



February 26, 2019

Peggy Dzierzawski, CAE, President and CEO
Karen Welch, CPA, Peer Review Committee Chair
Michigan Association of CPAs
5480 Corporate Drive, Suite 200
Troy, MI 48098

Dear Ms. Dzierzawski and Ms. Welch:

On February 22, 2019, the AICPA Peer Review Board Oversight Task Force accepted the report and letter of procedures and observations on the most recent oversight visit for the Michigan Association of CPAs, the administering entity for the AICPA Peer Review Program, and the administering entity's response thereto. A copy of this acknowledgement, the two oversight visit documents, and your response have now been posted to the AICPA Peer Review Program website.

The next administering entity oversight visit will be in 2020.

The AICPA Peer Review Board appreciates your cooperation and efforts in making the peer review program a success.

Sincerely,

Brian Bluhm

Brian Bluhm, CPA
Chair – Oversight Task Force
AICPA Peer Review Board

cc: Peggy Haw-Jury, CPA, SVP, Chief Financial Officer
Michigan Association of CPAs

Laurel Gron, CPA, Senior Manager – Peer Review
AICPA Peer Review Program

Oversight Visit Report

September 13, 2018

To the Peer Review Committee
Michigan Association of Certified Public Accountants

We have reviewed Michigan Association of Certified Public Accountants' administration of the AICPA Peer Review Program (program) as part of our oversight program. Michigan Association of Certified Public Accountants is responsible for administering the program in Michigan. Our procedures were conducted in conformity with the guidance established by the AICPA Peer Review Board (board) as contained in the *AICPA Peer Review Program Oversight Handbook*.

Administering Entity's Responsibility

The administering entity is responsible for administering the AICPA Peer Review Program in compliance with the *AICPA Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board.

Oversight Task Force's Responsibility

Our responsibility is to determine whether (1) administering entities are complying with the administrative procedures established by the board as set forth in the *AICPA Peer Review Program Administrative Manual*, (2) the reviews are being conducted and reported upon in accordance with the standards, (3) the results of the reviews are being evaluated on a consistent basis by all administering entity peer review committees, and (4) information disseminated by administering entities is accurate and timely.

Conclusion

Based on the results of the procedures performed, we have concluded that the Michigan Association of Certified Public Accountants has complied with the administrative procedures and standards in all material respects as established by the board.

As is customary, we have issued a letter of oversight visit procedures and observations that details the oversight procedures performed and sets forth recommendations that were not considered to be of sufficient significance to affect the conclusions expressed in this report.



Brian Bluhm, Member, Oversight Task Force
AICPA Peer Review Program

September 13, 2018

To the Michigan Association of Certified Public Accountants
Peer Review Committee

We have reviewed Michigan Association of Certified Public Accountants' (the Association) administration of the AICPA Peer Review Program as part of our oversight program and have issued our report thereon dated September 13, 2018. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described below were not considered to be of sufficient significance to affect the conclusions expressed in that report.

The oversight visit was conducted according to the procedures in the *AICPA Peer Review Program Oversight Handbook*. An oversight program is designed to improve the administering entity's administration of the AICPA Peer Review Program through feedback on its policies and procedures, and to provide resource assistance from an AICPA Peer Review Board Oversight Task Force member on both technical and administrative matters.

In conjunction with the oversight visit of the Michigan Association of Certified Public Accountants, the administering entity for the program, conducted on September 12-13, 2018, the following observations are being communicated.

Administrative Procedures

On September 12, 2018, Dan Goff, Oversight Task Force member, and I met with the Association's Peer Review Specialist and Peer Review Senior Manager to review the program's administration. We believe the administrative processes were being handled in a manner consistent with peer review standards.

We reviewed the files, which were still open due to follow-up actions, which had not yet been completed. We found that the follow-up actions were being effectively monitored for completion by the administrative staff and the peer review committee.

We also reviewed the policies and procedures for the granting of extensions. We found that the Association's Peer Review Senior Manager handles short-term extension requests with discussion from the committee when the circumstances warrant.

We also reviewed the timeliness of technical reviews and the preparation of committee decision letters. We found no problems in these areas.

The Association has developed a backup plan to support the administrators and technical reviewers if they become unable to serve in their respective capacities.

Website Information

We met with the Peer Review Specialist to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their website is accurate and timely.

After the AICPA staff's review of the website material, we noted that the administering entity maintains current information as it relates to the peer review program. In addition, the administering entity has an individual who is responsible for maintaining the website and monitors the website on a weekly basis to ensure peer review information is accurate and timely.

Working Paper Retention

According to discussions with the Peer Review Specialist and Peer Review Senior Manager, we found compliance with the working paper retention policies for completed reviews.

Technical Review Procedures

On September 12, 2018, we met with the Association's three technical reviewers to discuss procedures. They perform all the Association's technical reviews.

We reviewed the reports, letters of response, if applicable, and the working papers for several reviews being presented to the report acceptance body (RAB) on September 13, 2018. We noted several reviews in which technical matters had not been sufficiently addressed by the technical reviewers, resulting in extending discussion by the RAB, as well as the delay or deferral of several reviews. The matters noted included, but were not limited to, the following –

- On two system reviews, the peer review documentation did not include consideration of significant peer review matters, including the team captain's basis for considering a different report rating when circumstances indicated a different report rating may have been appropriate and the team captain's basis for conclusions related to nonconforming engagements.
- On a system review, the technical reviewer did not recommend reviewer feedback when the technical review resulted in required revisions to the peer review report, letter of response, Summary Review Memorandum, and other peer review documentation.
- On a system review, the systemic cause included on the FFCs did not appear to be adequate.

Review Presentation

On September 13, 2018, and in a subsequent conference call on September 25, 2018, we attended the RAB meetings, in which we observed the RAB's acceptance process and offered our comments at the close of discussion for several reviews. As detailed above, we noted reviews which were presented to the RAB with open technical issues. There were instances in which such issues were not identified by the RAB, rather considered after our comments; however, the more substantive issues were appropriately identified and considered by the RAB. The RAB's consideration of those comments resulted in certain reviews being delayed or deferred, as well as reviewer feedback being provided to reviewers.

Committee Procedures

We met with the committee chair and discussed their procedures for disseminating the comments resulting from RAB observation reports to the appropriate individuals.

On September 13, 2018, we attended the off-site RAB meeting, as well as the peer review committee meeting. We observed the committee's acceptance process and offered our comments at the close of discussions.

The RAB meeting was very orderly and it was apparent that the committee members had reviewed the reports and working papers prior to the meeting and had a good understanding of the program to reach an appropriate decision for each review.

Appropriate decisions were made in the acceptance process, including assigned corrective actions and reviewer monitoring. Reviews were being presented to the RABs on a timely basis.

However, we noted instances where reviewer performance feedback forms should have been provided but were not. The committee should take appropriate steps to ensure that reviewer performance feedback forms are issued to reviewers as the need arises. This serves as an educational process for reviewers and helps ensure that problems noted are not repeated in future reviews.

We noted an instance in which the RAB did not consider whether the reviewed firm should be referred for non-cooperation when the firm had received two consecutive non-pass reports. The RAB and committee are not required to refer the reviewed firm in this circumstance; however, are required to consider whether the firm should be referred.

We noted that waivers and replacements of corrective actions and implementation plans is approved by the Association's technical reviewers, rather than by a RAB, as required by Chapter 6 of the RAB Handbook. Requests for waivers or replacements of corrective actions and implementation plans should be reviewed by technical reviewers prior to presentation to a RAB; however, final approval is the responsibility of the RAB.

Oversight Program

The Association's peer review committee has adopted a formal oversight program that is well documented. We reviewed the document and procedures performed and found it to be comprehensive.

Summary

Our observations to enhance the Association's administration of the program are summarized as follows:

- Technical reviewers should ensure that all technical matters are addressed prior to reviews being presented to the RAB, or in circumstances that the technical reviewer has identified matters that warrant RAB consideration, specifically identify those matters in the materials provided to the RAB members for their consideration during their preparation for the RAB meeting.
- Technical reviewers and RAB members should consider and provide feedback to reviewers when appropriate, particularly in situations in which significant revisions were required to be made to peer review documentation for reviews to be presented to a RAB and/or in situations in which reviewer conclusions do not appear reasonable or are not supported by an appropriate basis for the reviewer's conclusions.
- Requests for waivers and replacements of corrective actions and implementation plans should be approved by a RAB, rather than by technical reviewers.
- RABs should consider whether a reviewed firm should be referred for non-cooperation in all instances where the reviewed firm has received consecutive non-pass reports.



Brian Bluhm, Member, Oversight Task Force
AICPA Peer Review Program

February 12, 2019

Brian Bluhm, Member, Oversight Task Force
AICPA Peer Review Board
Palladian I Corporate Center
220 Leigh Farm Road
Durham, NC 27707-8110

Re: Oversight Visit to Michigan Association of CPAs

Dear Mr. Bluhm:

This letter represents our response to the report and letter of procedures and observations issued in connection with the review of the Michigan Association of CPAs' administration of the AICPA Peer Review Program (program) performed on September 12/13, 2018. The matters discussed herein were brought to the attention of all peer review program committee members, administrative staff, and technical reviewers. In addition, the matters discussed in this letter will be monitored to ensure they are effectively implemented as part of our administration of the AICPA Peer Review Program.

Observations that did not affect the report

Technical Review Procedures

- Technical reviewers should ensure that all technical matters are addressed prior to reviews being presented to the RAB, or in circumstances that the technical reviewer has identified matters that warrant RAB consideration, specifically identify those matters in the materials provided to the RAB members for their consideration during their preparation for the RAB meeting.

Technical reviewers will address all matters possible, prior to presentation of reviews. A document has been developed for technical reviewers to identify and explain open issues that warrant RAB consideration. This document will be included in the RAB package.

- Technical reviewers and RAB members should consider and provide feedback to reviewers when appropriate, particularly in situations in which significant revisions were required to be made to peer review documentation for reviews to be presented to a RAB and/or in situations in which reviewer conclusions do not appear reasonable or are not supported by an appropriate basis for the reviewer's conclusions.

Technical Reviewers will apply more consideration for feedback during the technical review and provide substantial support for feedback provided and/or background information to help support RAB decisions. In addition, the CPA on Staff will employ skepticism while observing RAB discussion and question if feedback should be considered where none has been recommended when substantial discussion of reviewer performance has taken place.

- Requests for waivers and replacements of corrective actions and implementation plans should be approved by a RAB, rather than by technical reviewers.

Requests for waivers and replacements of corrective actions and implementation plans are now being sent to a RAB for consideration and approval.

Committee Procedures

- RABs should consider whether a reviewed firm should be referred for non-cooperation in all instances where the reviewed firm has received consecutive non-pass reports.

RAB meeting agendas will include indications of consecutive non-pass reports for firms being presented for review to insure consideration of non-cooperation has taken place where appropriate. Committee decisions regarding referrals will be included in the meeting minutes.

We appreciate Brian Bluhm's constructive advice and suggestions.

Sincerely,



Peggy Dzierzawski, MICPA CEO



Karen L Welch, MICPA Peer Review Committee Chair