

# NEW YORK STATE EDUCATION DEPARTMENT

## Peer Review Oversight Committee Meeting Agenda

NYS Education Department: Room 211, 89 Washington Avenue  
Albany, NY 12234

### Other Locations:

20 Sloan Drive, Greenwich, NY 12834  
100 Jericho Quadrangle, Jericho, NY 11753  
432 Western Ave, Albany, NY 12203  
410 East Upland Road, Ithaca, NY 14850  
28 E Main St, Rochester, NY 14614  
21 Greatwater Avenue, Massapequa, NY 11758

February 1, 2023

9:00 a.m. Public Session

• Review and Approval of Minutes from the October 26, 2022 meeting	Pages 2 - 3
• PROC Member Update – Farewell & Recruitment	
• Future PROC Meetings: <ul style="list-style-type: none"><li>○ May 17, 2023, 10:00 a.m. –80 Wolf Rd, Albany, NY</li><li>○ August 2023, TBD</li></ul>	
• AICPA Peer Review Board Open Meetings <ul style="list-style-type: none"><li>○ November 16<sup>th</sup></li><li>○ Future Peer Review Board Open Meetings in 2023:<ul style="list-style-type: none"><li>▪ November 16<sup>th</sup></li><li>▪ February 8<sup>th</sup></li><li>▪ May 3<sup>rd</sup></li><li>▪ September 7<sup>th</sup></li><li>▪ November 16<sup>th</sup></li></ul></li></ul>	Pages 4 - 59
• PCAOB – A Firm’s System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, and Forms	Pages 60 - 68
• NYS Public Accountancy - Mandatory Peer Review Website	Pages 69 - 74
• New Business	

10:00 a.m. Executive Session

# NEW YORK STATE EDUCATION DEPARTMENT

## Peer Review Oversight Committee

### Meeting Agenda

NYS Education Department: Room 201, 89 Washington Avenue  
Albany, NY 12234

### Other Locations:

28 East Main Street, Rochester, NY 14614  
33 Century Hill Drive, Latham 12110  
454 Western Ave., Albany, NY 12203  
21 Greatwater Avenue, Massapequa, NY 11758  
360 Madison Avenue, New York, NY 10017

October 26, 2022

### The following members were present:

Frank S. Venezia, CPA, Chair	David Pitcher, CPA
David Iles, CPA (non-voting public session)	Grace G. Singer, CPA
Mitchell Mertz, CPA	

### The following members were absent:

Mary E. MacKrell, CPA, Vice Chair

### Others in attendance:

Jennifer Winters, CPA, Executive Secretary, NYS Education Department  
Thomas Cordell, Auditor 2, NYS Education Department  
Philip Jesmonth, Auditor 1, NYS Education Department

**Call to Order:** Chair called to order at 9:00 a.m.

**Minutes:** Based on a motion made by Mr. Mertz, seconded by Mr. Pitcher, the Committee approved the August 3, 2022, meeting minutes.

**Future Meetings:** Ms. Winters noted that future meetings via WebEx Video Conference must list the individual member's address of where they will be attending. These locations must be open to the public. The Committee has scheduled the following future meetings:

- February 1, 2023, 9:00 a.m. - Video Conference
- May 17, 2023, 10:00 a.m. -80 Wolf Rd, Albany, NY
- August 2023, TBD

### **AICPA Peer Review Board Open Meetings**

September 9<sup>th</sup> – Mr. Cordell noted the following: The Guidance is outdated when it comes to familiarity threats and will be revised and presented to the AICPA's Peer Review Board later this year. The AICPA will be working with the Administering Entities to achieve this. A successful peer review conference was completed in August. There is an issue with peer reviewers performing bad reviews. They are not looking to decrease the number of peer reviewers in the pool but will be addressing the issue. Peer reviewers will need to find successors to conduct future peer reviews. Peer reviewers are too busy to take on more peer

reviews thus creating a backlog. A suggestion for firms to bring the peer review process earlier to help alleviate this shortage. The goal is a more timely and efficient peer review process to not discourage new peer reviewers right out of the gate. Future meetings will continue to be virtual due to being effective.

Ms. Singer asked if they are addressing the increasing non-cooperation and Mr. Venezia mentioned it could be due to the lack of peer reviewers causing information not being addressed timely. If they can close out the backlog, it may be easier to form a succession plan. Mr. Pitcher noted that there is no supervision over technical reviewers. The Committee discussed writing a letter to the AICPA and NASBA to address the lack of succession plans, the issue of technical reviewers and lack of oversight, and punitive/money issues. Mr. Pitcher will draft the technical side of the letter and Ms. Singer will address the succession plan and punitive/money issue side. They will have these drafted by December 9, 2022 in hopes of creating a complete draft of the letter by January 18, 2023 to be included in the next PROC meeting materials for discussion.

Mr. Iles notes that the peer review conference had a lot of technical issues as a virtual attendee. The technical reviewers do not seem to be allowing for professional judgement and they are getting two different messages from both the Standards and the Administering Entity, PICPA.

**Future AICPA Peer Review Committee Open Meetings in 2022:**

November 16<sup>th</sup> - Ms. Winters and Mr. Cordell will attend the call.

**PICPA PRC and RAB Meetings:**

Mr. Mertz will attend the November 15, 2022, PRC meeting.

Ms. Singer will attend the December 15, 2022 RAB and May 18, 2023 PRC meetings,

**PICPA – Administering Entity Oversight Information Sheet** – As a follow up to the last meeting, Mr. Venezia contacted Ms. Henry asking if question 10 was a typo. Ms. Henry responded back that it is not a typo. They are no longer required to do an internal oversight inspection in the non-AICPA oversight year.

**New Business:**

NA

**Public Session:** With no other new business, a motion by Mr. Mertz and seconded by Ms. Singer, the Committee voted unanimously in favor of adjourning the public session at 9:35 a.m.

**Executive Session:** On a motion by Ms. Singer and seconded by Mr. Mertz, the Committee voted unanimously to enter executive session at 9:37 a.m.

On a motion by Ms. Singer and seconded by Mr. Pitcher, the Committee unanimously agreed to close executive session and end the meeting at 10:47 a.m.

Respectfully submitted,

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Jennifer Winters, CPA  
Executive Secretary



Peer Review  
Program

# Peer Review Board Open Session Materials

**November 16, 2022**

Virtual Meeting

**AICPA Peer Review Board  
Open Session Agenda  
Wednesday November 16, 2022  
Teleconference**

**Date:** Wednesday November 16, 2022

**Time:** 11:00AM – 1:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Mr. Bluhm
- 1.2 Approval of Exposure Draft - Omnibus Enhancements and Technical Corrections\* - Mr. Fawley
- 1.3 Task Force Updates\*
  - Standards Task Force Report – Mr. Fawley
  - Oversight Task Force Report – Mr. Bluhm
    - A – AE Benchmark Revisions
  - Education and Communication Task Force Report – Ms. Brenner
- 1.4 Other Reports\*
  - Operations Director's Report – Ms. Thoresen
  - Report from State CPA Society CEOs – Ms. Pitter
  - Update on National Peer Review Committee – Mr. Wagner
  - Update on the Proposed Criteria for QCM Content – Ms. Rowley
- 1.5 Other Business\*\* - Mr. Bluhm
- 1.6 For Informational Purposes\*:
  - A. Report on Firms Whose Enrollment was Dropped or Terminated
  - B. Compliance Update - Firm Noncooperation
  - C. Approved 2023 Association Information Forms for Associations of CPA Firms
  - D. AICPA Peer Review Program is Hiring! [Lead Manager Peer Review](#)
- 1.7 Future Open Session Meetings\*\*
  - A. February 8, 2023 – Teleconference
  - B. May 3, 2023 – Teleconference
  - C. September 7, 2023 – Teleconference
  - D. November 16, 2023 – Teleconference

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\* Included on SharePoint

\*\* Verbal Discussion

\*\*\* Will be provided at a later date

## Agenda Item 1.2

### **Proposed Exposure Draft: Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections***

#### **Why is this on the Agenda?**

In open session on February 2, 2022, the board approved final issuance of the clarified peer review standards (the standards), which have been effective for peer reviews commencing on or after May 1, 2022. Since then the Standards Task Force (STF) has monitored feedback from users to determine if certain enhancements or technical corrections to the requirements or application and other explanatory material were necessary. The purpose of this agenda item is to obtain approval from the board for issuance of the exposure draft presented in Agenda Item 1.2A, Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections* (PRSU No. 1), which has been developed to update various areas in the standards for technical accuracy and to provide further clarification for end-users based on feedback received.

#### **Process for Updating the Standards**

As discussed by the board in February and during its most recent meeting on September 7, the board intends to expose changes to the requirements for public comment for a reasonable period in most circumstances. However, discretion will be exercised in determining whether it is appropriate to revise application and other explanatory material without exposure for public comment. Because the updates proposed in PRSU No. 1 include revisions to requirements and the STF believes the changes to application and other explanatory material are important, exposure for public comment is considered appropriate. Furthermore, PRSU No. 1 is intended to start the process of cataloguing revisions to the standards so that end-users may refer to these updates, if needed, to identify the nature, timing and extent of revisions to the standards.

#### **Nature of Proposed Changes in PRSU No. 1**

The detailed changes reflected in PRSU No. 1 are summarized in the explanatory memorandum of Agenda Item 1.2A, which are broadly characterized as the following:

- Clarifications to wording of extant requirements or application material to assist users with understanding the original intent
- The introduction of some new requirements or application material paragraphs for consistency with similar requirements in other sections of the standards
- Updates to the example familiarity threat policies and procedures that are utilized by AEs
- Other corrections to various paragraph references for technical accuracy

#### **Feedback Received**

The STF and AICPA staff have continually monitored feedback from users of the standards since final issuance, which was discussed in its meetings during August and October. As a result of those discussions, PRSU No. 1 was developed to propose changes considered appropriate to correct or enhance portions of the extant standards.

#### **PRIMA Impact**

No direct effect on PRIMA is expected from the proposed changes.

#### **AE Impact**

If approved by the board, AEs will consider and apply the revisions to the standards in their processes for administering peer reviews.

**Communications Plan**

Because the changes proposed within Agenda Item 1.2A are not considered controversial nor present any significant changes to extant requirements and application material, the issuance of the exposure draft will be communicated to users of the standards via traditional communication methods including AE alerts, reviewer alerts and notifications within the PRIMA system.

**Manual Production Cycle (estimated)**

May 2023.

**Effective Date**

As proposed, the effective date of the update to the standards is upon final approval by the board, which is tentatively expected to occur during its open session meeting on May 3, 2023. If approved, the standards will be updated and available to users as part of the May 2023 PRPM update.

**Board Consideration**

The STF asks the board to consider approving for issuance the exposure draft presented in Agenda Item 1.2A with comments due by January 31, 2023, noting that

1. Revisions proposed are not deemed to be extensive or controversial in nature
2. A shorter exposure period (e.g. 30-45 days) would result in a lower response rate due to the timing of issuance and holiday season over the end of November and December, and beyond January 31 is not considered necessary as the extent of changes proposed do not appear to require significant time to review and provide comments.



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# EXPOSURE DRAFT

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## **Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections***

***(Amends AICPA Standards for Performing and  
Reporting on Peer Reviews, Effective for Peer  
Reviews Commencing on or After May 1, 2022)***

**November 16, 2022**

**Comments are requested by January 31, 2023**

**Prepared by the AICPA Peer Review Board for comment from  
interested persons.**

**Comments should be addressed to Brad Coffey at  
[PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)**



DRAFT

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## Explanatory Memorandum

### Introduction

This memorandum provides a summary of proposed Peer Review Standards Update (PRSU) No. 1, *Omnibus Technical Corrections*, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews (standards) issued by the AICPA Peer Review Board (board) and solicits input from all interested parties regarding this exposure draft and proposed revisions to the standards.

A copy of this exposure draft and the extant standards (effective for peer reviews commencing on or after May 1, 2022) are also available on the AICPA Peer Review website at [www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx](http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx).

### Background

The AICPA Peer Review Program (program) monitors the quality of reviewed firms' accounting and auditing engagements and evaluates the systems of quality control under which those engagements are performed. Participation in the program is mandatory for AICPA membership, as explained in paragraph .03 of PR-C section 100, *Concepts Common to All Peer Reviews*,<sup>1</sup> and peer reviews are now required for licensure in nearly all state licensing jurisdictions.

### Summary of Proposed Changes

Corrections have been made to various paragraph references for accurate cross-referencing, and the following summary represents additional revisions that the board believes to be appropriate for clarification and technical accuracy.

#### PR-C Section 100, *Concepts Common to All Peer Reviews*

- Paragraph .09 and paragraph .A11 are revised to further clarify the scope of engagements under PCAOB standards that require a system review.
- Paragraph .11 is revised to further clarify RAB member voting responsibilities for consent agenda items.

#### PR-C Section 200, *General Principles and Responsibilities for Reviewers*

- Paragraph .05f is revised to further clarify the requirement related to reviewer qualifications.

#### PR-C Section 210, *General Principles and Responsibilities for Reviewers — System Reviews*

- Paragraphs .05 and .06 are revised with reference to additional application and other explanatory material that describes that, in rare circumstances, exceptions to reviewer

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<sup>1</sup> All PR-C sections can be found in AICPA *Professional Standards*.

qualifications may be approved by the AICPA prior to the commencement of a review. This change is for consistency with extant paragraph .A1 in section 200.

- Paragraph .06b is revised to further clarify the requirement for reviewers to have current involvement in must-select engagements, when applicable.
- Paragraph .17 is revised to further clarify the requirement for reviewers to assess the design of a firm's quality control policies and procedures as part of planning a peer review.
- Paragraph .36 is revised to introduce a new paragraph .A31 of application and other explanatory material indicating that reviewers may consider appendix A in section 220 when evaluating certain engagements in system reviews.
- Paragraph .71 is revised to further clarify the requirement for additional documents team captains are to submit when a review is administered by the National Peer Review Committee.
- Paragraph .A69.09 (in appendix C) is revised to remove the statement that indicates priority in a reviewer's engagement selection should be given to SOC 1® engagements when the population of engagements includes both SOC 1 and SOC 2® engagements. Instead, reviewers are expected to consider whether selecting one or both engagements is appropriate based on identified peer review risks.

#### PR-C Section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*

- A new paragraph .06 is added to introduce a requirement that review captains are to meet training requirements established by the board, with reference to additional application and other explanatory material that describes in rare circumstances, exceptions to reviewer qualifications may be approved by the AICPA prior to the commencement of a review. This change is for consistency with extant paragraph .A1 in section 200.
- Paragraph .35 is added to introduce a requirement for review captains to submit additional documentation when an engagement review is administered by the National Peer Review Committee. This change is for consistency with the extant requirement for system reviews in paragraph .71 of section 210.
- Paragraph .A8 is revised to further clarify that matters are to be disposed of as either a finding or deficiency.
- Paragraph .A29 (appendix A) is revised to include an additional example of noncompliance that would result in a deficiency when materiality is not documented on review engagements and to further clarify section headings to state whether the example matters would generally result in a finding or a deficiency.

#### PR-C Section 300, *General Principles and Responsibilities for Reviewed Firms*

- Paragraph .20 is revised to further clarify the requirement for reviewed firms when resigning from the program.

- Paragraph .A15 is revised to further clarify the availability of information in the AICPA's public files for firms that are no longer enrolled.
- Paragraph .A23 is revised to further clarify circumstances applicable to reviewed firms when resigning from the program.

PR-C Section 320, *General Principles and Responsibilities for Reviewed Firms — Engagement Reviews*

- Paragraph .A19 (exhibit A) is revised to further clarify the content of the firm representation letter that describes the scope of engagements under PCAOB standards. This change is for consistency with the revision previously described in paragraph .09 of section 100.

PR-C Section 400, *General Principles and Administration Responsibilities*

- Paragraph .21*b* is revised to further clarify qualifications of report acceptance body (RAB) members.
- Paragraph .21*d* introduces additional application and other explanatory material to provide consideration for administering entities (AEs) when exceptions to the requirement may apply. This change is for consistency with extant paragraph .A1 in section 200.
- Paragraph .25*b* is revised to further clarify the qualifications of RAB members with must-select experience.
- Paragraph .45*g* introduces additional application and other explanatory material to assist AEs with evaluating whether a technical reviewer has substantially met the requirement to annually participate in a peer review.
- Paragraph .A27 is revised to further clarify the role of a consultant when such individuals are used in RAB meetings to meet the requirement for must-select experience.
- Paragraph .A44 is revised to include the most current examples of familiarity threat policies and procedures.

PR-C Section 410, *The Report Acceptance Process*

- Paragraphs .14 and .15 are revised to relocate the examples for delayed or deferred acceptance to application and other explanatory material paragraphs .A8 and .A12, respectively.

PR-C Section 420, *Corrective Actions and Implementation Plans*

- Paragraph .08 is revised to further clarify the requirement for RABs to require firms to complete AICPA courses when nonconforming engagements are related to focus areas in the AICPA Enhancing Audit Quality Initiative.

- Paragraph .A16 (exhibit C) is revised to further clarify the description of allowable implementation plans for repeat findings that are not related to nonconforming engagements.
- Paragraph .A18 (appendix A) is revised to further clarify that the report of an outside party is to include the period ends of engagements reviewed, if applicable.

## Comment Period

The comment period for this exposure draft ends on January 31, 2023.

## Guide for Respondents

The board welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording.

Written comments on this exposure draft will become part of the public record of the AICPA and will be made available on the AICPA's website. Please provide responses that are

- submitted as Microsoft Word documents by January 31, 2023, and
- directed to Brad Coffey at [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org).

## Effective Date

If approved by the board, the proposed enhancements and technical corrections are effective upon final approval and will be included as part of the Peer Review Program Manual (PRPM) update in May 2023.

## Request for Comment

*Please provide your views on the following:*

- 1. The proposed changes described in this summary, including any suggestions for improving the understandability and applicability of the requirements or application and other explanatory material*
- 2. The proposed effective date of May 31, 2023, coinciding with the May PRPM update*

## AICPA Peer Review Board

### Peer Review Board Members 2022–2023

Brian Bluhm, *Chair*  
Joseph Beck  
April Boudreaux  
Dawn Brenner  
Michael Fawley\*  
Stephen Fetterman  
Clynt Hart  
Laura Hay  
Julia Hayes  
Steve Hicks

Kristen Mascis\*  
Kim Meyer  
Amy Pitter  
Charles Prince\*  
Michael Sibley\*  
Dawn Trapani\*  
George Victor\*  
Michael Wagner  
Karen Welch  
Dan Wernke\*

*\*Member — Peer Review Board Standards Task Force*

### Non–Peer Review Board Standards Task Force Members 2022–2023

Paul Brown

Jerry Cross

### AICPA Staff

Susan S. Coffey  
*Chief Executive Officer*  
*Public Practice*

James Brackens, Jr.  
*Vice President*  
*Ethics and Practice Quality*

Gary Freundlich  
*Technical Director*  
*AICPA Peer Review Program*

Frances McClintock  
*Associate Director*  
*AICPA Peer Review Program*

Laurel Gron  
*Associate Director*  
*AICPA Peer Review Program*

Tim Kindem  
*Senior Manager*  
*AICPA Peer Review Program*

Brad Coffey  
*Manager*  
*AICPA Peer Review Program*

# Proposed Peer Review Standards Update No. 1, *Omnibus Enhancements and Technical Corrections*

(***Boldface italics*** denotes new language. Deleted text is shown in ~~strike through~~.)

## PR-C Section 100, *Concepts Common to All Peer Reviews*

[Paragraphs .01–.08 are unchanged.]

**.09** Firms that perform engagements under the Statements on Auditing Standards (SASs) or Government Auditing Standards, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or *audits or examination* engagements under PCAOB standards as their highest level of service must have system reviews. Firms ***are eligible to have engagement reviews if the highest level of service does not require a system review and is performed*** ~~that perform services under the SSARSs or services under the SSAEs, or is an other attestation engagement under PCAOB standards not included in system reviews as their highest level of service are eligible to have engagement reviews.~~ (Ref: par. .A11)

[Paragraph .10 is unchanged.]

**.11** For the purposes of all sections of these standards, the following terms have the meanings attributed as follows:

[The content of other definitions in this paragraph is unchanged.]

**Consent agenda.** A list of reviews, corrective actions, implementation plans, and other items that allows RAB members to vote on all items at one time without discussion; ~~however,~~ ***any RAB member may extract any item from the consent agenda for discussion and a separate vote if necessary; failing to respond to a call for vote should not be considered an affirmative response.*** The following minimum criteria must be met for a review to be accepted using a consent agenda: (Ref: par. .A17)

- A report rating of *pass*
- No matters for further consideration (MFCs)
- Without reviewer performance feedback

Items related to corrective actions and implementation plans should be accepted using a consent agenda only if

- there are clearly identifiable actions or procedures that could be accepted by the technical reviewer or CPA on staff (see paragraph .0508 of PR-C section 420, *Corrective Actions and Implementation Plans*),
- requests to waive corrective actions or implementation plans are specific and easy to understand, or (Ref: par. .A18)
- there is no apparent reason that requests to extend due dates should not or would not be approved by the RAB. (Ref: par. .A19)

Other items may be approved using a consent agenda if there are clearly identifiable actions that do not require discussion, assessment, or a vote by the full peer review committee.

[Paragraphs .12–.53 and .A1–.A10 are unchanged.]

**.A11** The type of peer review is determined based on the engagements performed as the firm's highest level of service, as shown in the following chart:

Engagements as the Firm's Highest Level of Service	System Review	Engagement Review
<b><i>Statements on Auditing Standards (SASs)</i></b>		
Engagements	X	
<b><i>Government Auditing Standards (GAS)</i></b>		
Financial audits	X	
Attestation engagements (examination, review, or agreed-upon procedures under GAS)	X	
Performance audits	X	
<b><i>Statements on Standards for Attestation Engagements (SSAEs)</i></b>		
Examination engagements	X	
Review engagements		X
Agreed-upon procedures engagements		X



Engagements as the Firm's Highest Level of Service	System Review	Engagement Review
<b><i>PCAOB Standards</i></b>		
Audits	X	
<b><i>Examinations</i></b>	X	
<b><i>Other attestation engagements (reviews, attest, or agreed-upon procedures engagements under PCAOB standards)</i></b>		X
<b><i>Statements on Standards for Accounting and Review Services (SSARs)</i></b>		
Reviews of financial statements		X
Compilation engagements		X
Preparation of financial statements engagements		X

If a firm is required to have a system review, all the engagements listed in the preceding table would be subject to selection for review based on periods ending during the year under review, except for financial forecasts, projections, and agreed-upon procedures engagements. Financial forecasts, projections, and agreed-upon procedures engagements with accountant's report dates during the year under review would be subject to selection.

[Paragraphs .A12–.A56 are unchanged.]

## ***PR-C Section 200, General Principles and Responsibilities for Reviewers***

[Paragraphs .01–.04 are unchanged.]

### **Reviewer Qualifications**

**.05** To qualify as a reviewer, CPAs should consider whether their day-to-day involvement in their firm's accounting and auditing practice is sufficiently comprehensive to enable them to perform a peer review with professional expertise. At a minimum, a reviewer should meet the following qualifications: (Ref: par. .A1)

- a. Be a member of the AICPA in good standing, licensed to practice as a CPA, and employed by or an owner of a firm enrolled in the program. (Ref: par. .A2)
- b. Be in public practice as a partner, manager, or person with equivalent responsibilities in the accounting or auditing practice or carrying out a quality control function in the CPA's firm. (Ref: par. .A3)
- c. Have current practice experience by performing or supervising accounting or auditing engagements in the CPA's firm or carrying out a quality control function in the firm, with reports dated within the last 18 months. (Ref: par. .A4)
- d. Have spent the last five years in the practice of public accounting in the accounting or auditing function.
- e. Be employed by or be the owner of a firm that has received a report with a peer review rating of *pass* or *pass with scope limitations* for its most recent peer review. (The report should have been accepted timely.) (Ref: par. .A5–.A6)
- f. Possess ***appropriate experience and*** current knowledge of professional standards ~~and experience~~ related to the kind of practice and the industries of the engagements to be reviewed. (Ref: par. .A7)
- g. Obtain at least 48 hours of AICPA-required continuing professional education (CPE) every 3 years in subjects relating to accounting, auditing, and quality control with a minimum of 8 hours in any 1 year.
- h. Be free of restrictions from regulatory or governmental bodies on the CPA's ability to practice public accounting. (Ref: par. .A8)
- i. Provide qualifications and experience via a reviewer resume.

[Paragraphs .06–.38 and .A1–.A45 are unchanged.]

## **PR-C Section 210, *General Principles and Responsibilities for Reviewers — System Reviews***

[Paragraphs .01–.05 are unchanged.]

### **Reviewer Qualifications for Team Captains**

**.05** In addition to meeting the requirements in section 200, a team captain must be a partner and complete initial and ongoing peer review training that meets the requirements established by the board. (Ref: par. .A1–.A2)

### **Reviewer Qualifications for Must-Select and Must-Cover Engagements**

**.06** In addition to the qualifications discussed in section 200, a reviewer of must-select engagements should meet the following criteria: (*Ref: par. .A2*)

- a. Have completed additional training focused on must-select engagements that meets the requirements of the board. (Ref: par. .A32)
- b. Be ~~presently~~ **currently** involved in one of the following areas in the must-select engagements in the reviewer's firm:
  - i. Supervising or performing engagements
  - ii. Performing engagement quality control reviews on engagements
  - iii. Performing the inspection of must-select engagements as part of the firm's monitoring process
- c. Be employed by or be an owner of a firm that is a member of the respective audit quality center, if applicable.

[Paragraphs .07–.16 are unchanged.]

**.17** To assess control risk, the reviewer should consider the results of the team captain's assessing ~~ment of the firm's design of and compliance with its policies and procedures according to~~ quality control standards established by the AICPA. (Ref: par. .A1140)

[Paragraphs .18–.35 are unchanged.]

**.36** The reviewer should evaluate each engagement selected for review. The evaluation should include the following: (*Ref: par. .A32*)

- a. Consideration of the financial statements or information and the related accountants' reports
- b. Review of accounting and audit documentation required by the applicable professional standards
- c. Consideration of information related to the engagement obtained through the peer review, including but not limited to engagement profile information, representations made by the firm, and other inquiries

[Paragraphs .37–.70 are unchanged.]

**.71** For all reviews administered by the National Peer Review Committee, the team captain should submit the following documents ~~in addition to those required by paragraph .70, as applicable:~~ (Ref: par. .A6866)

- a. All documents required **by paragraph .70** to be submitted for system reviews
- b. Engagement questionnaires or checklists

- c. Quality control documents and related practice aids
- d. Staff and focus group interview forms
- e. Planning documents
- f. Any other documents considered relevant by the team captain

[Paragraph .A1 is unchanged.]

*.A2 In rare circumstances, an exception to the reviewer qualification requirements described in paragraphs .05–.08 may be approved by the AICPA prior to commencement of the peer review. The request must be made in writing and should thoroughly explain why the exception should be approved.*

[Paragraphs .A2–.A30 are renumbered to .A3–.A31. The content is unchanged.]

*.A32 When reviewing engagements subject to the Statements on Standards for Accounting and Review Services, team captains may refer to examples of noncompliance with applicable professional standards in appendix A of section 220 to assist with concluding whether the engagement is performed and reported on in conformity with applicable professional standards in all material respects.*

[Paragraphs .A31–.A68 are renumbered to .A33–.A70. The content is unchanged.]

## **Appendix C — Additional Requirements for Must-Select and Must-Cover Engagements (Ref: par. .27)**

**.A71~~69~~**

[Paragraphs .01–.08 in appendix C are unchanged.]

### **Examinations of Service Organizations**

**.09** Due to the reliance of user entities on system and organization control (SOC) reports, particularly SOC 1<sup>®</sup> and SOC 2<sup>®</sup> reports, there is a significant public interest in examinations of service organizations relevant to user entities. If a firm performs an examination of one or more service organizations and issues a SOC 1 or SOC 2 report, at least one examination should be reviewed. ~~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, a SOC 1 engagement should be reviewed due to the reliance on the report by other auditors.~~

[Paragraphs .10–.12 in appendix C are unchanged.]

[Paragraph .A70 is renumbered to .A72. The content is unchanged.]

## PR-C Section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*

[Paragraphs .01–.05 are unchanged.]

### *Reviewer Qualifications for Review Captains*

*.06 In addition to meeting the requirements in section 200, a review captain should complete initial and ongoing peer review training that meets the requirements established by the board. (Ref: par. .A2–.A3)*

[Paragraphs .06–.34 are renumbered to .07–.35. The content is unchanged.]

*.36 For all reviews administered by the National Peer Review Committee, the review captain should submit the following documents, as applicable: (Ref: par. .A30)*

- a. All documents required by paragraph .35 to be submitted for engagement reviews*
- b. Engagement questionnaires or checklists*
- c. Planning documents*
- d. Any other documents considered relevant by the review captain*

[Paragraph .A1 is unchanged.]

*.A2 Peer review training courses designed to meet the requirement are located on the Peer Review page of the AICPA website.*

*.A3 In rare circumstances, an exception may be approved by the AICPA prior to commencement of the peer review. The request must be made in writing and should thoroughly explain why the exception should be approved.*

[Paragraphs .A2–.A7 are renumbered to .A4–.A9. The content is unchanged.]

~~.A108 One or more matters may be elevated to a finding or deficiency. To determine if *whether* a matter should be *is* elevated to a finding or deficiency, the review captain should considers the matter's nature and relative importance, if the matter is material to the understanding of the report or financial statements, or if the matter represents the omission of a critical procedure including documentation.~~

[Paragraphs .A9–.A28 are renumbered to .A11–.A30. The content is unchanged.]

## **Appendix A — Examples of Noncompliance With Applicable Professional Standards**

~~.A3129~~ The following is a list of examples of noncompliance with applicable professional standards. This is not an all-inclusive list, and the reviewer should decide if the noncompliance is

a matter, finding, or deficiency as described in paragraphs .2120–.2524 and by using the following guidance. (Ref: par. .2120–.2524 and .A97)

### **List of Matters ~~and Findings~~ That Generally Would ~~Not~~ Result in a ~~Deficiency-Finding~~**

[The content beneath the preceding heading is unchanged.]

### **List of Matters ~~and Findings~~ That Generally Would Result in a Deficiency**

[All other content beneath the preceding heading is unchanged.]

#### **SSARSs Procedures (Including Documentation)**

- Failure to establish an understanding with management regarding the services to be performed through a written communication (for example, an engagement letter)
- Failure to document significant findings or issues
- Failure to document communications to the appropriate level of management regarding fraud or illegal acts that come to the accountant's attention
- *For review engagements, failure to document materiality or to apply the established materiality when designing or evaluating the results of review procedures*
- For review engagements, failure to perform or document analytical and inquiry procedures, including the matters covered, and the development of and basis for the accountant's expectations
- For review engagements, failure to document significant unusual matters and their disposition
- For review engagements, failure to obtain a client management representation letter
- Failure to obtain all required signatures on the engagement letter (or other suitable written agreement)

[Paragraph .A30 is renumbered to .A32. The content is unchanged.]

## ***PR-C Section 300, General Principles and Responsibilities for Reviewed Firms***

[Paragraphs .01–.19 are unchanged.]

### **Resigning From the Program**

~~.20 A firm may resign from the program when it is no longer performing engagements that require the firm to undergo a peer review. To resign from the program, a firm should submit a written request to the AE before the firm's peer review has commenced. **Before resigning, a** A firm should consult with its state board of accountancy to determine if **it is in compliance with requirements of its state board of accountancy for** there are rules that require enrollment in the program even if the firm does not perform services that include issuing reports or when it is no longer performing engagements that require a firm to undergo a peer review.~~

[Paragraphs .21–.25 and .A1–.A14 are unchanged.]

**.A15** The firm's AE and AICPA staff may disclose to third parties the following information:

- a. The firm's name and address
- b. Whether the firm is enrolled in the program
- c. The date of acceptance and period covered by the firm's most recently accepted peer review
- d. The most recent date that the firm's enrollment in the program has been dropped or terminated, if applicable

This information is available in the AICPA public file for all firms enrolled in the program **and for a period of 42 months after a firm is no longer enrolled.**

[Paragraphs .A16–.A22 are unchanged.]

**.A23** ~~A firm may resign from the program when it no longer performs engagements that require the firm to be enrolled in the program.~~ 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 not cooperating, **and the firm's enrollment is subject** with the AE and may lead to the termination **from the program as described in paragraph .14** of the firm's enrollment in the program by a hearing panel of the board.

[Paragraph .A24 is unchanged.]

## **PR-C Section 310, General Principles and Responsibilities for Reviewed Firms — System Reviews**

[Paragraphs .01–.18 and .A1–.A27 are unchanged.]

## **PR-C Section 320, General Principles and Responsibilities for Reviewed Firms — Engagement Reviews**



[Paragraphs .01–.19 and .A1–.A18 are unchanged.]

## Exhibit A — Illustrative Representation Letter

**.A19** The following illustrative letter includes written representations that are required by paragraphs .16 and .17 of this PR-C section. 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 review captain.

[Entity Letterhead]

[Date of the Report]

To [Name of Review Captain]:

We are providing this letter in connection with the peer review of [name of firm] **[applicable to engagements not subject to PCAOB permanent inspection (if applicable)]** as of the date of this letter and for the year ended June 30, 20XX.

Management has fulfilled its responsibility for the design of and compliance with a system of quality control for our accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We have [no knowledge of][disclosed to you all 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 through the issuance dates of the reviewed engagements in each state in which it practices for the year under review.

We have provided to the review captain a list of all engagements with periods ending during (or, for financial forecasts or projections and agreed-upon procedures engagements, report dates in) the year under review, regardless of whether issued. This list included, but was not limited to, all engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements), as applicable. The firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or **audit or examination** engagements under Public Company Accounting Oversight Board (PCAOB) standards that are not subject to permanent inspection by the PCAOB. We understand that failure to properly include these engagements on the list 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.



*[We confirm that it is our responsibility to remediate nonconforming engagements as stated by the firm in the Letter of Response (if applicable).]*

We have discussed significant issues from reports and communications from regulatory, monitoring, and enforcement bodies with the review captain, if applicable. We have also provided the review 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 that, to the best of our knowledge and belief, 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 practice in all material respects.

Sincerely,

*[Name of Reviewed Firm Representative(s)]*<sup>fn 1</sup>

[Paragraph .A20 is unchanged.]

## **PR-C Section 400, *General Principles and Administration Responsibilities***

[Paragraphs .01–.20 are unchanged.]

### **Report Acceptance Body**

#### *Qualifications*

#### **.21 A RAB member should**

- a. be a member of the AICPA in good standing, licensed to practice as a CPA.

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<sup>fn 1</sup> Firm representatives are members of management as described in paragraph .10 of section 300, *General Principles and Responsibilities for Reviewed Firms*.

- b. be ~~presently~~**currently** involved in public practice as a partner, manager, or person with equivalent responsibilities in the accounting or auditing practice or carrying out a quality control function in the member's firm. (Ref: par. .A23)
- c. have spent the last five years in the practice of public accounting in the accounting or auditing function.
- d. be employed by or be an owner of a firm that has received a report with a peer review rating of *pass* or *pass with scope limitations* for its most recent peer review. The report should have been accepted timely. (Ref: par. .A24~~-.A25~~)
- e. complete RAB member training that meets the requirements established by the board.
- f. agree to confidentiality and conflict-of-interest requirements of the program.

[Paragraphs .22–.24 are unchanged.]

**.25** If a RAB meeting includes a third party to meet the requirement for must-select experience discussed in paragraph .24, that individual should meet the following qualifications:

- a. Be a member of the AICPA in good standing, licensed to practice as a CPA, and employed by or an owner of a firm enrolled in the program.
- b. Be ~~presently~~**currently** involved in public practice in the must-select engagements as a partner, manager, or person with equivalent supervisory responsibilities or carrying out a quality control function in the individual's firm.
- c. Be employed by or an owner of a firm that has received a report with a peer review rating of *pass* or *pass with scope limitations* for its most recent system review. The report should have been accepted timely.
- d. Agree to confidentiality and conflict-of-interest requirements of the program.

[Paragraphs .26–.30 are unchanged.]

**.31** When considering replacing or waiving corrective actions or implementation plans, the RAB should do the following:

- a. Review the facts and circumstances surrounding the deficiencies or findings.
- b. Consider the reasons for the original action.
- c. Consider replacing an action prior to waiving an action, if applicable. (See paragraph ~~.151~~**.152** of section 420.)

[Paragraphs .32–.44 are unchanged.]

## Technical Reviewer

### *Qualifications*

#### **.45** A technical reviewer should

- a. be a member of the AICPA in good standing, licensed to practice as a CPA.
- b. complete initial and ongoing peer review captain training that meets the requirements established by the board within 12 months preceding the commencement of the technical review. (Ref: par. .A38)
- c. have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. (Ref: par. .A39)
- d. complete initial technical reviewer training that meets the requirements established by the board within 12 months before serving as a technical reviewer and complete or attend one of the following every calendar year thereafter:
  - i. ~~A~~ technical reviewer update training course developed by the AICPA
  - ii. ~~T~~he annual AICPA peer review conference
- e. obtain at least 48 hours of AICPA-required CPE every 3 years in subjects relating to accounting, auditing, and quality control, with a minimum of 8 hours in any 1 year.
- f. obtain at least 8 hours of CPE every 2 years in subjects related to single audits, if performing the technical review of a peer review that includes single audit engagements. The required CPE hours should include completion of technical reviewer training for single audits, which should be completed prior to performing the technical reviewer's first technical review of documents for a single audit engagement. (Ref: par. .A40)
- g. annually participate in a peer review that is equivalent to the highest level of technical review performed. Participation includes the following: (**Ref: par. .A42**)
  - i. Reviewing and discussing the planning and scope of the peer review with the captain
  - ii. Reviewing the engagement checklists completed by the review team
  - iii. Attending meetings or participating in conference calls between the reviewer and reviewed firm to discuss issues encountered during the peer review
  - iv. Attending the closing meeting and the exit conference

[Paragraphs .46–.54 and .A1–.A24 are unchanged.]

***.A25 In rare circumstances, an exception may be approved by the AICPA when a request is submitted in writing that thoroughly explains why the exception should be approved for an individual who does not meet the required qualifications described in paragraph .21.***

[Paragraph .A25 is renumbered to paragraph .A26. The content is unchanged.]

*Report Acceptance Body Composition (Ref: par. .23–.25)*

**.A2726** Current experience is described in paragraph **.A2122** of section 200.

**.A2827** The appropriate must-select experience may come from a member of the RAB, another AE's RAB member, or an individual from a list of consultants maintained by the AICPA. The AE will determine if the RAB will not have the appropriate must-select experience and *will* assign an individual with such experience prior to assigning the review to a RAB. ~~The~~ ***If the assigned individual with the appropriate must-select experience is a consultant rather than an assigned RAB member, that individual may attend the RAB meeting via teleconference; however, that individual is not eligible to vote on the acceptance of reviews.***

1. ~~participates as a consultant,~~
2. ~~is not eligible to vote on acceptance of a review, and~~
3. ~~may attend the RAB meeting via teleconference.~~

[Paragraphs .A28–.A40 are renumbered to paragraphs .A29–.A41. The content is unchanged.]

**.A42** *The timing of a technical reviewer's participation may vary depending on the circumstances of the review. For example, the closing meeting and exit conference may be delayed and occur in the subsequent year. In this situation, the AE may consider the circumstances of the delay and exercise judgment when concluding whether the technical reviewer has substantially met the participation requirement described in paragraph .45.*

[Paragraphs .A41–.A43 are renumbered to paragraphs .A43–.A45. The content is unchanged.]

## **Exhibit A — Example Familiarity Threat Policies and Procedures**

**.A464** This exhibit includes examples of familiarity threats and potential safeguards used to mitigate the threats. These examples are not all-inclusive *and may not be applicable to every AE*. In some instances, a safeguard could mitigate more than one threat; in other instances, however, depending on the significance of a threat, more than one safeguard may be necessary to properly mitigate it.

Familiarity Threat	Safeguards to Mitigate the Threat
<b>.01</b> The peer reviews of the technical reviewers' and committee or report acceptance body (RAB) members' firms are presented for acceptance.	<ul style="list-style-type: none"> <li>• <b><i>Establish multiple RABs that change composition regularly.</i></b></li> <li>• <b><i>Redact all firm and reviewer identifying information from the RAB materials.</i></b></li> <li>• <b><i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i></b></li> </ul>

Familiarity Threat	Safeguards to Mitigate the Threat
	<ul style="list-style-type: none"> <li>• <i>Arrange for RAB members from other AEs to participate in RABs periodically.</i></li> <li>• <i>Include the peer reviews of the technical reviewers' and committee or RAB members' firms in the annual oversight selections.</i></li> <li>• <i>Engage technical reviewers from other AEs to perform the technical review of the peer reviews of the technical reviewers' and committee or RAB members' firms.</i></li> <li>• <del>The technical reviewers' and committee or RAB members' peer reviews will be accepted by a different administering entity (AE). We have partnered with AE "A" and have attached the agreement as addendum B.</del></li> <li>• <del>The AE is split in more than one district, for example, east and west. The committee or RAB accepts reviews from a district other than its own.</del></li> <li>• <del>The CPA on staff monitors the RAB process and reports preferential treatment or inconsistencies in the process.</del></li> <li>• <del>The AE will designate a committee member (or other qualified individual) as an observer of RAB meetings to monitor the RAB process and report preferential treatment or inconsistencies in the process.</del></li> </ul>
<p><i>.02 The peer reviews performed by the technical reviewers and committee or RAB members are presented for acceptance. Overreliance is placed on committee or RAB members, which leads to other members not reading the RAB package in its entirety.</i></p>	<ul style="list-style-type: none"> <li>• <i>Establish multiple RABs that change composition regularly.</i></li> <li>• <i>Redact all firm and reviewer identifying information from the RAB materials.</i></li> <li>• <i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i></li> <li>• <i>Arrange for RAB members from other AEs to participate in RABs periodically.</i></li> <li>• <i>Include the peer reviews performed by the technical reviewers and committee or RAB members in the annual oversight selections.</i></li> <li>• <del>Arranging for RAB members from other AEs to participate in RABs</del></li> <li>• <del>Having multiple committees or RABs that change composition regularly</del></li> <li>• <del>Having RAB members acknowledge that they have read reviews before starting the meeting</del></li> <li>• <del>Having the CPA on staff evaluate committee or RAB member performance</del></li> </ul>

Familiarity Threat	Safeguards to Mitigate the Threat
<p><b>.03</b> The committee or RAB members have a long-standing relationship with the technical reviewers, which leads to overreliance on the technical reviewers' procedures and conclusions. For instance, it may not be apparent if an issue or a nonconforming engagement has been addressed, yet the committee or RAB <i>members</i> decide not to investigate because members believe the technical reviewer would not have missed the issue.</p>	<ul style="list-style-type: none"> <li>Engage <del>ing</del> <i>technical reviewers from other AEs</i> <del>qualified individuals from another state to perform all technical reviews</del> <i>periodically</i>.</li> <li>Arrange <del>ing</del> for RAB members from other AEs to participate in RABs <i>periodically</i>.</li> <li>Engage <del>ing</del> a second technical reviewer to perform a selection of secondary technical reviews of high-risk reviewers, firms, and random samples.</li> <li><i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i></li> </ul>
<p><b>.04</b> The committee or RAB members have long-standing relationships with some reviewers, particularly those who perform a high volume of reviews.</p>	<ul style="list-style-type: none"> <li><i>Arrange for RAB members from other AEs to participate in RABs periodically.</i></li> <li><i>Redact all firm and reviewer identifying information from the RAB materials.</i></li> <li><i>At the beginning of each meeting, remind committee or RAB members to identify relationships with reviewers and reviewed firms.</i></li> <li><i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i></li> <li><del>Arranging for another AE to accept an AE's high-volume reviewers' reviews</del></li> <li><del>Annually requesting committee or RAB members to identify conflicts of interest with reviewers and reviewed firms</del></li> </ul>
<p><b>.05</b> Technical reviewers have long-standing relationships with some reviewers, particularly those who perform a high volume of reviews.</p>	<ul style="list-style-type: none"> <li><i>Engage technical reviewers from other AEs to perform technical reviews periodically.</i></li> <li><i>Assign technical reviewers on a varying basis, ensuring rotation on reviews performed by high-volume reviewers.</i></li> <li><i>Engage a second technical reviewer to perform a selection of technical reviews of high-volume reviewers.</i></li> <li><i>Include the peer reviews of high-volume reviewers in the annual oversight selections.</i></li> </ul>

Familiarity Threat	Safeguards to Mitigate the Threat
	<ul style="list-style-type: none"> <li>• <i>Designate the CPA on staff to periodically perform a detailed review of peer reviews that are ready for RAB presentation.</i></li> <li>• <del>Engaging qualified individuals from another state to perform all technical reviews</del></li> <li>• <del>Arranging for another AE to accept reviews performed by a high-volume reviewer</del></li> <li>• <del>Annually requesting technical reviewers to identify conflicts of interest with reviewers and reviewed firms</del></li> </ul>
<p><b>.06 Committees or RABs</b> AEs are hesitant to provide feedback or consider deficiency letters for a variety of reasons including, but not limited to, the following:</p> <ol style="list-style-type: none"> <li>a. RAB members know the reviewer.</li> <li>b. The reviewer performs a high volume of reviews <i>administered by the AE, in the state and the RAB does not want to offend the reviewer is afraid to offend him or her.</i></li> <li>c. The reviewer is a RAB member (current or former) or is a technical reviewer.</li> <li>d. The reviewer teaches for the state CPA society or has some other society relationship that leads to a belief that the individual knows what the individual is doing.</li> </ol>	<ul style="list-style-type: none"> <li>• <del>Engage ing qualified individuals</del> <i>technical reviewers</i> from <i>other AEs</i> <del>another state to perform all technical reviews</del> <i>periodically.</i></li> <li>• <del>Arrange ing for RAB members from other AEs to participate in RABs</del> <i>periodically.</i></li> <li>• <i>Redact all firm and reviewer identifying information from the RAB materials.</i></li> <li>• <i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i></li> <li>• <del>Annually requesting committee or RAB members to identify conflicts of interest with reviewers and reviewed firms</del></li> </ul>
<p><b>.07</b> A committee member is given informal feedback on reviews the committee</p>	<ul style="list-style-type: none"> <li>• <del>Arrange ing for RAB members from other AEs to participate in RABs</del> <i>periodically.</i></li> </ul>



Familiarity Threat	Safeguards to Mitigate the Threat
<p>member performed but a different reviewer is issued written feedback for the same issue.</p>	<ul style="list-style-type: none"> <li>• <b><i>Redact all firm and reviewer identifying information from the RAB materials.</i></b></li> <li>• <b><i>Having—Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and report—address preferential treatment or inconsistencies in the process.</i></b></li> <li>• <del>Having the AE designate a committee member (or other qualified individual) as an observer of RAB meetings to monitor the RAB process and report preferential treatment or inconsistencies in the process</del></li> </ul>
<p><del>.08 Following an enhanced oversight, the RAB has allowed the peer reviewer or reviewed firm to provide documentation not provided to the subject matter expert during the enhanced oversight (such documentation should have been provided at that time). This gives the appearance that reviewers or reviewed firms familiar to the RAB are being allowed to create working papers.</del></p>	<ul style="list-style-type: none"> <li>• <del>Arranging for specialists from other states to participate in RABs</del></li> <li>• <del>Arranging for RAB members from other AEs to participate in RABs</del></li> <li>• <del>Having the CPA on staff monitor the RAB process and report preferential treatment or inconsistencies in the process</del></li> </ul>
<p><b>.089</b> RAB members mention a firm's reputation regarding a specific industry concentration when presented with issues (generally documentation issues), implying that because issues were not identified previously, it is unlikely issues exist now despite evidence to the contrary).</p>	<ul style="list-style-type: none"> <li>• <del>Arrange ing for specialists from other states to participate in RABs.</del></li> <li>• <b><i>Redact all firm and reviewer identifying information from the RAB materials.</i></b></li> <li>• <b><i>Designate the CPA on staff, a committee member, or other qualified individual to monitor the RAB process and address preferential treatment or inconsistencies in the process.</i></b></li> </ul>
<p><b>.09</b> The peer review of the AE's CPA on staff's firm is presented for acceptance.</p>	<ul style="list-style-type: none"> <li>• <b><i>Arrange for another AE to administer the peer review of the CPA on staff's firm (a change in venue).</i></b></li> <li>• <b><i>Engage a technical reviewer from another AE to perform the technical review of the peer review of the CPA on staff's firm.</i></b></li> </ul>



Familiarity Threat	Safeguards to Mitigate the Threat
	<ul style="list-style-type: none"> <li>• <i>Arrange for one or more RAB members from another AE to participate in the RAB when the peer review of the CPA on staff's firm is presented.</i></li> </ul>
<p><i>.10 The peer reviews performed by an individual within the CPA on staff's firm or reported on by the CPA on staff's firm are presented for acceptance.</i></p>	<ul style="list-style-type: none"> <li>• <i>Engage a technical reviewer from another AE to perform the technical review of the peer review performed by an individual within the CPA on staff's firm or reported on by the CPA on staff's firm.</i></li> <li>• <i>Arrange for one or more RAB members from another AE to participate in the RAB when the peer reviews reported on by the CPA on staff's firm are presented.</i></li> </ul>

[Paragraphs .A45–.A47 are renumbered to paragraphs .A47–.A49. The content is unchanged.]

## PR-C Section 410, *The Report Acceptance Process*

[Paragraphs .01–.13 are unchanged.]

### Delayed Acceptance

**.14** The RAB should delay acceptance of a peer review *when it has sufficient information to conclude that the peer review was performed and reported on in accordance with the standards but there are for minor revisions that need to be addressed prior to publicizing the results of the peer review.* in the following situations (this list is not all inclusive): (Ref: par. .A8–.A110)

*a.* ~~When peer review reports and letters of response~~

- ~~i. do not indicate that a deficiency or significant deficiency is repeated from the prior peer review,~~
- ~~ii. have misleading grammar or excessively ambiguous language,~~
- ~~iii. include misquoted professional literature,~~
- ~~iv. reference professional standards unrelated to the subject matter, or~~
- ~~v. for system reviews, do not identify the industry and level of service for any deficiencies or significant deficiencies that are industry specific or related to a nonconforming must-select engagement~~

*b.* ~~When FFCs~~

- ~~i. have incorrect or missing references to the applicable professional standards;~~
- ~~ii. do not identify the MFC that led to the finding;~~

- iii. incorrectly identify the type of matter;
  - iv. do not correctly identify whether the finding is a repeat;
  - v. do not describe the scenario that led to the finding;
  - vi. do not provide reference to the specific industry or engagement related to a nonconforming engagement, if applicable;
  - vii. do not have a clear description of the finding from the reviewer;
  - viii. are not signed by an authorized representative of the firm; or
  - ix. for system reviews, have incorrect or missing references to the applicable requirements of the Statements on Quality Control Standards
- e. ~~When MFCs~~
- i. ~~are not completed properly or fully or~~
  - ii. ~~contain firm or client references~~

#### Deferred Acceptance

**.15** The RAB should defer acceptance of a review if *it does not have sufficient information to conclude whether the review was performed or reported on in accordance with the standards due to* ~~there are unresolved questions~~ *or revisions* significant enough that no decision can be made until further information is received. ~~and for significant revisions in the following situations (this list is not all inclusive):~~ (Ref: par. .A12+1+.A15+3)

- a. ~~When peer review reports or letters of response~~
- i. ~~have significant departures from the standard report formats;~~
  - ii. ~~have an incorrect report rating or omitted deficiencies or significant deficiencies;~~
  - iii. ~~have deficiencies or significant deficiencies that appear to set standards higher than those mandated by professional standards;~~
  - iv. ~~for system reviews, have deficiencies or significant deficiencies that are not written systemically, or the systemic causes are not clear;~~
  - v. ~~do not have responses that appropriately address deficiencies or significant deficiencies identified in the peer review report; or~~
  - vi. ~~have responses that do not appropriately address nonconforming engagements, including responses that are unacceptably noncommittal, vague, or otherwise unclear or not responsive~~

~~b. When FFCs~~

- ~~i. do not have a clear description of the finding from the reviewer and, on system reviews, do not include the systemic cause of the finding or~~
- ~~ii. include a response from the reviewed firm that does not appear comprehensive, genuine, and feasible~~

~~c. When any other peer review documents need revision for the RAB to conclude whether the review was performed and reported on in accordance with the standards~~

## Application and Other Explanatory Material

### Technical Reviewer's Evaluation of System Reviews (Ref: par. .05-.07)

**.A1** The RAB may delegate the review of the engagement profile and the supplemental peer review checklist for single audits to the technical reviewer if the technical reviewer has completed CPE as required by paragraph .45~~ef~~ of section 400. The technical reviewer may request that a member of the RAB perform the technical review of such documents when the technical reviewer has not obtained the required CPE.

[Paragraphs .A2-.A7 are unchanged.]

**.A8** *Acceptance of a peer review may be delayed in the following situations (this list is not all-inclusive):*

*a. When peer review reports and letters of response*

- i. do not indicate that a deficiency or significant deficiency is repeated from the prior peer review,*
- ii. have misleading grammar or excessively ambiguous language,*
- iii. include misquoted professional literature,*
- iv. reference professional standards unrelated to the subject matter, or*
- v. for system reviews, do not identify the industry and level of service for any deficiencies or significant deficiencies that are industry specific or related to a nonconforming must-select engagement*

*b. When FFCs*

- i. have incorrect or missing references to the applicable professional standards;*
- ii. do not identify the MFC that led to the finding;*
- iii. incorrectly identify the type of matter;*

- iv. *do not correctly identify whether the finding is a repeat;*
- v. *do not describe the scenario that led to the finding;*
- vi. *do not provide reference to the specific industry or engagement related to a nonconforming engagement, if applicable;*
- vii. *do not have a clear description of the finding from the reviewer;*
- viii. *are not signed by an authorized representative of the firm; or*
- ix. *for system reviews, have incorrect or missing references to the applicable requirements of the Statements on Quality Control Standards*

c. *When MFCs*

- i. *are not completed properly or fully or*
- ii. *contain firm or client references*

[Paragraphs .A8–.A10 are renumbered to .A9–.A11. The content is unchanged.]

*.A12 Acceptance of a peer review may be deferred in the following situations (this list is not all-inclusive):*

a. *When peer review reports or letters of response*

- i. *have significant departures from the standard report formats;*
- ii. *have an incorrect report rating or omitted deficiencies or significant deficiencies;*
- iii. *have deficiencies or significant deficiencies that appear to set standards higher than those mandated by professional standards;*
- iv. *for system reviews, have deficiencies or significant deficiencies that are not written systemically, or the systemic causes are not clear;*
- v. *do not have responses that appropriately address deficiencies or significant deficiencies identified in the peer review report; or*
- vi. *have responses that do not appropriately address nonconforming engagements, including responses that are unacceptably noncommittal, vague, or otherwise unclear or not responsive*

b. *When FFCs*

- i. *do not have a clear description of the finding from the reviewer and, on system reviews, do not include the systemic cause of the finding or*

ii. *include a response from the reviewed firm that does not appear comprehensive, genuine, and feasible*

c. *When any other peer review documents need revision for the RAB to conclude whether the review was performed and reported on in accordance with the standards*

[Paragraphs .A11–.A13 are renumbered to .A13–.A15. The content is unchanged.]

## PR-C Section 420, *Corrective Actions and Implementation Plans*

[Paragraphs .01–.07 are unchanged.]

**.08** If a finding, deficiency, or significant deficiency relates to an area where prevalent nonconformity has been identified through the AICPA Enhancing Audit Quality Initiative *and the RAB determines CPE is an appropriate remedial action*, then specific CPE to address the common areas of noncompliance should be required by the RAB. *In these situations*, ~~either~~ an AICPA course or an alternative course with substantially the same content as the AICPA course should be required by the RAB. (Ref: par. .A4)

[Paragraphs .09–.10 are unchanged.]

**.11** If the RAB believes more extensive actions, beyond the allowable implementation plans in exhibits *A and C* ~~and D~~, are necessary (such as submitting documents to an outside party), the RAB needs to consider whether the findings should have been elevated to deficiencies in the report.

[Paragraphs .12–.15 and .A1–.A15 are unchanged.]

## Exhibit C — Allowable Implementation Plans: System Reviews

.A16

<u>Finding</u>	<u>Allowable Implementation Plan</u>
Nonconforming engagements and <ul style="list-style-type: none"> <li>initial findings on a must-select industry or</li> <li>repeat findings for any industry</li> </ul>	<ul style="list-style-type: none"> <li>Require members of the firm to take specified types and amounts of CPE.</li> <li>Require the firm to hire an outside party approved by the report acceptance body (RAB) to perform a pre-issuance or post-issuance review of certain types or portions of engagements.</li> <li>Require the firm to hire an outside party approved by the RAB to review the firm's remediation of nonconforming engagements.</li> </ul>

	<ul style="list-style-type: none"> <li>Require the firm to hire an outside party approved by the RAB to review the firm's completion of its intended remedial actions outlined in its response on the finding for further consideration (FFC) form or to evaluate the appropriateness of alternative actions.</li> <li>Require the firm to hire an outside party approved by the RAB to review the firm's internal monitoring or inspection report.</li> </ul>
Engagements indicate Repeat findings <i>without nonconforming engagements</i>	<ul style="list-style-type: none"> <li>Require members of the firm to take specified types and amounts of CPE.</li> <li>Require the firm to hire an outside party approved by the RAB to review the firm's internal monitoring or inspection report.</li> </ul>
Failure to possess applicable firm licenses	<ul style="list-style-type: none"> <li>Require the firm to submit proof of its valid firm licenses.</li> </ul>

[Paragraph .A17 is unchanged.]

## Appendix A — Guidance for Outside Parties Engaged to Assist Firms in Completing Corrective Actions and Implementation Plans

**.A18** This appendix contains guidance for outside parties engaged to assist firms in completing corrective actions or implementation plans required as a condition of acceptance of the firm's peer review.

[Paragraphs .01–.05 in appendix A are unchanged.]

### Reporting

**.06** The outside party should draft a letter or report to the RAB describing the procedures performed and conclusions reached. The letter or report should

- a. be issued on the letterhead of the outside party's firm,
- b. be addressed to the AE's RAB with a copy to the reviewed firm, and
- c. include the following elements:
  - i. A description of the corrective actions or implementation plans required by the RAB
  - ii. A description of the representations made by the reviewed firm regarding the changes made by the firm since its most recent peer review
  - iii. A description of the procedures performed by the outside party, *including the period ends of any engagements reviewed or the report dates for financial forecasts, projections, or agreed-upon procedures engagements*

- iv. A summary of the results of the outside party's procedures, including a description of any representations made by the reviewed firm regarding further planned actions and the outside party's comments on the appropriateness of those actions
- v. A statement that the letter or report is intended for limited distribution to the RAB and the reviewed firm and is not intended as a substitute or replacement for the peer review documents issued on the firm's peer review
- vi. Information enabling the RAB to evaluate whether the firm has improved
- vii. For system reviews, recommendations of additional actions if the outside party believes the results reveal continued weaknesses in the reviewed firm's system of quality control

[Paragraph .07 in appendix A is unchanged.]

## **PR-C Section 430, *Reviewer Monitoring and Performance***

[Paragraphs .01–.26 and .A1–.A32 are unchanged.]

## Agenda Item 1.3

### 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 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:

- Discussed and approved final draft of the exposure draft related to technical corrections and other items within the clarified peer review standards (see agenda item 1.2A)
- Continued discussions related to the process for implementing changes to the clarified standards and other guidance based on feedback received during the September PRB open session meeting
- Continued discussions related to effect of the quality management standards on peer review program guidance, including potential timing of PRB consideration and approval of any proposed changes

##### Upcoming tasks:

- Monitor responses to the exposure draft as shown at agenda item 1.2A (should it be approved)
- Develop proposed changes to peer review program guidance to reflect the issuance of quality management standards
- Continue monitoring feedback from users and evaluate whether additional guidance or application material may be appropriate to assist users with understanding the intent of requirements in the clarified peer review standards

#### Oversight Task Force

##### Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- OTF members conducted administering entity (AE) oversights
- Approved AE oversight reports
- Provided consent for one AE to transition administration to another AE
- Approved final revisions to AE benchmarks which are included in agenda item 1.3A for reference
- Reviewed enhanced oversight reports with comments for consistency
- Monitored results of enhanced oversights
- Discussed the type of feedback issued by AEs as a result of enhanced oversights
- Monitored reviewer performance
- Discussed potential revisions to the AICPA Peer Review Program Oversight Handbook
- Approved final revisions to the template for the AEs' Annual Report on Peer Review Activities where compliance will be reported with the plan of administration due April 1, 2023



**Upcoming tasks:**

- Approve RAB observation reports
- OTF members will conduct AE oversights
- Approve AE oversight reports and AE responses
- Review AE benchmark summary forms and feedback received
- Review enhanced oversight reports with comments for consistency
- Monitor results of enhanced oversights
- Discuss the type of feedback issued by AEs as a result of enhanced oversights
- Monitor reviewer performance
- Discuss revisions to the AICPA Peer Review Program Oversight Handbook
- Review and conditionally approve 2023 plans of administration
- Joint meeting with NASBA's Peer Review Compliance Committee (PRCC)

**Education and Communication Task Force****Accomplished since last PRB meeting:**

- Published conference cases from the 2022 Peer Review Conference, taking into consideration attendee feedback provided by discussion leaders
- Published a Q&A document of unanswered or topical questions submitted during the 2022 Peer Review Conference
- Developed and published the September 2022 Reviewer Alert on September 28, 2022
- Developed and published the Fall 2022 edition of the PR Prompts newsletter on November 8, 2022
- Held the Q4 2022 Peer Reviewer Forum on November 14, 2022
- Discussed feedback related to reviewer performance, reviewer training and reviewer marketing provided during the September 9, 2022 open session PRB meeting
- Held the last of three scheduled AICPA-sponsored 2022 virtual offerings of the "Becoming an AICPA Peer Review Team or Review Captain: Case Study Applications" course

**Upcoming tasks:**

- Create on-demand training courses designed to meet various peer review training requirements; the intent is to have these published before 2023
- Continue analysis of the reviewer pool and implement plans to improve the pool where necessary
- Continue monitoring our available courses to determine if improvements should be made to our overall training framework
- Continue discussions related to reviewer performance, reviewer training and reviewer marketing feedback provided during the September 9, 2022 open session PRB meeting.
- Begin creation of a new on-demand, self-study course on identifying and writing systemic causes to be released during 2023
- Begin planning procedures for the 2023 Peer Review Conference to be held July 31-August 2, 2023 in Philadelphia, PA

## Agenda Item 1.3A

### Administering Entity Benchmark Revisions

At their October 24, 2022 meeting, the Oversight Task Force (OTF) approved administering entity (AE) benchmark revisions (illustrated below in track changes) based on results of their monitoring, feedback received, and other staff recommendations to align with the clarified peer review standards or for readability.

#### Communications Plan

The benchmark revisions will be presented during a future call with the AEs' CPAs on staff and administrators.

#### Effective Date

January 1, 2023

### Administrators

Number	Benchmark
1	Perform tasks associated with cases and letters <del>(e.g., Peer Review Information, Scheduling)</del> in PRIMA within 14 calendar days of receipt. Over this reporting period, an AE should have 10% or fewer not performed within this timeframe.
2	Provide RAB materials <del>electronically</del> to RAB members at least seven calendar days before RAB meetings.
3	<del>Send revised acceptance letters within 14 calendar days of the committee granting firm requests for waiver or replacement of corrective actions or implementation plans. Over this reporting period, an AE should have 10% or fewer not sent within this timeframe.</del>

### Technical Reviewers

Number	Benchmark
1	Meet all qualifications established in guidance, including training requirements.
2	Perform the technical review in accordance with guidance.
3	Maintain objectivity and skepticism to mitigate familiarity threat and implement appropriate safeguards while performing the technical review.
4	Complete technical reviews to meet the 120-day <u>rule requirement</u> for initial presentation of reviews. Over this reporting period, an AE should have fewer than 10% of reviews not presented within this timeframe.
5	Complete technical reviews to meet the 60-day <u>rule requirement</u> for engagement reviews with certain criteria. Over this reporting period, an AE should have fewer than 10% of reviews not accepted within this timeframe.

## Technical Reviewers

Number	Benchmark
6	Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. Over this reporting period, an AE should have fewer than 10% of reviews deferred.
7	Evaluate reviewer performance history, and <u>if it has an impact on the current review present summarize it for the</u> RAB.
8	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.
9	Be available <u>during to the</u> RAB <del>meetings in which</del> <u>regarding</u> their technical reviews <del>are being</del> presented to answer questions to avoid deferrals or delays.

## Committee/RAB

Number	Benchmark
1	Meet all qualifications established in guidance, including training requirements.
2	Follow peer review guidance in the evaluation and acceptance of peer reviews.
3	Maintain objectivity and skepticism to mitigate familiarity threat and implement appropriate safeguards while considering the results of peer reviews.
4	Issue reviewer performance feedback forms and performance deficiency letters when appropriate.
5	Waive or replace corrective actions and implementation plans in accordance with guidance <del>except in hardship situations</del> .
6	Assess firm referrals for noncooperation related to consecutive non-pass reports.
7	Perform oversights on firms and reviewers (or review oversights performed by technical reviewer(s)) in accordance with the Oversight Handbook and risk criteria included in policies and procedures.

## CPA on Staff

Number	Benchmark
1	Submit this benchmark form signed by CEO <u>and CPA on staff</u> to OTF by due date.
2	Monitor committee and RAB members' qualifications in accordance with guidance.
3	RAB member composition includes members with current experience in must-select engagements.
4	A minimum of three RAB members <u>to</u> evaluate <del>every each item related to a</del> peer review <del>for acceptance in accordance with guidance that requires RAB consideration</del> .
<u>5</u>	<u>Monitor and address conflicts of interest in accordance with guidance to ensure that individuals recuse appropriately.</u>

## CPA on Staff

### Number Benchmark

<u>56</u>	Maintain documentation of committee/RAB's <del>decision for evaluation of potential</del> firm referrals <del>for noncooperation</del> related to consecutive non-pass reports.
<u>67</u>	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.
<u>78</u>	Scheduling error overrides are appropriate and approved in accordance with guidance.
<u>89</u>	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.
<u>910</u>	Respond to requests from OTF or AICPA staff by due date.

### Benchmarks for the reporting period January 1 – April 30

<del>40</del> <u>11</u>	Submit complete Plan of Administration signed by the CEO <u>and CPA on staff</u> , including all AE oversight requirements by April 1.
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### Benchmarks for the reporting period September 1 – December 31

12	Submit complete Plan of Administration signed by the CEO <u>and CPA on staff</u> by November 1.
13	Meet all qualifications of the CPA on staff, including training requirements.
14	Obtain appropriate signed versions of confidentiality agreements <u>annually</u> based on the individual's role, <del>from including</del> AE staff, technical reviewers, committee/RAB members and Peer Review Oversight Committee (PROC) members (as applicable) <del>annually</del> .

## Agenda Item 1.4

### Other Reports

#### Why is this on the Agenda?

The purpose of this agenda item is to provide PRB members and other attendees an update on various PRB related activities and initiatives.

#### Operations Director's Report

There have been several important communications recently so please check your emails to make sure you don't miss any of these!

- Sent Reviewer Alert Sept 28
- Posted Oct 2022 Peer Review Program Manual Changes on Oct 31
- Launched the Assurance Services Executive Committee Exposure Draft on Proposed Criteria for QCM Content (comments due Dec. 15) on Nov 1
- Sent Special Edition Reviewer Alert on Nov 2
- Sent PR Prompts Nov 8
- Hosted Reviewer Forum Nov 14
- Will deploy 2022 Customer Satisfaction Survey in November
- Will send a final 2022 Reviewer Alert in early December

PRIMA Update – As we shared at the beginning of this year, we have been focused on internal systems upgrades including a replacement of the AICPA database that feeds member and firm details into PRIMA. We continue to work through some data migration issues, but fortunately due to the extensive efforts of our team, the impact to enrolled firms has been minimal. We also upgraded the platform that PRIMA is built on, which will enable us to continue to enhance the functionality for our users. Now that these required systems updates are completed, we can resume enhancements to the PRIMA user experience. We expect to have some minor updates going in by the end of this year, and next year we will offer a variety of new features and enhancements, improvements to the user experience based on user feedback and technology improvements including enhancements to our PRIMA knowledge base.

#### Report from State CPA Society CEOs

Feedback from State CPA Society CEOs remains similar to what was communicated at the [September 9 PRB open session meeting](#).

#### Update on the National Peer Review Committee

The NPRC met last on October 13. Four large firm reviews were presented and accepted.

Since the September PRB meeting, the NPRC has held four RAB meetings. During those meetings:

- 26 reviews have been presented, including:
  - 24 Pass
  - 1 Pass with Deficiencies and
  - 1 Fail

The NPRC's next meeting will be held on December 15, 2022.

### Update on the Proposed Criteria for QCM Content

The AICPA Assurance Services Executive Committee (ASEC) issued an Exposure Draft (ED) titled, [\*Proposed Criteria for a Description of the Content of Quality Control Materials \(QCM\) and the Content of QCM Related to the Relevant Standards and Interpretive Guidance\*](#). Interested parties may submit comments to [QCMcontentexam@aicpa-cima.com](mailto:QCMcontentexam@aicpa-cima.com) by Dec.15.

The proposed criteria will be used to evaluate QCM content in a new assertion-based examination to be performed under the Statements on Standards for Attestation Engagements (SSAEs). Although not required, a QCM provider, which may be a CPA firm, may engage a practitioner to examine its QCM content (examination) as it relates to the relevant standards and interpretive guidance.

The examination will help CPA firms that use QCM, and their peer reviewers, address the risks associated with the use of QCM and monitor their practices.

Notes from JBW - Discussion on the peer review pool. Several initiatives will be underway regarding the peer review pool. The State Societies have expressed concerns.

PCAOB will have changes to their quality control standards. They will determine how it impacts and their standards with the timing.

## Agenda Item 1.6A

### Firms Dropped from the AICPA Peer Review Program for Noncooperation between August 1, 2022 and September 30, 2022

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of October 13, 2022, are denoted by an “\*” following the firm name.

Firm Number	Firm Name	State
900255350444	Ed Contreras, CPA	AZ
900010029054	Harmon, Dugwyler & Company	AZ
900255080033	Kramer Public Accounting Group PC	AZ
900008967969	Bellotti & Murray CPAs*	CA
900010101956	Boler & Associates P. A. C.	CA
900255180746	Byung J Jhun	CA
900255188577	Crosby Company	CA
900001078524	David Gollub	CA
900255347858	Elias Aziz-Lavi	CA
900001004482	Goff and Associates	CA
900006859873	Gregory S. Genetti, CPA	CA
900255181830	Harold W. Slusser, CPA	CA
900010101831	Johnson & Associates, An Accountancy Corporation	CA
900255350957	Jones, Schiller & Company	CA
900010141604	Kathleen J. Warfield	CA
900011479749	Lake and Associates, CPA	CA
900011574530	LPW CPAs, APC	CA
900255347525	Martin H Luttkus	CA
900010059624	RINA Accountancy LLP	CA
900255273685	Saeed Sadr CPA, Inc.	CA
900010098349	Singer Burke Zimmer & Butler LLP	CA
900011564389	Stanley G. Parkhurst, Inc.	CA
900002242120	Swart & Feliciani, ACC	CA
900011416849	Brian J. Wilcomb, CPA PC	CO
900005910821	Cesar A. Cifuentes, CPA, PA	FL
900010058520	Riera & Associates	FL
900010014450	Thomas Craig & Company, LLP*	FL
900010096919	Barnes, Merritt & Barnes LLC*	GA
900010101538	Bartlett & Barnett CPAs PC	GA
900010148598	Chrysan Thomas CPA, PC*	GA
900008395771	DLC Audit Tax & Advisory dba DLC CPAs	GA
900010126698	Massing Company, P. C.	GA
900010133160	Turner & Patat, P. C.*	GA
900255349942	Northwest Certified Public Accounting, LLC	IA

Firm Number	Firm Name	State
900010122642	Accounting Northwest, PA	ID
900255349414	David M. Vauk, Chartered	ID
900255350555	Meridian Cybersecurity, LLC	ID
900255349817	Ron V. Bowen CPA Chartered	ID
900009447733	Amy D. Parrish CPA	IL
900010124822	Craig A. Shaffer & Associates, Ltd.*	IL
900010147772	Kubiesa & Associates, P.C.	IL
900010148902	Sukowicz & Clohessy LLP	IL
900255190622	William C. Goodall*	IL
900010112964	Anthony P. Dibley CPA, P.C.	IN
900004355343	Dawes & Pugh, CPAs, LLC	IN
900010105258	M. Gregory Cecil, PSC*	KY
900010003261	Arsenault and Cline, CPAs, Inc.	MA
900010110186	Collard & Sowizral*	MA
900010139552	Dennis & Associates, P. C.*	MA
900010097282	Mark D. Dupont CPA, PC*	MA
900010135173	Mark E. Frano, CPA, P.C.*	MA
900010129639	Paul J. Zdanis	MA
900010108882	Richard B. Donahue CPA PC	MA
900255186421	W.A. Jackson, CPA	MA
900009177214	Joseph D Costello, CPA, PC	MD
900004792677	Benoit & Associates CPAs*	MI
900010140539	Mark J. Beltrand Ltd	MN
900010141409	Steven R. Olson	MN
900010110445	Frank H. Harper, CPA*	NC
900004962652	Willie Cooper, Jr, CPA*	NC
900005397390	Michael P. Dubois, CPA	NH
900005740087	Axiom CPAs, LLC*	NJ
900005178727	Calzaretto & Company, LLC*	NJ
900005615053	Casazza and Ur Public Accountants LLC*	NJ
900005480616	Donald Rosenberg CPA LLC*	NJ
900010154625	Donald S. Bicking & Associates PC	NJ
900010136637	John D. Nardone, CPA	NJ
900010150416	Long Colgary & CO LLC*	NJ
900010142691	Noel & Company	NJ
900010109026	Richard T. Galli*	NJ
900010121139	Roth & Merritt, P. C.*	NJ
900255350186	Katie Lollar CPA LLC	NM
900001145484	Kristi Micander P. C.	NM
900007351642	Frushon Accounting and Business Services	NV



Firm Number	Firm Name	State
900255180996	Massa Accountancy Corporation	NV
900010154314	RSG Accounting and Consulting	NV
900011309771	TJ Warren Company	NV
900001051673	Andrew Freund CPA	NY
900010118413	Antonio A. Soriano*	NY
900004548543	Colella CPA Co., P.C.	NY
900010136164	Glass & Shiechel CPAs LLP	NY
900010007440	Lewis Braff & Company LLP*	NY
900010107462	Linder & Linder	NY
900010060266	Spector, Foo, Weissman, LLP*	NY
900255350491	TJ Megale CPA PLLC	NY
900011417289	Yehuda Gutwein, CPA	NY
900255272975	Craig R. Smith CPA & Associates Inc	OH
900001018319	Dale E Hughes, CPA	OH
900010127265	Foerster & Hayes, Ltd.	OH
900010063086	Friedman, Leavitt & Assoc., Inc.*	OH
900010139304	H. Steven Harris, CPA, Inc.	OH
900003825427	Hickey & Associates*	OH
900010145588	James P. Moley & Associates, Inc.	OH
900010024225	John Gerlach & Company	OH
900255188018	Robert R. Feazell CPA	OH
900010096061	VZN Group, LLC*	OH
900010094044	Cohen, Engel & Co, P.C.	PA
900010105126	Metz & McCaw, LLC, CPAs	PA
900005219310	Jesus M. Mora Nieves, CPA*	PR
900010112870	Jorge Rodriguez*	PR
900010139518	NMA Certified Public Accountants PSC	PR
900008353634	Oscar E. Cullen	PR
900001042240	UHY Del Valle & Nieves PSC	PR
900010123107	Flynn Financial Group	RI
900005864629	Newsome & Company, P.C.	SC
900010091162	Wilson MacEwen & Co.*	SC
900008659392	EGE Group, LLC	SD
900010149611	Clayton & Royalty, CPAs	TN
900255351405	Furlong CPA	TN
900007718364	KBMD & Associates, P.C.*	TN
900005712052	Newhouse Accounting	TN
900011703952	Renshaw & Peninger CPAs	TN
900255349610	Sterling Consulting Services PLLC	TN
900010108900	Ana Maria Barrera, PC	TX

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900010029227	Beyer & Co.	TX
900008726033	David Kesel CPA, PLLC	TX
900010139219	Dunn & Dill CPA's, PC*	TX
900255347739	Fox, Garcia and Company LLC*	TX
900008982696	Omotayo CPA LLC	TX
900010076170	Pattillo Brown & Hill	TX
900004330289	Peter M. Carrell & Company, LLC	TX
900255180818	Saunders, Wangsgard & Assoc. P C	UT
900004853003	Affinity Group CPAs & Consultants PLLC*	WA
900007790104	Hilsinger & Company	WA
900010035510	Smith and Associates	WA
900010147054	Augustine & Associates, LLC	WI
900010125171	DWT Tax & Accounting Inc	WI
900011983516	Gerald K. Hartlaub	WI
900010126720	Patrickus & Jones, S.C.	WI
900010154427	Stangel Accounting and Tax Office S.C.	WI
900006277221	J.P. Rahal & Associates, A.C.	WV
900255188782	Big Horn Basin Accounting*	WY

## **Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Last Reported**

### 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 firms did not complete corrective actions designed to remediate deficiencies identified in their most recent peer review.

Measured Results, a professional Accounting Corporation, Byron McBroom – Ripon, CA  
Business Management Services – Cincinnati, OH  
R.K. Hudson PLLC – Fairfax, VA

### Consecutive non-pass reports in engagement reviews

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate by continually failing to perform and report on engagements selected for peer review in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Gore & Laney, CPAs, PLLC – Queensbury, NY

### Consecutive non-pass reports in system reviews

The AICPA Peer Review Program terminated the following firms' 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.

Apfel, Levy, Zlotnick C.P.A.'S, P.C. – New York, NY  
Duane Liebswager, C.P.A., PC – King City, OR

### Not responding to inquiries once the review has commenced

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm did not respond to inquiries once its peer review had commenced.

Art Wilson, CPA, A Professional Corporation – Florence, AL

## Agenda Item 1.6B

### Compliance Update - Firm Noncooperation

#### Why is this on the Agenda?

This is an informational item to keep AICPA Peer Review Board (PRB) members informed about firm noncooperation, such as drops and terminations.

#### Hearings, Drops and Terminations

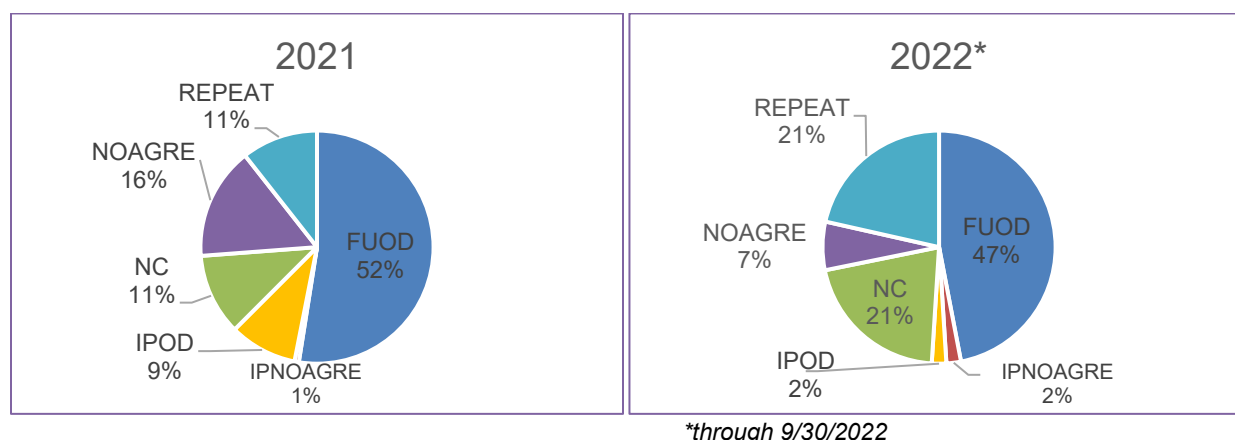
##### Firm Hearing Referrals and Mediation

Referrals are firm noncooperation cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing. The table below shows overall hearings volume through September 2022:



Firms referred to the PRB for a termination hearing increased significantly after PRIMA implementation in 2017, due in part, to process automation as well as changes in guidance to expedite such matters and align more closely with Enhancing Audit Quality initiatives. Efforts to increase consistency, efficiency and effectiveness of administration of the AICPA Peer Review Program (PRP) resulted in maintaining that volume. The decrease shown in 2020 relates to several temporary changes made by the PRP in response to the coronavirus impact on firms, providing firms with additional time to complete peer reviews, corrective actions and implementation plans. As of September 30, 2022, hearing volume appears to be resuming to pre-pandemic levels.

The types of matters for which firms are referred for termination hearings were as follows:



Legend:	
FUOD/IPOD	Failure to complete corrective action(s) or implementation plan
NC	General noncooperation (includes completeness activities/material omission from scope, failure to undergo/complete peer review, failure to improve after consecutive corrective actions, etc.)
NOAGRE/IPNOAGRE	Failure to agree to corrective action or implementation plan, including those subsequently revised upon firm request.
REPEAT	Failure to improve after consecutive non-pass peer reviews

During 2021, there was an increase in the number of cases related to failure to complete corrective actions as many of the extensions granted on corrective actions due to the coronavirus impact on firms expired. In 2022, there has been an increase in the number of firms referred for failure to complete their peer review (reflected in the NC number above), which appears to relate to monitoring efforts by AEs.

Firms referred for certain charges, such as failing to complete corrective actions, can sometimes be encouraged and assisted to resolve these matters prior to hearing. AICPA staff attempts to mediate hearing referrals where appropriate, which ultimately leads to less panel and other resource usage. Mediation is not attempted for charges such as consecutive non-pass reports or material omission from scope because those firms do not have any recourse. Through September 2022, mediation was attempted on 105 of the hearing referrals received, resulting in 40 (or 38%) of those hearings being resolved prior to hearing.

#### Firm Enrollment Drops

A firm's enrollment may be dropped from the AICPA PRP without a hearing prior to the commencement of a review for failure to submit requested information concerning the arrangement or scheduling of its peer review or timely submit requested information necessary to plan or perform the peer review. A detailed list of noncooperation reasons that may lead to a drop is included in the [AICPA Standards for Performing and Reporting on Peer Reviews](#) (PR-C 300.12, .A6-.A7) (previously in the [Peer Review Board Drop Resolution](#) included in Interpretation 5h-1).

Although warning letters are sent, staff does not perform mediation outreach to firms that may be dropped. Firms whose enrollment will be dropped from the AICPA PRP are sent to PRB members for approval via negative clearance and subsequently reported in PRB open session

materials. Firms may appeal an enrollment drop from the PRP and mediation is attempted for firms filing an appeal. Through September 2022:

<b>Action/Status</b>	<b>#</b>
Appeals received	28
Reenrolled prior to appeal hearing	20
Appeal withdrawn by firm	2
Appeal panel scheduled	2
Affirmed	1
Awaiting appeal panel	3

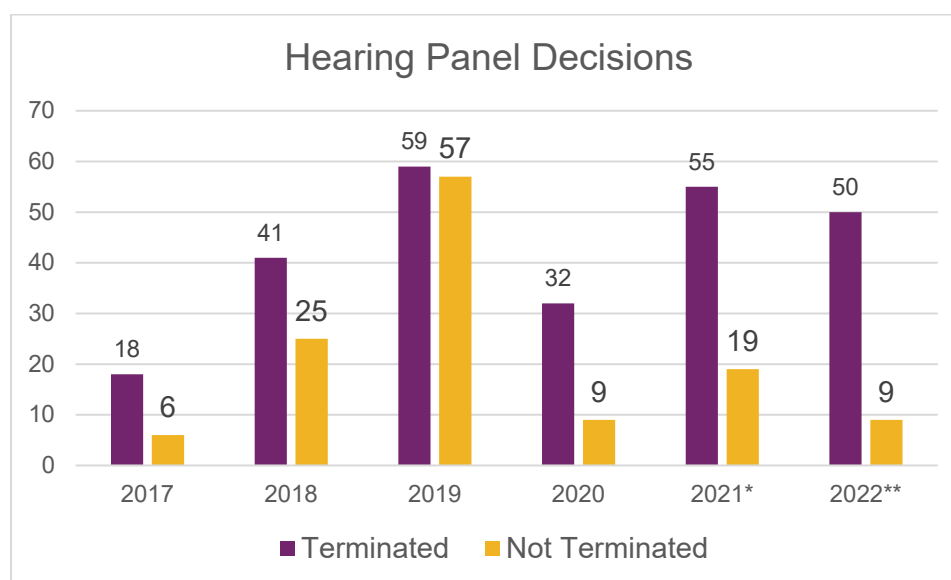
### Firm Enrollment Terminations

A firm's enrollment may be terminated for other failures to cooperate with the PRP (typically after the commencement of a review). A detailed list of noncooperation reasons that may lead to a termination is included in the [AICPA Standards for Performing and Reporting on Peer Reviews](#) (PR-C 300.13) (previously in the [Peer Review Board Termination Resolution](#) (Interpretation 5h-1) on [aicpa.org](#). Terminations from the PRP must be decided upon by a hearing panel of the PRB. Firms may appeal PRP enrollment termination.

Drops and terminations of firms enrolled in the PRP are ordinarily reported in a monthly communication to state boards of accountancy Executive Directors and State Society CEOs and maintained on a listing for AEs.

[Firms \(with AICPA members\) for which enrollment in the AICPA Peer Review Program was terminated](#) are published on [aicpa.org](#) and included in the PRB open session materials. Firms without AICPA members for which enrollment in AICPA PRP has been terminated are not published by the AICPA but are included in the statistics of this agenda item.

Below is a summary of firm hearing panel decisions over the past several years:



\*corrected

\*\*through 9/30/2022

Enrollment terminations reported above represent hearing panel decisions to terminate, including firms within their available appeal period and firms that agreed to the charges and were terminated without a hearing.

Firms not terminated reported above represent a hearing panel decision not to terminate the firm's enrollment. In such cases, hearing panels may require corrective, remedial actions to remain enrolled. Examples of additional corrective actions that might be required include, but are not limited to:

- Replacement review (omission cases)
- Formalization (in writing) of a firm's decision to limit practice in a certain industry or engagement type or
- Pre-issuance or post-issuance review

In the rare circumstance that additional corrective actions are not required, the review continues uninterrupted. For example, any outstanding corrective actions would need to be completed and accepted before the review is completed.

The number of panel decisions increased significantly in 2019, corresponding to the increase in firm referrals during 2018 as shown in that table. A significant portion of these referrals were the result of completeness activities, or material omission from scope, and were not terminated but required to complete replacement reviews. The decrease shown in 2020 relates to the previously mentioned temporary changes made by the PRP in response to the coronavirus impact on firms.

This summary does not reflect:

- Later decisions by an appeal mechanism to reverse or modify PRB hearing panel termination decisions or
- Cases that are mediated or the underlying cause is resolved (stopped hearings)

#### Firm Reenrollments

If a firm's enrollment in the PRP is dropped or terminated, it should address or remediate the cause of the drop or termination to be considered for reenrollment. For example, a firm terminated for failure to complete a corrective action may be reenrolled by completing the corrective action to the peer review committee's satisfaction. However, reenrollment requests for some firms must be considered by a hearing panel (PR-C 300.16 .A14). These include firms:

- Dropped for not accurately representing its accounting and auditing practice;
- Terminated for:
  - Omission or misrepresentation of information relating to its accounting and auditing practice;
  - Failure to improve after consecutive non-pass peer reviews; and
  - Failure to improve after consecutive corrective actions

During 2021, seven reenrollment cases were considered, resulting in five approvals. Through September 30, 2022, two reenrollment requests were considered and approved. Reenrollment approvals by a hearing panel may be contingent upon some required action(s), such as a successful pre- or post-issuance review of a particular engagement type. Such required actions are a condition of reenrollment and, as such, evidence of completion must be completed (attached to the reenrollment case in PRIMA) at the time of reenrollment.

## Agenda Item 1.6C

### Approved 2023 Association Information Forms for Associations of CPA Firms

#### Why is this on the Agenda?

As of November 1, 2022, the Associations Task Force has accepted the 2023 Association Information Form (AIF) from 20 associations of CPA firms on behalf of the Board. Two more associations have submitted forms that are in the process of being approved with one requesting permission to assist its members in forming review teams.

#### Association Name

AGN International – North America, Inc.  
 Allinial Global  
 Alliot Global Alliance  
 Aprio Firm Alliance (fka Firm Foundation)  
 BDO Alliance USA  
 BKR International  
 CPA Management Systems, Inc. T/A INPACT Americas  
 CPAConnect  
 CPAmerica, Inc  
 CPA-USA Association  
 DFK International/USA Inc  
 HLB USA, Inc  
 Integra International  
 Leading Edge Alliance, The / LEA Global  
 Moore North America  
 MSI Global Alliance  
 PrimeGlobal North America  
 RSM US Alliance  
 Southwest Practice Management Group  
 TMG

#### **PRIMA Impact**

PRIMA has been updated to reflect the approval of the 20 associations for 2023.

#### **AE Impact**

Administering entities were notified via email of the 20 associations that have been approved for 2023.

#### **Effective Date**

Upon ATF approval.

#### **Board Consideration**

None. For informational purposes only.



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## A FIRM'S SYSTEM OF QUALITY CONTROL

## AND OTHER PROPOSED AMENDMENTS TO PCAOB STANDARDS, RULES, AND FORMS

PCAOB Release No. 2022-006

November 18, 2022

PCAOB Rulemaking

Docket Matter No. 046

**Summary:** The Public Company Accounting Oversight Board ("PCAOB" or the "Board") is proposing a new quality control standard, together with other amendments to PCAOB standards, rules, and forms. The proposal would:

- (1) supersede current PCAOB quality control standards with an integrated, risk-based standard, QC 1000, *A Firm's System of Quality Control*, that would apply to all registered public accounting firms;
- (2) create reporting requirements on quality control matters and a new, non-public reporting form, Form QC;
- (3) expand the auditor's responsibility to respond to deficiencies on completed engagements under an amended and retitled AS 2901, *Responding to Engagement Deficiencies After Issuance of the Audit Report*, and related amendments to our attestation standards for broker-dealer engagements;
- (4) supersede our existing standard ET 102 with a new standard, EI 1000, *Integrity and Objectivity*, to better align our ethics requirements with the scope, approach, and terminology of QC 1000; and
- (5) make additional changes to PCAOB standards, rules, and forms.

### Public

**Comment:** Interested persons may submit written comments to the Board. Comments should be sent by e-mail to [comments@pcaobus.org](mailto:comments@pcaobus.org) or through the Board's website at [pcaobus.org](https://pcaobus.org). Comments also may be sent to the Office of the Secretary, PCAOB, 1666 K Street, NW, Washington, DC 20006-2803. All comments should refer to PCAOB Rulemaking Docket Matter No. 046 in the subject or reference line and should be received by the Board no later than February 1, 2023.

Board

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**APPENDIX 1: PROPOSED QUALITY CONTROL STANDARD (QC 1000)**

**APPENDIX 2: PROPOSED REPORTING RULE AND FORM QC**

**APPENDIX 3: PROPOSED AMENDMENTS TO AS 2901**

**APPENDIX 4: RESCISSION OF ET SECTION 102; PROPOSED EI 1000; AMENDMENTS TO ET SECTION 191**

**APPENDIX 5: OTHER PROPOSED AMENDMENTS**

## I. EXECUTIVE SUMMARY

We are proposing a new PCAOB quality control (“QC”) standard that we believe would lead registered public accounting firms (“firms”) to significantly improve their QC systems. Effective QC systems are crucial for supporting the consistent performance of high-quality audits and other engagements under PCAOB standards. We have developed an integrated, risk-based standard, QC 1000, *A Firm’s System of Quality Control*, that we believe could be applied by firms of varying size and complexity. In connection with the proposal of QC 1000, we are also proposing a number of other changes to our standards and rules.

### **Improving Our QC Standards**

Inspections and enforcement activities, as well as the research and outreach we have conducted, suggest that there is significant room for improvement in QC systems’ ability to provide reasonable assurance that firms are performing their work in accordance with our standards and other applicable requirements.

Our current QC standards were developed decades ago and issued by the American Institute of CPAs (“AICPA”) before the PCAOB was established. The auditing environment has changed significantly since that time, including evolving and greater use of technology, and increasing auditor use of outside resources, including other firms and providers of support services. Firms themselves have also changed significantly, as has the role of firm networks. Historically, our advisory groups have indicated general support for strengthening the QC standards, including support for implementing a risk-based approach and for enhancing requirements for firm governance and leadership. And advances in internal control, quality management, and enterprise risk management suggest that factors such as active involvement of leadership, focus on risk, clearly defined objectives, objective-oriented processes, monitoring, and remediation of identified issues can contribute to more effective QC.

Taking these considerations into account, we preliminarily believe our QC standards could be improved, thereby leading firms to improve their QC systems and ultimately better comply with applicable requirements, by:

- Expressly requiring a risk-based approach to QC, including well-defined quality objectives and a systematic effort to identify and proactively manage risks to the firm’s achieving those objectives;
- Emphasizing firm governance, the “tone at the top,” and individual accountability;
- Providing more direction regarding monitoring activities and remediation of identified deficiencies to encourage an ongoing feedback loop that drives continuous improvement;



- Addressing changes in the audit practice environment, including the increasing participation of other firms and other outside resources, the role of firm networks, the evolving use of technology and other resources, and the increasing importance of internal and external firm communications;
- Providing for a rigorous annual evaluation of a firm's QC system;
- Introducing annual QC reporting to the PCAOB to underscore the importance of the annual evaluation of the QC system and support PCAOB oversight; and
- Requiring enhanced communication to the audit committee.

Our preliminary view is that the basic objectives of the QC system should be the same across all firms, but that there should be flexibility in the requirements of the QC standard and the extent to which they apply depending on the nature and circumstances of the firm.

The specific policies and procedures necessary to achieve the objectives of the QC system could vary significantly. This variance could depend on firm size, engagement types, and other factors. We believe that our QC standard should be sufficiently principles-based and scalable that firms could pursue an approach to QC that is appropriate in light of their specific circumstances.

We are also considering whether there may be specific areas, such as firm governance, where larger firms should be subject to enhanced requirements, given such firms' greater complexity and the relatively greater public interest implicated by the fact that they audit companies that make up a substantial majority of U.S. public market capitalization. In general, however, our preliminary view is that firms that perform engagements under our standards should be subject to the same QC requirements regardless of size.

We are aware that a significant number of registered firms do not perform engagements under PCAOB standards every year. Our preliminary view is that the risk to investor protection is minimal if the firm is not performing or playing a substantial role in such engagements, and that it would be appropriate to provide for more limited QC obligations in those circumstances.

### **Proposed QC 1000**

The proposed standard takes an approach that substantially reflects the discussion in our December 2019 concept release, which most commenters supported.

Proposed QC 1000 provides a framework for a QC system that is grounded in proactively identifying and managing risks to quality, with a feedback loop from ongoing monitoring and remediation that should drive continuous improvement, an explicit focus on firm governance

and leadership and individual accountability, and specific direction in a number of areas that our current standards do not address directly. Proposed QC 1000 has eight basic components, consisting of:

**Two process components**

- The firm's risk assessment process
- The monitoring and remediation process

**Six components that address aspects of the firm's organization and operations**

- Governance and leadership
- Ethics and independence
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance
- Resources
- Information and communication

The proposed standard also includes requirements regarding individual roles and responsibilities in the QC system, a requirement to evaluate the effectiveness of the QC system annually and report on the results of that evaluation to the PCAOB and to the audit committee (or equivalent) of each issuer and broker-dealer audit client, and documentation requirements. The proposed text of QC 1000 is attached as Appendix 1 and the proposed QC reporting rule and form are attached as Appendix 2.

Under the proposal, all registered firms would be required to design a QC system that meets the requirements of QC 1000. Firms would be required to implement and operate the QC system in compliance with QC 1000 when they perform an engagement under PCAOB standards, play a substantial role in the preparation or furnishing of an audit report (as defined in our rules), or have current responsibilities under applicable professional and legal requirements regarding any such engagement.

**Comparison to International and AICPA QC Standards**

The development of our proposal has been informed by the approach to QC standards taken by other audit standard setters, as reflected in International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* ("ISQM 1"), adopted by the

International Auditing and Assurance Standards Board (“IAASB”), and the Statement on Quality Management Standards (SQMS) No. 1, *A Firm’s System of Quality Management* (“SQMS 1”), adopted by the AICPA. The structure we are proposing for QC 1000 is similar to the structure of ISQM 1 and SQMS 1.

However, we have carefully analyzed every aspect of the approach taken by these other standard setters and have considered where to align and where to include alternative or incremental provisions that we believe would better protect and serve investors and further the public interest. As a result, our proposal does not completely align with these other standards and includes a number of provisions that we believe are appropriate to address our environment, the needs and priorities of our stakeholders, and our statutory mandate of protecting investors and the public interest, including:

- Requirements regarding involvement of independent individuals in firm governance for the largest firms;
- An ethics and independence component aligned with SEC and PCAOB requirements;
- Specified requirements regarding firm technological resources;
- More specific requirements for the monitoring and remediation process;
- Guidelines regarding a firm’s voluntary publication of information, firm statistics, or firm and engagement performance metrics; and
- A more structured approach to the firm’s annual evaluation of its QC system coupled with a reporting requirement on new Form QC.

We believe that building on a common basic structure with other audit standard setters, with appropriate differences, would enable our regulatory objectives to be accomplished more effectively, as well as more efficiently and at a lower cost to the firms we regulate, than if we developed an entirely different structure of our own. In designing, implementing, and operating their QC systems, firms that are subject to both PCAOB standards and IAASB or AICPA QC standards—which we believe is a very substantial majority of the firms that perform engagements under our standards—could leverage the investments they make to comply with the requirements of the IAASB and/or the AICPA and avoid the additional costs that would be associated with designing, implementing, and operating fundamentally different, and potentially conflicting, approaches to QC.

### **Other Proposed Changes**

In connection with the proposal of QC 1000, we are also proposing other changes to our standards, rules, and forms. These include, among other changes, expanding the auditor’s

responsibility to respond to deficiencies on completed engagements under an amended and retitled AS 2901, *Responding to Engagement Deficiencies After Issuance of the Auditor's Report*, and related amendments to AT No. 1, *Examination Engagements Regarding Compliance Reports of Brokers and Dealers*, and AT No. 2, *Review Engagements Regarding Exemption Reports of Brokers and Dealers*; and replacing our existing standard ET 102 with a new standard, EI 1000, *Integrity and Objectivity*, to better align our ethics requirements with the scope, approach, and terminology of QC 1000. The proposed amendments to AS 2901, the proposed amendments related to EI 1000, and the other proposed changes are attached as Appendices 3, 4, and 5, respectively.

### **Effective Date**

We are considering an effective date of December 15 of the year after approval by the SEC, with the first evaluation of the QC system to be made as of the following November 30. We also believe that firms should be permitted to elect to comply with the requirements of QC 1000, except reporting to the PCAOB on the annual evaluation of the QC system, before the effective date, at any point after SEC approval of the final standard.

### **Comments on the Proposed Rule and the Other Proposed Amendments**

In this proposing release, we are seeking comment on all aspects of our proposed new QC standard, QC 1000, as well as the other proposed amendments to PCAOB standards, rules, and forms described in this release. We encourage you to read the entire proposing release, which includes a discussion of the proposed provisions, key differences between the proposed standard and both our current QC standards and the QC standards of other standard setters, and an economic analysis.

Throughout this release, we have included specific questions soliciting your feedback on particular aspects of our proposal. You are encouraged to comment on any or all topics, respond to any or all questions, provide feedback in areas not covered by specific questions, and provide any evidence (e.g., data or practical experiences) that informs your views.

## **II. BACKGROUND**

This section presents background information on this rulemaking, including an overview of our existing QC requirements and current practice, a review of other developments since our current QC requirements were adopted, a summary of relevant actions taken by other standard setters, a discussion of our research and outreach efforts related to QC and our December 2019

[Link to website](#)

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Menu

# Mandatory Peer Review for Public Accounting Firms

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## General Information

Chapter 364 of the Laws of 2017 amended the requirements for CPA Firms subject to Mandatory Peer Reviews pursuant to Education Law §7410 which became effective on October 23, 2017. The amendments to the Peer Review Law repealed the exemption from the Mandatory Peer Review requirement for small firms with two or fewer accounting professionals and now requires all CPA firms to undergo a Mandatory Peer Review if the firm performs any attest services.

Education Law §7410 requires public accounting firms to undergo a peer review of the firm's attest services within 18 months of providing its initial attest service and every three years thereafter. Firms must provide the NYS Department of Education (Department) a copy of the peer review documents each time the firm registers with the Department and upon the initial issuance of the peer review documents.

All CPA firms, including sole proprietorships, must register with the Department. For information, please review the [Registration of Public Accounting Firms](#).

Firms can verify their firm’s registration status [here](#).

The rules regarding the Mandatory Peer Review Program are complex and will vary significantly depending upon the type of audits and other attest services provided by your firm. In addition, if your firm’s peer review results are deemed to be substandard, additional remediation and corrective actions will also be applicable. For additional information relative to these statutes and regulations, click here for Education Law [§7410](#), the Regulations of the Commissioner [§70.10](#) and the Rules of the Board of Regents [29.10.j](#).

[Collapse All](#)

### Frequently Asked Questions

1. When are public accountancy firms required to participate in the Mandatory Peer Review Program?



Firms that provide any attest services are required to participate in the Mandatory Peer Review Program.

2. What is considered attest services that requires a peer review of a firm?



Attest services include audits, reviews and examinations conducted under the following standards: Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements on Standards for Attestation Engagements, Government Auditing Standards, and audits of Securities and Exchange Commission (SEC) and non-SEC issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).

In more common terms, attest services include Audits, Reviews, Attestation Engagements and Agreed-Upon Procedures Engagements.

What if my firm only performs audits for the Securities and Exchange Commission (SEC) issuers that are inspected by the Public Company Accounting Oversight Board (PCAOB)?



Education Law §7410 requires firms to be enrolled in the Mandatory Peer Review Program as this service is considered an attest service. Therefore, the firm is required to enroll in the American Institute of Certified Public Accountants (AICPA) Peer Review Program and firms that perform engagements under PCAOB standards are required to have their peer review administered by the National Peer Review Committee. Annually the firm will review its engagements, including the level of service and industries that it performs in the AICPA’s Peer Review Integrated Management Application (PRIMA).

4. Do Compilation or Preparation Engagement services qualify as attest services?

No. Compilation or Preparation Engagement services are not considered attest services. Firms that provide only these services are not mandated to participate in the Mandatory Peer Review Program but are encouraged to do so.

5. When is considered the initial performance of attest services??



Initial performance of attest services means when the firm or a professional in the firm first begins the process to perform an attest service. This could include the receipt of a signed engagement letter from a client, the initial planning for an audit or other service, or the start of engagement fieldwork, whichever occurs first.

Firms that offer these services become subject to the Mandatory Peer Review Program and must complete specific actions as outlined below.

6. What specific actions does a firm need to take when it becomes subject to the Mandatory Peer Review Program?



Firms MUST take the following actions:

- Within 30 days of the initial performance of attest services
  - Notify the Department, and
  - Provide proof of enrollment in the American Institute of Certified Public Accountants’ peer review program; and
- Within 18 months of the initial performance of attest services complete the peer review process.

7. How do I enroll in the peer review program?



Currently, the accepted Mandatory Peer Review Program is the American Institute of Certified Public Accountants’ (AICPA) Peer Review Program. The firm must enroll using the AICPA’s Peer Review Integrated Management Application (PRIMA), and follow the procedures posted on the AICPA’s website for enrolling in the peer review program.

Firms can enroll in the AICPA’s peer review program by submitting the AICPA’s Public Accounting Firm Creation Form. The form must be submitted to an Administrating Entity to enroll in the peer review program. Additional enrollment information can be found on the AICPA’s website at: [www.aicpa.org/interestareas/peerreview.html](http://www.aicpa.org/interestareas/peerreview.html)

The enrollment letter will be issued to the firm when complete. The firm must submit the enrollment letter with its notification to the Department.

8. Do I need an American Institute of Certified Public Accountants (AICPA) membership to enroll into the peer review program?



No. Firms that are not members of the AICPA are allowed to enroll in the peer review program.

9. Can out-of-state firms satisfy the Mandatory Peer Review requirement with a peer review that was administered by an out-of-state administering entity?



Yes. Firms located in another state can enroll in that state’s peer review program as long as it is the American Institute of Certified Public Accountants’ (AICPA) peer review program. Your firm will need to make your documents accessible to the New York State Board of Accountancy and the Peer Review Oversight Committee. You may do this through the AICPA’s PRIMA website by selecting NY or you may submit copies of the documents via email.

10. What is an Administering Entity?



The Administering Entity is the entity (usually a committee of a state society) responsible for administration of the AICPA Peer Review Program generally for firms in particular regions or states.

11. What action is required of the firm to complete the peer review process?



The firm owners must cooperate with the peer reviewer and administering entity. Once the peer review documents are issued, firms must make them available to the Department. The documents may be made available via the American Institute of Certified Public Accountants’ Peer Review Integrated Management Application (PRIMA) within thirty days of the date of issuance. If the documents cannot be provided via PRIMA, the firm must provide copies of the peer review documents to the Department by email within ten days of receipt of the documents.

12. What are the possible results of a peer review?



A firm can receive the following peer review report ratings: pass, pass with deficiencies, or fail.

13. What is the impact of receiving a pass with deficiency or a fail rating on my peer review?



The American Institute of Certified Public Accountants (AICPA) Peer Review Standards outline the implications of receiving a rating other than pass. Please access the AICPA’s [website](#) for additional information.

The Peer Review Oversight Committee monitors firms which have received a rating other than pass. See the Peer Review Oversight Committee information below.

14. What competency requirements must a licensee meet if my firm receives a rating of fail.



The licensee who supervised attest services must have had at least 1,000 hours of experience within the previous five years in providing attest services or reporting on financial statements gained through employment in government, private industry, public practice, or an education institution satisfactory to the State Board for Public Accountancy.

15. What are the peer review documents that must be submitted after the peer review is completed?



The peer review documents consist of the following: the Peer Review report issued by the reviewing firm, acceptance letter issued by the Administering Entity, letter of response (if applicable), and completion letter (if applicable).



16. What will happen if my firm is dropped from the peer review program by the American Institute of Certified Public Accountants (AICPA)?



The Peer Review Oversight Committee (PROC) reviews all firms that are dropped from the peer review program by the AICPA. The PROC will send the firm a letter and CPA Form 6PR – Peer Review, Competency, and Annual Statement seeking information about the firm’s decision to reenroll in the peer review program, the change in the services the firm performs, or other circumstances. As required by the Rules of the Board of Regents, the firm is required to respond within 30 days.

A firm is not authorized to drop out and reenroll into the program to circumvent the Mandatory Peer Review Program requirements. Firms that have performed attest services and were dropped are not considered to be in compliance with the Mandatory Peer Review Program and may be referred to the Office of Professional Discipline for potential disciplinary action.

17. What are the requirements for firms that do not provide attest services?



Firms that do not provide attest services are required to notify the Department that the firm does not perform attest services and it is not required to participate in the Mandatory Peer Review Program. Annually, firms are sent a CPA Form 6PR – Peer Review, Competency, and Annual Statement to report this information. Firms are required to return the form within 30 days of its receipt to the Department.

Overview of the Peer Review Oversight Committee

18. What is the Peer Review Oversight Committee?



The Peer Review Oversight Committee (PROC) is a committee comprised of six members, with five of them required to be a Certified Public Accountant. The PROC is separate from the State Board for Public Accountancy (Board). The PROC is charged with overseeing the Mandatory Peer Review Program in New York State. Annually it reports to the Board and the Department on its monitoring activities and issues related to the peer review program.

The Department monitors the status of all firms that are required to be enrolled in the Mandatory Peer Review Program. As noted above, the PROC monitors those firms that receive a rating other than pass on its peer review report.

19. What if I receive a letter from the Peer Review Oversight Committee (PROC) stating that it is monitoring my firm due to a peer review report with a rating of fail or pass with deficiencies?



Your firm is required to respond to the monitoring letter within 30 days of its receipt to acknowledge that the PROC will monitor your firm’s compliance with the corrective actions prescribed by the administering entity.

20. What if my firm is determined not to have cooperated with the peer review program?



The Peer Review Oversight Committee (PROC) will contact the firm regarding its noncooperation and evaluate the firm’s response. A failure to cooperate with the peer review program may be considered unprofessional conduct and may be subject to disciplinary action.

21. What if my firm is terminated or expelled from the peer review program?



A firm that has been terminated or expelled from the peer review program by the American Institute of Certified Public Accountants (AICPA) will be referred by the Peer Review Oversight Committee (PROC) to the Office of Professional Discipline for potential disciplinary action.

22. What can the firm owners do if they have questions?



Firm owners can contact the State Board for Public Accountancy or the Peer Review Oversight Committee for additional information. You may call, write, or email if you have questions regarding the Mandatory Peer Review Program.

New York State Education Department  
State Board for Public Accountancy / Peer Review Oversight Committee  
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Albany, New York 12234-1000  
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E-mail State Board for Public Accountancy: [cpabd@nysed.gov](mailto:cpabd@nysed.gov)  
E-mail Peer Review Oversight Committee: [PeerReviewCPA@nysed.gov](mailto:PeerReviewCPA@nysed.gov)

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