in performing reviews of other firms if requested. The AICPA also maintains a [reviewer search](#) feature on our website that you can use to search for reviewers by location, industry or AE.

## **Engagement Review Topics**

### **What must be selected if the firm performs the following:**

- A review engagement
- A compilation with disclosures
- A compilation without disclosures
- A preparation with disclosures
- A preparation without disclosures

While the number of partners at the firm performing these engagements could impact the engagements selected, for the sake of simplicity, let's assume the firm is a sole practitioner. In this case, the review captain would select a review engagement, a compilation with disclosures and a compilation without disclosures. This would satisfy the requirements outlined in paragraph .104 of the Peer Review Program Standards.

### **If a firm says they do nonattest services on the questionnaire and say they have met documentation requirements for independence, do you ever need to request the documentation?**

Yes. According to paragraph .107 of the Peer Review Program Standards states "For each engagement selected for review, the reviewed firm should submit the appropriate financial statements or information and the accountant's report, masking client identity if it desires, along with specified background information, representations about each engagement and the firm's documentation required by applicable professional standards for each of these engagements." As the AICPA Code of Professional Conduct would apply in this scenario, the review captain should obtain and review the relevant documentation related to these standards. For example, the PRP Section 23,200 checklist (Engagement Reviews – General for Engagements Performed in Accordance With SSARS) contains several questions related to whether the firm complied with the documentation requirements related to the performance of nonattest services.

### **The matter of omitted headings on the review report being omitted is NOT addressed in Appendix E of PRPM Section 6200. Where would we find this guidance?**

Appendix E of PRPM Section 6200 ("Areas of Common Noncompliance with Applicable Professional Standards") states that the failure to adopt current applicable standards or the accountant's report does not contain the critical elements of the current applicable standards constitutes a matter that generally would result in a deficiency or significant deficiency in an

Engagement Review. As such, and further articulated in a previous Reviewer Alert, an accountant's report for a review engagement that does not contain any of the appropriate paragraph headings would result in a deficiency or significant deficiency in an Engagement Review. An accountant's report for a review engagement that contains some of the appropriate paragraph headings, but not all, should remain as either a matter or a finding.

**As a peer reviewer if you write an MFC on an engagement review and do not elevate it to an FFC, you have to defend yourself. Do you agree?**

A matter in an Engagement Review typically results from one or more "No" answers to questions in peer review questionnaire(s). A finding in an Engagement Review is one or more matters that the review captain has concluded result in financial statements or information, the related accountant's reports submitted for review, or the procedures performed, including related documentation, not being performed or reported on in conformity with the requirements of applicable professional standards. Based on these definitions, it is often appropriate to elevate identified matters to a finding. However, the DMFC instructions indicate situations exist where a review captain may determine that a matter should not be included on an FFC form or in the peer review report. One example given is when the matter is cleared with the firm. In any situation, however, the review captain should provide documentation that describes the basis for any significant decisions reach in the course of the peer review.

**Can you discuss the expectations (by the RAB) to recall and reissue nonconforming engagements?**

According to Interpretation No. 67-2 reviewers or AEs (in this case AEs primarily refers to technical reviewers and report acceptance bodies) should not instruct firms to perform omitted procedures, reissue accounting or auditing reports or revise and reissue previously issued financial statements because those are decisions for the firms and their clients to make. However, the AE can require the firms to make and document appropriate considerations regarding such engagements as a condition of acceptance of the peer review. The firm's response may affect other monitoring actions the AE's peer review committee may impose, including actions to verify that the firm adheres to the intentions indicated in its response.

**For Engagement Reviews, it would be more efficient if a review captain could update the Review Summary – Engagement Summary Form and Statistics to agree with the Appendix A submitted by the firm to minimize the back and forth. Has this been considered?**

Review captains can use the "Retrieve" functionality (added in May 2018) to obtain rights to the RVW case from the reviewed firm, which is intended to reduce back-and-forth between reviewers and firms. Please refer to the PRIMA Help article titled "[Retrieving Case from Firm/AE for Edits](#)", which outlines how to use this function.

## Questions from Ethically Speaking Session

**If the firm does not provide the client with fixed asset schedules or tax accrual work (as examples) that the firm assists the client with maintaining - is this considered hosting?**

If the member didn't provide the schedules, but was able to comply with the requirements of the [General Requirements for Performing Nonattest Services](#) interpretation in connection with these nonattest services in another way, then the member would not be providing hosting services.



**Will report deficiencies noted during data mining result in an ethics violation referral?**

The Ethics Division is working with the Peer Review team to discuss effective and timely remediation of the firm and the individual simultaneously. A process change that is being contemplated is for Ethics to data mine the DOL's E-Fast system and the Federal Audit Clearinghouse, reviewing financial statements and accompanying audit reports from these two data bases, and when major departures from professional standards are noted, members would be: informed of the errors and reminded of their responsibilities under GAAS; provided with recommendations for steps the member can take to mitigate future problems; informed that peer review will be copied on the letter, which will be shared with the firm's QC partner and the team captain on its next peer review; and informed that an engagement of the firm may be selected for review under peer review's enhanced oversight program.

**Would a prepaid insurance schedule maintained by the firm for a client be considered hosting?**

Unfortunately, the answer is dependent on what is meant by "maintained." Ultimately, the member needs to make sure that they are complying with the requirements of the [General Requirements for Performing Nonattest Services](#) interpretation in connection with preparing the prepaid insurance schedule.

**Can you briefly describe the significant of NOCLAR and its impact on the profession?**

On May 12, 2017, the comment period ended for the exposure draft "**Responding to Non-Compliance with Laws and Regulations**," in which new interpretations were proposed applicable to members in public practice and in business. This began as an International Ethics Standards Board for Accountants (IESBA) convergence project to provide guidance to members that discover possible non-compliance with laws and regulations. The PEEC NOCLAR Task Force is currently working through revisions and comment letters which include issues such as requiring or allowing identification of NOCLAR to third parties without client consent and whether the interpretation should exclude some or all non-audit services.