

NEW YORK STATE EDUCATION DEPARTMENT

Peer Review Oversight Committee  
Meeting Agenda

NYS Education Department  
80 Wolf Rd, Colonie, NY

August 18, 2025

10:00 a.m.      Public Session

• Review and Approval of Minutes from the May 13, 2025 meeting	Pages 2 - 4
• PROC Member Update	None
• Future PROC Meetings: <ul style="list-style-type: none"><li>○ November 13, 2025, 9:00 a.m. – Video Conference.</li><li>○ February 4, 2026, 9:00 a.m. – Video Conference</li></ul>	
• PROC 2024 Annual Report	Pages 5 - 16
• AICPA Peer Review Board Open Meetings <ul style="list-style-type: none"><li>○ May 14<sup>th</sup></li><li>○ Future Peer Review Board Open Meetings in 2025:<ul style="list-style-type: none"><li>■ September 10<sup>th</sup></li><li>■ November 13<sup>th</sup></li></ul></li></ul>	Pages 17 - 239
• 2024 AICPA Annual Report on Oversight	Pages 240 - 279
• 2024 Enhancing Audit Quality Highlights Report	Pages 280 - 294
• New Business	

11:00 a.m.      Executive Session

## NEW YORK STATE EDUCATION DEPARTMENT

## Peer Review Oversight Committee

NYS Education Department  
80 Wolf Road, Albany, NY

## Other Locations:

33 Lewis Road, Binghamton, NY 13905  
45 Bryant Woods North, Amherst, NY 14228  
100 Meridian Center, Suite 200, Rochester NY 14618  
100 Jericho Quadrangle, Suite 342, Jericho, NY 11753

May 13, 2025

The following members were present:

David Iles, CPA, Chair (not for quorum)  
David Pitcher, CPA  
Jesse Wheeler, CPA

Grace G. Singer, CPA, Vice Chair  
Andy Neyman, CPA

Others in attendance:

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

**Call to Order:** On a motion by Mr. Neyman, seconded by Mr. Pitcher, the Committee agreed to move to public session at 9:08 a.m.

**Minutes:** Based on a motion made by Mr. Pitcher, seconded by Mr. Wheeler, the Committee approved the February 5, 2025, meeting minutes.

**PROC Member Update:** Ms. Winters reported back that the lead on a new PROC member did not work out. The Committee needs two new members due to Mr. Iles' term ending soon with his last meeting in August 2025. Ms. Singer will contact the Long Island quality review group; however, notes they may have conflicts. Ms. Singer can potentially bring someone from her old firm, come the end of June, Citrin Cooperman & Company LLP. Mr. Pitcher will ask around at the Rochester chapter meeting coming up later this month. Mr. Pitcher informed the Committee that he plans to retire from his current firm in June 2026 and will remain involved to help the firm with litigation. Mr. Iles suggested contacting PICPA and ask for a list of those coming off their PRC and RAB to see if anyone would be interested in joining the PROC.

**Future Committee Meetings:**

- August 18, 2025, 10:00 a.m. – 80 Wolf Rd, Albany
- November 17, 2025, 9:00 a.m. – Video Conference
- February 4, 2026, 9:00 a.m. – Video Conference

**Annual Report:** The Committee plans to finalize the annual report via SharePoint due to the timing of the Board meeting. Ms. Winters will present the report to the Board as Mr. Iles will be attending the AICPA Peer Review Conference. The following edits were discussed:

- Mr. Iles will work on the message from the Committee.
- In the meetings and accomplishment section:

- Letter “c” will be struck out as we did not receive the reports. This will be replaced with ASB findings on Peer Reviews.
- Letter “d” will change since we only had two RAB and no PRC oversights in 2024. However, we will state that a PRC is scheduled for early 2025.
- Letter “f” will be removed and replaced with Ms. Winters’ presentation to Executive Directors on the PROC procedures.
- Letter “i” will be added in with the number of referrals sent to OPD in 2024 on behalf of the PROC.
- Letter “l” will be added in with issues regarding the discrepancies with FSBA that were reviewed, including the terminated firms there were not showing as terminated in FSBA.
- The recommendations and conclusion will be left the same.

**AICPA Peer Review Board Open Meetings:** February 12<sup>th</sup> – The meeting was not too long and covered the survey given out to the firms. There was also a checklist for financial disclosure changes.

**Future AICPA Peer Review Committee Open Meetings:** Ms. Winters and Mr. Cordell will attend the meetings in 2025: May 14<sup>th</sup>, September 10<sup>th</sup>, and November 11<sup>th</sup> or 12<sup>th</sup>.

**NASBA’s Peer Review Compliance Committee - Deficient Reports and Monitoring Guidance:** This guidance came out with the best practices for PROCs and Boards to consider for peer review monitoring. NYS does most of these steps already, with the exception of the discipline that is outside the Board Office’s purview.

**AICPA – FSBA Peer Review Support Request:** Ms. Winters noted there was a system outage.

**Peer Review AE Oversight Reports:** This will be prepared for the upcoming August meeting and will focus on surrounding states such as CT, NJ, NRPC, MA, NEPR, and PICPA.

**Website Changes – FAQ #18 on change to system of quality control to system of quality management:** The FAQ was posted from the last PROC meeting to the website. However, it will most likely have to be modified again once the regulations are implemented. This item will be revisited at the November PROC meeting.

**Commissioner’s Regulation – Section 70.10:** Ms. Winters noted that the revisions to the regulations were not included in the packet. They were presented to the Board of Regents at their April meeting and are anticipated to be adopted in September.

**PICPA Oversight:** The following members committed to oversight of the RAB and PRCs. Ms. Singer will attend a RAB on September 9<sup>th</sup>; Mr. Wheeler will attend a PRC on September 23<sup>rd</sup>; and Mr. Neyman will attend a RAB on November 13<sup>th</sup>.

**New Business:** NA

**Public Session:** On a motion by Mr. Neyman and seconded by Mr. Pitcher, the Committee voted in favor of adjourning the public session at 10:03 a.m.

**Executive Session:** On a motion by Mr. Wheeler and seconded by Mr. Neyman, the Committee voted to enter executive session at 10:10 a.m.

On a motion by Ms. Singer and seconded by Mr. Wheeler, the Committee unanimously agreed to close executive session and end the meeting at 11:28 a.m.

Respectfully submitted,

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Jennifer Winters, CPA  
Executive Secretary

# 2024

NEW YORK STATE

PEER REVIEW OVERSIGHT COMMITTEE

ANNUAL REPORT

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## **I. Message from the Committee**

The timing of this year's report covers the time period January 1, 2024 to December 31, 2024. The Pennsylvania Institute of CPAs (PICPA) is the administering entity (AE) for most New York firms. PICPA continued its policy of providing limited information as part of adhering to Chapter 3 of the AICPA Peer Review Standards. Peer Review Oversight Committee (PROC) staff continued to find sources of information to allow the PROC to continue to monitor firms.

As reported in the 2021, 2022 and 2023 reports, the changes to the Commissioner's Regulations and the Board of Regents Rules were adopted by the Regents, which allowed the PROC to make significantly more referrals to the Office of Professional Discipline throughout 2024. These changes have provided the PROC with additional tools to improve firm compliance with the Mandatory Peer Review Program.

The Peer Review Integrated Management Program (PRIMA) data and utilization issues continued, and as a result, posted information by AEs is not timely, and in some cases inaccurate. PROC staff continue to submit "tickets" to the AICPA and PICPA to correct information in PRIMA. The PROC is working with the AICPA to improve the accuracy issues.

During 2024, with recent rules and regulations, the PROC continued to monitor the administering entity (PICPA), other AEs, and firms to continue to improve the quality of assurance services in New York State.

The PROC thanks the staff for their dedicated and timely support of the Mandatory Peer Review Program in New York State.

## **II. Background**

In 2009, the NYS Legislature passed significant changes to laws that regulate Public Accounting in New York. The legislature required the implementation of the Mandatory Quality Review Program (MQRP). The program became effective for firms registering on or after January 1, 2012. Firms in the MQRP are required to undergo a peer review once every three years as a condition of their firm registration renewal. The purpose of the MQRP is to promote quality in the attest services provided by CPAs. The 2009 law required firms with three or more CPAs, providing attest services, to participate in the MQRP.

In the fall of 2017, the NYS Legislature revised the MQRP law. The new legislation repealed the small firm exemption and, therefore, all firms that provide attest services are required to participate in the peer review program. The changes to the law also included a name change of the program from the Mandatory Quality Review Program to "Mandatory Peer Review Program" (MPRP) and the committee from the Quality Review Oversight Committee to the Peer Review Oversight Committee (PROC).

The New York State definition of attest is in the Education Law as follows: "Attest" means providing the following public accountancy services which all require the independence of licensees:

- a. any audit to be performed in accordance with generally accepted auditing standards or other similar standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations;
- b. any review of a financial statement to be performed in accordance with standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations;
- c. any examination to be performed in accordance with attestation standards developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations; or
- d. any engagement to be performed in accordance with the auditing standards of the public company accounting oversight board.

### **III. PROC Regulatory Authority and Responsibilities**

The PROC derives its regulatory authority from Section 70.10 of the Regulations of the Commissioner (Regulations). In November 2021 the Regulations were permanently amended by the Board of Regents. The purpose of the PROC includes approving and monitoring the Sponsoring Organization, informing, and reporting matters concerning peer review to the Department, assessing, and reporting on the effectiveness of the program, and reviewing individual peer review reports for compliance. Following the amendments to the Regulations, the PROC has the responsibility to:

- receive and approve administration plans from entities applying to be sponsoring organizations;
- monitor sponsoring organizations to provide reasonable assurance that the sponsoring organization is conducting the peer review program in accordance with the peer review standards;
- inform the Department of any issues and/or problems relating to the peer review program which may require the Department's intervention;
- annually report to the Department as to whether each sponsoring organization meets the standards necessary to continue as an approved sponsoring organization;
- annually assess the effectiveness of the peer review program;
- annually report to the Department on any recommended modifications to the peer review program;
- review each peer review report submitted by a firm, as part of its registration or renewal of its registration, to determine whether the firm is complying with applicable professional standards.
- where applicable, the PROC may refer firms that are not in compliance with applicable standards to the Office of Professional Discipline pursuant to Education Law section 6510; and
- ensure that any documents received from a firm or reviewer remain confidential and not constitute a public record, unless such document is admitted into evidence in a hearing held by the Department.

Additionally, a new subdivision (j) of the Board of Regents Rules Part 29, Unprofessional Conduct, Section 29.10, Special Provisions for the Profession for Public Accountancy (Rules) was adopted as it relates to the Mandatory Peer Review Program.

The Rules define unprofessional conduct as follows:

- failure to cooperate with the peer review process;
- making a false, fraudulent, misleading or deceptive statement, as part of, or in support of, a firm's peer review reporting;
- a firm's termination or expulsion from the peer review program;
- failure of a firm and its licensees to follow the peer review process and complete any remedial actions required;
- failure of a firm to provide access to its peer review information, as required by subdivision (j) of section 70.10 of the Regulations of the Commissioner.

#### **IV. PROC Recognized Peer Review Program Providers**

The American Institute of Certified Public Accountants (AICPA) is currently the only Peer Review Program Provider (sponsoring organization) that is acceptable to the PROC. The PROC accepts all AICPA approved organizations (administering entities) that are authorized to administer the AICPA Peer Review Program. The AICPA's Peer Review Board (PRB) is responsible for maintaining, furthering, and governing the activities of the AICPA's Peer Review Program, including the issuance of peer review standards, and peer review guidance. The Peer Review Program provides for a triennial review of a firm's accounting and auditing practice. The review is performed by a peer reviewer who is unaffiliated with the firm being reviewed. The goal of the program is to monitor and enhance quality, and conformity with professional standards.

There are two types of peer reviews. System reviews are designed for firms that perform audits or other attest engagements. Engagement reviews are for firms that do not perform audits but perform other engagements such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

Entities that are currently acceptable to administer the peer review program in New York State are:

- Pennsylvania Institute of CPAs (PICPA) – As of March 15, 2018, PICPA administers the AICPA Peer Review Program for the majority of New York firms. Prior to this date, the New York State Society of CPAs (NYSSCPA) administered the peer review program for most NY firms. As the administering entity, PICPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's Standards. The PICPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews.
- National Peer Review Committee (NPRC) -The AICPA also administers a peer review program through the National Peer Review Committee for firms required to be registered with and/or inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB.
- Other State Societies and Organizations - New York registered accountancy firms are allowed to have their peer review administered by an AICPA approved administering entity in another state. The AICPA maintains the listing of the administering entities assigned to each state.

## **V. Committee Members and Staff**

The PROC consists of six members who are appointed by the NYS Board of Regents for five-year terms and may serve up to two terms. At least five members must be licensed CPAs and the sixth member may be a public member or a licensed CPA. Additionally, PROC members cannot be members of the State Board for Public Accountancy or one of its committees. Licensed members must be New York licensed CPA and hold current registrations with the Department. If a public member is appointed to the PROC, the person must have received or used the services provided by CPAs.

During 2024 we had several member changes with two unexpected resignations. Mr. Venezia the Chair resigned before the end of his five-year term in February. Mr. Mertz also resigned from the Committee in August. Mr. Iles assumed the role of the Chair after Mr. Venezia resigned and Ms. Singer became the Vice Chair. In late 2024, the Committee welcomed Mr. Wheeler as a new member. There was one vacancy at year end. The members at the close of 2024 are noted below.

<u>Member Name:</u>	<u>Member Term:</u>
David Iles, CPA Chair	Oct 1, 2020 – Sep 30, 2025 (Second term)
Andrew Neyman, CPA	May 1, 2023 – Apr 30, 2028 (First term)
David Pitcher, CPA	Dec 1, 2024 – Nov 30, 2029 (Second term)
Grace Singer, CPA Vice Chair	Feb 1, 2024 – Jan 31, 2029 (Second term)
Jesse Wheeler, CPA	Aug 1, 2024 – Jul 31, 2029 (First term)

Staff of the PROC – The PROC has three staff members, the Executive Secretary and Auditor 1 and 2 who support its efforts in effectively carrying out its duties and responsibilities. The Executive Secretary, Jennifer Winters, is the lead staff liaison for the members. The Auditor 2 position was filled with Thomas Cordell in August 2019. The Auditor 1, Philip Jesmonth, has been in the position since November 2015.

The volunteer members of the PROC rely on the support of the staff to conduct its meetings and handle routine firm matters related to peer review. The staff review the firms' annual statement on peer review compliance, compiles the information on the firms that are monitored, and communicate outstanding matters with the firms on behalf of the volunteer PROC members.

**VI. Statistics:** This year's report includes the calendar year, note the timing of the reported data for prior years\*. The following statistics were obtained from the PRIMA system.

	Jan 1, 2021 to Dec 31, 2021				Jan 1, 2022 to Dec 31, 2022				Jan 1, 2023 to Dec 31, 2023				Jan 1, 2024 to Dec 31, 2024			
	PICPA		NPRC		PICPA		NPRC		PICPA		NPRC		PICPA		NPRC	
<b><u>System Reviews</u></b>																
Pass	196	75%	36	95%	143	63%	19	76%	157	69%	20	87%	168	76%	28	97%
Pass with deficiencies	45	17%	2	5%	46	20%	2	8%	38	17%	2	9%	26	12%	1	3%
Fail	20	8%	0	0%	39	17%	4	16%	33	14%	1	4%	26	12%	0	0%
<b>Subtotal – System</b>	<b>261</b>		<b>38</b>		<b>228</b>		<b>25</b>		<b>228</b>		<b>23</b>		<b>220</b>		<b>29</b>	
<b><u>Engagement Reviews</u></b>																
Pass	162	88%			137	85%			110	84%			113	84%		
Pass with deficiencies	13	7%			17	11%			12	9%			17	12%		
Fail	9	5%			7	4%			9	7%			5	4%		
<b>Subtotal – Engagement</b>	<b>184</b>				<b>161</b>				<b>131</b>				<b>135</b>			
<b>Total System &amp; Engagement</b>	<b>483</b>				<b>414</b>				<b>382</b>				<b>384</b>			

## **VII. Meetings, Accomplishments and Advocacy Efforts**

Following are the meetings, accomplishments, and advocacy efforts in 2024.

a. Committee Meetings - The PROC holds meetings to conduct business and report to the Department regarding the effectiveness of the Mandatory Peer Review Program. Minutes from the meeting are available on the Department's website.

The PROC has held the following committee meetings in 2024:

- February 8th
- August 13<sup>th</sup>
- May 14<sup>th</sup>
- November 18<sup>th</sup>

b. In October 2024, the Executive Secretary, on behalf of the Chair, presented the 2023 PROC Annual Report to the State Board for Public Accountancy at their Board meeting. Additionally, in 2024, the annual reports for the past three years were publicly posted to the Department's website in the Mandatory Peer Review Program section.

c. The PROC reviewed and discussed the latest Auditing Standards Board Peer Reviewer Survey and Table Talk Findings at its May meeting.

d. Oversight of the Peer Review Committee (PRC) and Report Acceptance Body (RAB) of PICPA - To continue the Committee's monitoring of the sponsoring organization, committee members Neyman and Wheeler attended a RAB on October 24<sup>th</sup> and December 10<sup>th</sup>, respectively.

The PROC members who attended these meetings unanimously agreed the program is run by dedicated professionals in accordance with the AICPA standards. The PROC was unable to oversight a PRC meeting in 2024 and scheduled one in early 2025.

e. Guidance – In 2024, the PROC made recommendations to the Department to modify the Frequently Asked Questions on the website for additional clarity and guidance on the Mandatory Peer Review Program related to the change in system of quality control to the system of management control. It also included the PCAOB's continuation of a system of quality control.

f. Ms. Winters presented in March at the NASBA Executive Director conference on the New York PROC and what it does for monitoring firms participating in peer review.

g. AICPA Peer Review Board (PRB) Open Meetings - The PROC monitors the AICPA's PRB's public sessions throughout the year. PROC members and staff attend these meetings via teleconference and report back to the full PROC. The sessions are informative and allow for an exchange of ideas and practices across state lines. The following PRB meetings were attended in 2024:

- February 7<sup>th</sup>
- May 15<sup>th</sup>
- November 4<sup>th</sup>

Committee members Iles, Pitcher, and Singer attended the AICPA Peer Review Conference in August 2024. At the Committee's November meeting, they provided a recap of the conference.

h. Monitoring of Firms in Peer Review - The PROC monitors firms throughout the remediation phase of their peer review, where applicable. Firms are informed by letter that the PROC is monitoring their remediation progress and are required to acknowledge receipt of the letter. Remediation is considered complete when the peer review is accepted as complete by the respective Peer Review Committee. The PROC also monitors the firms that have dropped out of the program and those that are terminated by the program. The determination to monitor, continue to monitor, or remove from monitoring is performed at the PROC meetings in executive session.

System and Engagement Reviews that have a rating of fail or pass with deficiencies are monitored by the PROC. During 2024, the PROC has monitored 194 firms, including firms that have been carried over from the prior year. During this time, 135 of these firms had their peer reviews accepted as complete, while 59 firms are still being actively monitored.

i. In 2023, it was noted that, as part of the changes to the regulations previously mentioned, the PROC has increased the number of referrals to the Office of Professional Discipline and this continued throughout 2024. During 2024 there were 27 referrals made to the Office of Professional Discipline by the PROC.

j. In continuing efforts with documented procedures, the Committee finalized the PROC monitoring and review procedures that was started in 2023. The document was added to the members only resources pages on their Sharepoint site.

k. The Committee reviewed a compiled report on overdue firms and the statistics for the length of time the firms are taking to complete the peer reviews.

## **VIII. Recommendations**

The PROC recommends that the Department continue its monitoring effort of the Mandatory Peer Review Program. The PROC recommends contacting the American Institute of CPAs Peer Review Team regarding the discrepancies with the terminated firms.

## **IX. Conclusions**

Based on its oversight activities, the PROC concluded that the Pennsylvania Institute of Certified Public Accountants has been an effective administrator as it performs the majority of the peer reviews of New York public accountancy firms that are subject to the Mandatory Peer Review Program's (MPRP). The PROC has established a monitoring and oversight role utilizing the Facilitated State Board Access (FSBA) system; however, the AICPA's Chapter 3 of the AICPA Peer Review Standards continue to impede our monitoring and oversight efforts. There are continued discrepancies with the FSBA system and the lack of cooperation and transparency by the AICPA makes it difficult to obtain timely information about the status of a firm's peer review during our monitoring efforts. This is especially true when a firm is not in compliance with the three-year peer review cycle that is required of the MPRP in the New York State Education Law or terminated from the peer review program. The PROC continues to express concern with the transparency issues that continue to impede our mission to protect the public interest in New York State.

**AICPA Peer Review Board  
Open Session Agenda  
Wednesday May 14, 2025  
Teleconference**

**Date:** Wednesday May 14, 2025

**Time:** 1:00PM – 3:00PM Eastern Time

1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Mr. Fawley

1.2 Task Force Updates\*

- Education and Communication Task Force Report – Ms. Brenner
  - Proposed Peer Reviewer Incentive Program\*\*\*
- Standards Task Force Report – Ms. Chessier
  - Proposed Financial Reporting and Disclosure Checklist\*
- Oversight Task Force Report – Ms. Meyer

1.3 Discussion of Proposed Quality Management Checklists\* - Ms. Chessier

1.4 Discussion of Proposed “Split-Year” Peer Review Q&A Resource\* - Ms. Chessier

1.5 Other Reports\*

- Technical Director Report - Mr. Freundlich
- Operations Director Report – Ms. Thoresen
- Report from State CPA Society CEOs – Ms. Hay
- Update on National Peer Review Committee – Ms. Gantnier

1.6 Other Business\*\* - Mr. Fawley

1.7 For Informational Purposes\*:

- A. AICPA PRB Annual Report on Oversight
- B. Report on Firms Whose Enrollment was Dropped or Terminated
- C. Compliance Update - Firm Noncooperation and Noncompliance
- D. Updates to the AICPA’s Questions and Answers About the Peer Review Program

1.8 Future Open Session Meetings\*\*

- A. September 10, 2025 – Teleconference
- B. November 11-12, 2025 – TBD

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\* Included on SharePoint

\*\* Verbal Discussion

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

## Agenda Item 1.2

### 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.

#### **Education and Communication Task Force**

##### **Accomplished since last PRB meeting:**

- Continued planning procedures for the 2025 Peer Review Conference to be held July 28-30, 2025 in San Diego, CA, including finalization of the agenda.
- Continued analysis of the reviewer pool with the objective of improving the pool where necessary.
  - Performed analyses of the reviewer pool by age group, administering entity, and geographic location (i.e., the state in which reviewers are located). Also performed forward projections based on customer satisfaction survey results to help better target the reviewer pool focus group's efforts.
- Continued monitoring our available courses to determine if improvements should be made to our overall training framework.
  - Held one offering of the Technical Reviewer Introductory course.
  - Held one offering of the RAB Member Introductory course; two additional offerings are coming up in May 2025.
  - Published an updated version of the Technical Reviewer Training for Single Audit curriculum in March 2025.
- Held the February 19, 2025 offering of the Peer Reviewer Forum series for 94 participants.

##### **Upcoming tasks:**

- Continue development of session content for the 2025 Peer Review Conference,
- Continue the 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.
  - Prepare for the first of four scheduled AICPA-sponsored virtual offerings of the "Becoming an AICPA Peer Review Team or Review Captain: Case Study Application" seminar beginning the week of May 19, 2024. Additional date for this curriculum are the week of July 14, the week of September 22, and the week of November 17.
  - Prepare for the May 21, 2025 offering of the Peer Reviewer Forum.
  - Prepare for the May 22, 2025 live broadcast of "Are You Ready for Your Firm's Peer Review?".
  - Prepare "Peer Review Update" content (i.e. training sessions designed to satisfy ongoing training requirements for team and review captains) for:
    - Peer review sessions at Engage
    - Peer review training sessions held by state societies.
- Develop and publish the May 2025 Reviewer Alert.

- Develop and publish the Spring 2025 PR Prompts newsletter.
- Publish the updated Peer Review FAQ document.

### Standards Task Force

#### Accomplished since last PRB meeting:

- Concluded discussion and review of the proposed quality management checklists for peer reviewers to use when performing a system review of a firm's system of quality management.
  - A sub-task force of the STF was formed to develop and review drafts of the checklists over a series of meetings from January through April 2025.
  - Pilot versions of these checklists are included for board consideration in Agenda Item 1.3.
- Concluded discussion and review of a proposed Q&A document that addresses considerations for peer reviews of firms that implement the QM standards during their peer review year.
  - The finalized Q&A is provided for board consideration in Agenda Item 1.4.
- Concluded discussion and review of a streamlined financial reporting and disclosure (FR&D) checklist for peer reviewers to complete when performing review of specific engagements with disclosures.
  - The redesigned checklist is provided for informational purposes in Agenda Item 1.2B. To assist reviewers with transitioning to the new checklist, the existing FR&D checklist and the redesigned checklist will each be made available for reviewer use for the coming months. Reviewers may elect to use either version but are encouraged to utilize the new version and contact AICPA staff with any feedback they may have.
- Continued discussion of a resource intended to assist reviewers with evaluating whether instances of noncompliance with professional standards are indicators of
  - findings or deficiencies in the firm's system, or,
  - an engagement that is not performed or reported in conformity with applicable professional standards in all material respects.

#### Upcoming tasks:

- Continue discussion of revisions to the Q&A addressing independence considerations in peer reviews, which includes conforming updates and revisions to account for the QM standards
- Consider potential revisions to the QM checklists based on feedback from peer review stakeholders
- Review other proposed conforming revisions to certain peer review checklists and practice aids to align with the standards as amended by PRSU No. 2 (e.g., the SRM, TC checklist, and template for assessing peer review risk, among others.)

### Oversight Task Force

#### Accomplished since last PRB meeting:

- Conducted orientations for new OTF members
- Approved Report Acceptance Body (RAB) observation reports
- Approved AE oversight responses

- Discussed AE oversights and RAB observations to be performed by OTF members this year
- Reviewed AE benchmark summaries
- Approved, conditionally approved, or deferred approval for AEs to administer the program for 2025
- Discussed 2025 minimum oversight requirements for AEs
- 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
- Approved AICPA Annual Report on Oversight

**Upcoming tasks:**

- Approve RAB observation reports
- Approve AE oversight responses
- Review AE benchmark summaries and discuss feedback received
- Discuss revisions to benchmarks based on 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
- Joint meeting with NASBA's Peer Review Compliance Committee (PRCC)

**Agenda Item 1.2A****For Discussion: Draft Peer Reviewer Incentive Program**

Specific to the new peer reviewer (someone who has never performed a peer review):

- The new peer reviewer would receive no written feedback for the first nine months they perform peer reviews; feedback would be informal and provided verbally from the technical reviewer. Performance deficiencies that exist (e.g., egregious acts, behavioral issues, or other items that may lead to removal) would still be written up and provided as formal feedback.
- The new peer reviewer would receive free registration to the Peer Review Conference for the year following the 1) successful completion of the “Becoming an AICPA Team or Review Captain” curriculum, and 2) the submission of a peer review to an AE **OR** 3) joining a RAB as a voting member. These individuals would be responsible for their own transportation and accommodations.
- At the Conference, the new peer reviewers would be invited to a cocktail reception to network with other new peer reviewers.

Specific to the referring experienced peer reviewer (encouraged, but not required for a new peer reviewer’s participation in the Program):

- The AE and/or Peer Review Committee would need to approve the referring experienced reviewer; they must be a successful peer reviewer (e.g., have been a peer reviewer for at least three years OR have had a minimum of 15 reviews accepted by a RAB, no PDLs, etc.). Other criteria for an AE to consider is whether the referring experienced peer reviewer would be a good experience match for working with the new peer reviewer (e.g., do they perform the same type of reviews as the new reviewer [system vs. engagement], also consider must-select experience).
- The referring experienced peer reviewer would work with the new peer reviewer on reviews for a period of nine months, including being 1) available as a consultant to assist with the review, 2) reviewing workpapers prior to submission, and 3) assisting with any technical review notes.
- The referring experienced peer reviewer would receive free registration to the Peer Review Conference for the year in which the new peer reviewer successfully completes the “Becoming an AICPA Team or Review Captain” curriculum, and 2) submits a peer review to an AE **OR** 3) joins a RAB as a voting member. These individuals would be responsible for their own transportation and accommodations.

**Agenda Item 1.2B****Proposed New PRP Section 22,300 Financial Reporting and Disclosure Checklist****Engagement Profile**

Review No.

Engagement Code No.

- An audit engagement (Reviewers should complete [PRP section 20,400, General Audit Engagement Checklist](#))
- A review engagement (Reviewers should complete [PRP section 20,300, General Review Engagement Checklist](#))
- A preparation engagement (Reviewers should complete [PRP section 20,250, General Preparation Engagement Checklist](#))
- A compilation engagement (Reviewers should complete [PRP section 20,200, General Compilation Engagement Checklist](#))

Date Engagement Review Performed

Date Checklist Reviewed by Team Captain

Reviewer Signature

Team Captain Signature

**Instructions for Use of this Checklist**

**.01** This checklist was developed for peer reviewers to supplement the general audit, and also the general review, compilation and preparation checklists for full disclosure engagements. It is to be used in conjunction with other appropriate guidance when performing peer reviews according to the AICPA [Standards for Performing and Reporting on Peer Reviews, Effective for Peer Reviews Commencing on or After May 1, 2022](#) (the standards). Reviewers may wish to refer to relevant requirements and application and other explanatory material within the standards.

**.02** Completion of a financial reporting and disclosure checklist is required by the standards in [paragraph .38](#) of section 210 (for system reviews) and [paragraph .17](#) of section 220 (for engagement reviews) to determine whether

- a. the financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP) in all material respects (or when applicable, with a special purpose framework) and
- b. the firm has performed and reported on the engagement in accordance with the requirements of the applicable professional standards in all material respects.

**.03** Reviewers are expected to read and understand the instructions throughout this checklist.

This checklist is highly summarized and reviewers may wish to consult the professional standards cited for detailed information about the requirements. If there is insufficient space to fully describe any matters, additional information may be attached to this checklist.

**.04** Thoroughly explain all “No” answers in [part III](#), “Explanation of “No” Answers and Other Comments.”

## Guidance

**.05** This checklist has been updated considering guidance issued up to and including the following publications, as applicable:

- FASB Accounting Standards Update (ASU) No. 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*

**.06** Other standards that have been issued but are yet not effective may allow for early implementation. While this checklist will not have been updated for those standards peer reviewers are still responsible for the evaluation of the reviewed firm's application of those standards if the firm has elected to early implement.

## Other Resources

**.07** Additionally, reviewers may wish to consult nonauthoritative guidance, particularly for new or emerging industries or topics. For example, certain engagements may have material financial reporting and disclosure considerations for digital assets, a topic for which there are not authoritative accounting or disclosure standards. The AICPA has published a practice aid titled [Accounting for and Auditing of Digital Assets](#) that may be a helpful resource to reviewers that have selected engagements where the entity under audit has material holdings, transactions, or involvement in the digital assets ecosystem requiring accounting and disclosure in financial statements.

**.08** The practice aid is updated regularly to address the application of accounting and auditing standards to the digital assets ecosystem. Reviewers are encouraged to consult the latest version of the practice aid to supplement peer reviews of relevant engagements.

## Questions

**.09** Questions regarding this checklist, other peer review materials, or the peer review in general may be directed to the administering entity (AE) or AICPA peer review staff at 919.402.4502.

## System Reviews Only

- 1) Did the engagement team comply with the relevant quality control policies and procedures related to the engagement performance, such as complete a comprehensive, up to date financial reporting and disclosure checklist, for the selected engagement?

Yes  No  N/A

2) If yes, are the firm's quality control materials, such as a checklist, completed appropriately? For example, if the firm's checklist states a disclosure was not made, is the firm's rationale for not making the disclosure documented?

Yes  No  N/A

3) If no, are you able to use your own firm's up to date checklist to complete items 5 & 6. (i.e. assess the financial statements of the engagement selected)? If no, please contact AICPA Staff.

Yes  No  N/A

#### **Engagement Reviews Only**

4) Are you able to use your own firm's up to date checklist to complete items 5 & 6 (i.e. assess the financial statements of the engagement selected)? If no, please contact AICPA Staff.

Yes  No  N/A

#### **All Reviews**

5) Based on:

- your reading of the financial statements and related disclosures and
- your understanding of the firm's client,

indicate which focus areas (listed below) were reviewed in detail by completing the relevant questions in item 6.

It is recommended that review teams select at least between 2 to 4 focus areas. A reviewer may select more focus areas, if necessary, with the number of selections based on the risk associated with the engagement.

6) For each selected focus area, was the accountant appropriate and the disclosure adequate?

<b><u>Focus Areas</u></b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
A. Cash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Accounts and Notes Receivable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Inventories	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Property and Equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Current Liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Notes Payable and Other Debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G. Shareholders' Equity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Revenue from Contracts with Customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I. Other Revenue and Expense Items	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Income Taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K. Statement of Cash Flows	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
L. Leases	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
M. Financial Instruments and Derivatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
N. Fair Value Measurements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
O. Investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
P. Intangible Assets and Goodwill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q. Consolidated Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R. Variable Interest Entities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
S. Comprehensive Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
T. Going Concern	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
U. Industry Specific Items (e.g. Not-for-Profit, Healthcare, CIRA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
V. Other (Please Specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Click or tap here to enter text.

### **Part III — Explanation of “No” Answers and Other Comments**

The following pages are provided for your comments on all “No” answers for which a matter for further consideration (MFC) form was not generated or to expand upon any of the “Yes” answers. Review and thoroughly explain all “No” answers with the engagement partner or owner.

fn 12 The nature of the disposition of comments may vary, such as

- note “resolved” and the manner of resolution; and
- note “not significant” to indicate a “No” answer is appropriate, but that the manner is not significant enough to warrant the preparation of a MFC form.

## PRB Discussion of QM Checklists

### Why is this on the agenda?

As described in Peer Review Standards Update (PRSU) No. 2, *Reviewing a Firm's System of Quality Management and Omnibus Technical Enhancements*, peer reviewers will be required to evaluate a reviewed firm's system of quality management (QM system) according to quality management standards established by the AICPA (QM standards), effective for peer reviews with years ending on or after December 31, 2025.

To facilitate a peer reviewer's evaluation of a firm's QM system and provide documentation thereof, the Standards Task Force (STF) and Staff have developed new checklists, similar to those currently used to review a firm's system of quality control. The STF is requesting feedback or suggestions from the Peer Review Board (PRB) before the checklists are published for the benefit of other stakeholders. For PRB consideration, the following are provided as attachments to this agenda item:

- [PRP4500QM](#) - Evaluating the Design of a Firm's System of Quality Management—Sole Practitioners (Agenda Item 1.3A)
- [PRP4600QM](#) - Evaluating the Design of a Firm's System of Quality Management—Firms with Two or More Personnel (Agenda Item 1.3B)
- [PRP4550QM](#) - Evaluating the Implementation and Operating Effectiveness of a Firm's System of Quality Management—Sole Practitioners (Agenda Item 1.3C)
- [PRP4650QM](#) - Evaluating the Implementation and Operating Effectiveness of a Firm's System of Quality Management—Firms with Two or More Personnel (Agenda Item 1.3D)
- [AICPA QM Risk Assessment Practice Aid](#) (Agenda Item 1.3E – For informational and reference purposes)
- [Questionnaire to Solicit Stakeholder Feedback](#) regarding the pilot checklists (Agenda Item 1.3F)

### Feedback Received

In developing these draft checklists, the STF and Staff considered the following feedback:

#### General:

- It is expected that, when evaluating the design and operating effectiveness of the firm's QM system, the reviewer will consider/leverage the reviewed firm's QM risk assessment documentation when responding to specific checklist questions.
- The QM checklists should not use the same approach used by the current QC checklists that bifurcates 'required' and 'optional' procedures. It is likely that reviewers will use judgment on deciding which procedures to perform based on a firm's control processes or policies and procedures that are designed, implemented and operated according to the firm's risk assessment.
- Individuals in the report acceptance process need to be aware that the QM standards are principles-based so that reviewer judgements are not frequently called into question when it appears the reviewer's evaluation is reasonably adequate in supporting their

positions regarding the design, implementation, and operating effectiveness of the reviewed firm's QM system.

- For purposes of summarizing a reviewer's conclusions and to draw connection with matters, findings, or deficiencies identified, the checklists include a prompt for reviewers to indicate an overall conclusion as it relates to the various components and documentation requirements of QM section 10.

#### 4500QM / 4600QM:

- Bulleted considerations beneath each question should cite relevant guidance from QM section 10. In some instances, this was noted as repetitive of the QM standards, however the task force believes it is appropriate to reiterate such information while peer reviewers get accustomed to reviewing a firm's SOQM.
- As currently drafted, the STF believes the principle-based approach and nature of the questions are suitable for reviewing either a sole practitioner or a firm with two or more personnel.
  - Both checklists are separately maintained in case considerations are needed in the future that would be specific to firm size.

#### 4550QM / 4650QM:

- Organized by QM component, a "Procedures Library" was developed for reviewers to select procedures from, as deemed appropriate based on their assessment of peer review risk, to evaluate the implementation and operating effectiveness of a firm's specific process related controls or policies and procedures.
- It is believed that reviewers will likely select procedures that provide inferential support to the evaluation of operating effectiveness of a firm's policies and procedures; however, some general process-related procedures are included for reviewers who may determine that specific control processes of the reviewed firm can be tested to provide evidence that certain aspects of the firm's SOQM are operating effectively.
- The checklist instructions define a categorization of possible procedures that may be performed as either "Key" or "Enhanced", which was believed to be conceptually familiar to reviewers in determining the nature and extent of procedures based on assessed risk.
- In completing the checklists, the STF believes that reviewers may gain efficiency and avoid time spent duplicating a firm's documentation by attaching the firm's risk assessment documentation to the completed checklists.
  - When doing so, the procedures selected by the reviewer from the procedures library would be linked to the unique identifiers in the risk assessment that are assigned to specific control processes or policies and procedures.

#### **AE Impact**

Those involved with the report acceptance process (primarily technical reviewers, as the documents can be, but are not required to be, submitted to the RAB) will need to be familiar with the checklists when evaluating a peer review for acceptance as team captains will be required to submit the QM checklists to the AE along with other required documents.

#### **Communications Plan**

A reviewer alert will be prepared to notify stakeholders when the pilot checklists are available for review and consideration. A link will also be provided to the questionnaire for stakeholders to submit feedback regarding the checklists.

### **PRIMA Impact**

For reviews with years ending on or after December 31, 2025, the system will require upload of the QM checklists before a reviewer is permitted to submit a review to the AE for acceptance. Additionally, the system will be updated, as needed, to allow reviewers to input appropriate details from the checklists into MFC forms.

### **Board Considerations**

The STF requests the board review and prepare to discuss any questions or provide feedback, comments or suggested revisions of the following:

1. The proposed pilot versions of the QM checklists in Agenda Items 1.3A-D.
2. The proposed questionnaire that will solicit feedback from stakeholders in Agenda Item 1.3F

**PRP 4600QM – *Evaluating the Design of A Firm’s System of Quality Management (Sole Practitioners)***

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Firm	Prepared By	Date
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**.01** This questionnaire is completed by the reviewer when evaluating the design of the firm's system of quality management (SOQM) **during the planning phase of the review** according to the AICPA Standards for Performing and Reporting on Peer Reviews, effective for peer reviews commencing on or after May 1, 2022 (the standards). This questionnaire has been developed for review of a sole practitioner firm, while taking into consideration the requirements and application and other explanatory material in the relevant PR-C sections of the standards.

**.02** When evaluating the firm's SOQM, the reviewer uses professional judgment to determine whether the firm's system of quality management was designed in accordance with QM section 10, *A Firm's System of Quality Management*. In so doing, reviewers will likely need to consider application guidance from QM section 10 and from other sources, including the reviewed firm's risk assessment documentation that takes into consideration the nature and circumstances of the firm's practice.

**.03** If the firm's documented design of its SOQM does not address one or more of the requirementsconsiderations, this may represent a risk that the firm's risk responses (e.g. control processes, policies, and or procedures) are not suitably designed to comply with QM section 10. The reviewer may consider whether that risk is sufficiently mitigated by the firm's other control processes, or policies and procedures established by the firm, and document that consideration.

#### A. The Firm's Risk Assessment Process

1. To provide support for evaluating the design of the firm's system of quality management (SOQM) for each required component, did the firm perform and document an appropriate risk assessment that
  - Establishes quality objectives required by paragraph 24-28 of QM section 10,
  - Identifies and assesses the risks to achieving the firm's quality objectives, and
  - Includes responses designed to address the firm's identified quality risks?

[Y-N-N/A]

**Reviewer Comments:**

*[At a minimum, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]*

*Note: Additional considerations regarding the firm's risk assessment process that are specific to each component of the firm's SOQM are included in the subsequent sections of this checklist.*

#### B. Governance and leadership

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for governance and leadership? [QM sec. 10.24 and QM sec. 10.29]

[Y-N-N/A]

**Reviewer Comments:**

*[At a minimum, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, the firm is required by paragraph 29 of QM section 10 to establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:*

- a. *The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces the following:*
  - i. *The firm's role in serving the public interest by consistently performing quality engagements*
  - ii. *The importance of professional ethics, values, and attitudes*
  - iii. *The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management and their expected behavior*
  - iv. *The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities*
- b. *Leadership is responsible and accountable for quality.*

- c. Leadership demonstrates a commitment to quality through its actions and behaviors.
- d. The organizational structure and assignment of roles, responsibilities, and authority is appropriate to enable the design, implementation, and operation of the firm's system of quality management.
- e. Resource needs, including financial resources, are planned for, and resources are obtained, allocated, or assigned in a manner that is consistent with the firm's commitment to quality.

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures and evaluation of the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

[Open-Ended Response]

[Not Applicable]

**Reviewer Comments:**

[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

[Y-N-N/A]

**Reviewer Comments:** [For example, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;

(4) the resources of the firm, including the resources provided by service providers;

(5) law, regulation, professional standards, and the environment in which the firm operates; and

(6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any

ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to

(1) the types of engagements performed by the firm and the reports to be issued, and

(2) the types of entities for which such engagements are undertaken

b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
[Y-N-N/A]

**Reviewer Comments:** [For example, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for
  - i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.
  - ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory

*requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*

*d. The firm establishes policies or procedures that address the following circumstances:*

- i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
- ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. The firm establishes policies or procedures that*
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation*
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

**C. Relevant ethical requirements**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for relevant ethical requirements? [QM sec. 10.24 and QM sec. 10.30]  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 30 of QM section 10 to establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence:*

- a. The firm and its personnel*
  - i. understand the relevant ethical requirements to which the firm and the firm's engagements are subject, and*

*ii. fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.*

*b. Others, including the network, network firms, individuals in the network or network firms, or service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject*

*i. understand the relevant ethical requirements that apply to them, and*

*ii. fulfill their responsibilities in relation to the relevant ethical requirements that apply to them.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[N/A]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

*a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:*

*i. With respect to the nature and circumstances of the firm, those relating to*

*(1) the complexity and operating characteristics of the firm;*

(2) the strategic and operational decisions and actions, business processes, and business model of the firm;

(3) the characteristics and management style of leadership;

(4) the resources of the firm, including the resources provided by service providers;

(5) law, regulation, professional standards, and the environment in which the firm operates; and

(6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any

ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to

(1) the types of engagements performed by the firm and the reports to be issued, and

(2) the types of entities for which such engagements are undertaken

b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses ([e.g., control processes, policies, or procedures](#)) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
 [Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. *The firm establishes policies or procedures for*
  - i. *identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. *identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. *The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*

- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.
- d. The firm establishes policies or procedures that address the following circumstances:
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.
  - ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.
- e. The firm establishes policies or procedures that
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks +

**D. Acceptance and continuance of client relationships and specific engagements**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for acceptance and continuance of client relationships and specific engagements? [QM sec. 10.24 and QM sec. 10.31]

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 31 of QM section 10 to establish the following quality objectives that address the acceptance and continuance of client relationships and specific engagements:*

- a. Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the following:*
  - i. Information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management and, when appropriate, those charged with governance) that is sufficient to support such judgments*
  - ii. The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements*
- b. The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;
    - (4) the resources of the firm, including the resources provided by service providers;
    - (5) law, regulation, professional standards, and the environment in which the firm operates; and
    - (6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any
  - ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to
    - (1) the types of engagements performed by the firm and the reports to be issued, and
    - (2) the types of entities for which such engagements are undertaken
- b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
 [Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for

- i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
- ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. The firm establishes policies or procedures that address the following circumstances:*
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
  - ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. The firm establishes policies or procedures that*
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation*
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

#### **E. Engagement performance**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for engagement performance? [QM sec. 10.24 and QM sec. 10.32]  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 32 of QM section 10 to establish the following quality objectives that address the performance of quality engagements:*

- a. *Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.*
- b. *The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams; the work performed by less experienced engagement team members is directed, supervised, and reviewed by suitably experienced engagement team members.*
- c. *Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, maintain professional skepticism.*
- d. *Consultation on difficult or contentious matters is undertaken, and the conclusions agreed to are implemented.*
- e. *Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, are brought to the attention of the firm and resolved.*
- f. *Engagement documentation is assembled on a timely basis after the date of the engagement report and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, and professional standards.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?  
**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;
    - (4) the resources of the firm, including the resources provided by service providers;
    - (5) law, regulation, professional standards, and the environment in which the firm operates; and
    - (6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any
  - ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to
    - (1) the types of engagements performed by the firm and the reports to be issued, and
    - (2) the types of entities for which such engagements are undertaken
- b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. *The firm establishes policies or procedures for*
  - i. *identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. *identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. *The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. *The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. *The firm establishes policies or procedures that address the following circumstances:*
  - i. *The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
  - ii. *The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. *The firm establishes policies or procedures that*
  - i. *address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. *address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*

*f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*

- i. Audits or other engagements for which an engagement quality review is required by law or regulation*
- ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

## **F. Resources**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for resources? [QM sec. 10.24 and QM sec. 10.33]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 33 of QM section 10 to establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating, and assigning resources in a timely manner to enable the design, implementation, and operation of the system of quality management:*

### Human Resources

- a. Personnel are hired, developed, and retained and have the competence and capabilities to*
  - i. consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs, or*
  - ii. perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.*
- b. Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion, and other incentives.*
- c. Individuals are obtained from external sources (that is, the network, another network firm, or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements.*
- d. Engagement team members, including an engagement partner, who have appropriate competence and capabilities to consistently perform quality*

*engagements, including being given sufficient time, are assigned to each engagement.*

*e. Individuals who have appropriate competence and capabilities, including sufficient time, to perform such activities are assigned to perform activities within the system of quality management.*

**Technological Resources**

*f. Appropriate technological resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the performance of engagements.*

**Intellectual Resources**

*g. Appropriate intellectual resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.*

**Service Providers**

*h. Human, technological, or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in performing engagements, taking into account the quality objectives in paragraph 33d–g of QM section 10.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?  
**[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;
    - (4) the resources of the firm, including the resources provided by service providers;
    - (5) law, regulation, professional standards, and the environment in which the firm operates; and
    - (6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any
  - ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to
    - (1) the types of engagements performed by the firm and the reports to be issued, and
    - (2) the types of entities for which such engagements are undertaken
- b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
**[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for*
  - i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. The firm establishes policies or procedures that address the following circumstances:*
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
  - ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. The firm establishes policies or procedures that*
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation*
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

#### **G. Information & communication**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for information and communication? [QM sec. 10.24 and QM sec. 10.34]  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 34 of QM section 10 to establish the following quality objectives that address obtaining, generating, or using information regarding the system of quality management and communicating information within the firm and to external parties on a timely basis to enable the design, implementation, and operation of the system of quality management:*

- a. The information system identifies, captures, processes, and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.*
- b. The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.*
- c. Relevant and reliable information is exchanged throughout the firm and with engagement teams, including the following:*
  - i. Information is communicated to personnel and engagement teams, and the nature, timing, and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.*
  - ii. Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.*
- d. Relevant and reliable information is communicated to external parties, including the following:*
  - i. Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them.*
  - ii. Information is communicated externally when required by law, regulation, or professional standards or to support external parties' understanding of the system of quality management.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional

quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. *Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:*
  - i. *With respect to the nature and circumstances of the firm, those relating to*
    - (1) *the complexity and operating characteristics of the firm;*
    - (2) *the strategic and operational decisions and actions, business processes, and business model of the firm;*
    - (3) *the characteristics and management style of leadership;*
    - (4) *the resources of the firm, including the resources provided by service providers;*
    - (5) *law, regulation, professional standards, and the environment in which the firm operates; and*
    - (6) *in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any*

*ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to*

- (1) the types of engagements performed by the firm and the reports to be issued, and*
- (2) the types of entities for which such engagements are undertaken*

*b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.*

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for*
  - i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. The firm establishes policies or procedures that address the following circumstances:*
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have*

*caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*

*ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*

*e. The firm establishes policies or procedures that*

- i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
- ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*

*f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*

- i. Audits or other engagements for which an engagement quality review is required by law or regulation*
- ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

#### **H. The firm's monitoring and remediation process**

1. Did the firm establish a monitoring and remediation process to [QM sec. 10.36]
  - a. Provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management? **[Y-N-N/A]**
  - b. Take appropriate actions to respond to identified QM deficiencies such that the deficiencies are remediated on a timely basis? **[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 36 of QM section 10 to establish a monitoring and remediation process to*

- a. provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management.*
- b. take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.*

2. Did the firm design monitoring activities to provide a basis for the identification of QM deficiencies? [QM sec. 10.37]? **[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 37 of QM section 10 to design and perform monitoring activities to provide a basis for the identification of QM deficiencies.*

3. Did the firm take the following into account in determining the nature, timing, and extent of monitoring activities? [QM sec. 10.38]

[Y-N-N/A]

- The reasons for the assessments given to the quality risks
- The design of the responses
- The design of the firm's risk assessment process and monitoring and remediation process
- Changes in the system of quality management
- The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm's system of quality management and whether remedial actions to address previously identified QM deficiencies were effective
- Other relevant information, including complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS, information from external inspections, and information from service providers

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required to determine the nature, timing, and extent of the monitoring activities, taking the following into account:*

- a. The reasons for the assessments given to the quality risks
- b. The design of the responses
- c. The design of the firm's risk assessment process and monitoring and remediation process
- d. Changes in the system of quality management
- e. The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm's system of quality management and whether remedial actions to address previously identified deficiencies were effective
- f. Other relevant information, including complaints and allegations about failures to perform work in accordance with professional standards and

*applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS, information from external inspections, and information from service providers*

4. Did the firm include an inspection of completed engagements in its monitoring activities, including determination of which engagements and engagement partners to select? [QM sec. 10.39]

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required to include the inspection of completed engagements in its monitoring activities and should determine which engagements and engagement partners to select. In doing so, the firm is required by paragraph 39 of QM section 10 to*

- a. take into account the matters in paragraph 38 of QM section 10;
- b. consider the nature, timing, and extent of other monitoring activities undertaken by the firm and the engagements and engagement partners subject to such monitoring activities; and
- c. select at least one completed engagement for each engagement partner on a cyclical basis determined by the firm

5. Did the firm establish policies and procedures that [QM sec. 10.40]

- require the individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and
- address the objectivity of the individuals performing the monitoring activities, based on the premise that objectivity is enhanced when the engagement team members or the engagement quality reviewer of an engagement are not involved in performing any monitoring activities related to that engagement?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 40 of QM section 10 to establish policies or procedures that*

- a. require the individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and*
- b. address the objectivity of the individuals performing the monitoring activities, based on the premise that objectivity is enhanced when the engagement team members or the engagement quality reviewer of an engagement are not involved in performing any monitoring activities related to that engagement.*

**I. Documentation**

1. Did the firm prepare documentation of its system of quality management that is sufficient to [QM sec. 10.58]
  - Support a consistent understanding of the system of quality management by personnel, including an understanding of their roles and responsibilities with respect to the system of quality management and performing engagements?
  - Support the consistent implementation and operation of the responses?
  - Provide evidence of the design, implementation, and operation of the responses to support the evaluation of the system of quality management by the individual or individuals assigned ultimate responsibility and accountability for the system of quality management?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 58 of QM section 10 to prepare documentation of its system of quality management that is sufficient to*

- a. support a consistent understanding of the system of quality management by personnel, including an understanding of their roles and responsibilities with respect to the system of quality management and performing engagements.*
- b. support the consistent implementation and operation of the responses.*
- c. provide evidence of the design, implementation, and operation of the responses to support the evaluation of the system of quality management by the individual or individuals assigned ultimate responsibility and accountability for the system of quality management.*

2. In preparing documentation of the system of quality management, did the firm include the following? [QM sec. 10.59]

**[Y-N-N/A]**

- Identification of the individual or individuals assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management
- The firm's quality objectives and quality risks
- A description of the responses and how the firm's responses address the quality risks
- Regarding the monitoring and remediation process,
  - evidence of the monitoring activities performed;
  - the evaluation of findings, and identified deficiencies and their related root causes; and
  - remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions
  - communications about monitoring and remediation
- The conclusion reached pursuant to paragraph 55 and the basis for that conclusion

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 59 of QM section 10 to include the following:*

- a. *Identification of the individual or individuals assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management*
- b. *The firm's quality objectives and quality risks (Ref: par. A227)*
- c. *A description of the responses and how the firm's responses address the quality risks*
- d. *Regarding the monitoring and remediation process,*
  - i. *evidence of the monitoring activities performed;*
  - ii. *the evaluation of findings, and identified deficiencies and their related root causes; and*
  - iii. *remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions*
  - iv. *communications about monitoring and remediation*
- e. *The conclusion reached pursuant to paragraph 55 and the basis for that conclusion*

3. If applicable, did the firm document the preceding considerations as they relate to the network requirements or network services and the evaluation of the network requirements or network services in accordance with paragraph .50b of QM section 10? [Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 60 of QM section 10 to document the matters in paragraph 59 of QM section 10 as they relate to network requirements or network services and the evaluation of the network requirements.*

*Additionally, the firm is required by paragraph 50b of QM section 10 to evaluate whether and, if so, how the network requirements or network services need to be adapted or supplemented by the firm to be appropriate for use in its system of quality management.*

4. Did the firm establish a period of time for the retention of documentation for the system of quality management that is sufficient to enable the firm and its peer reviewer to monitor the design, implementation, and operation of the firm's system of quality management, or for a longer period if required by law or regulation?

**[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 61 of QM section 10 to establish a period of time for the retention of documentation for the system of quality management that is sufficient to enable the firm and its peer reviewer to monitor the design, implementation, and operation of the firm's system of quality management or for a longer period if required by law or regulation.*

## J. Conclusions

Consider your evaluation from the preceding questions and indicate whether the firm's system of quality management, including documentation thereof, is suitably designed in accordance with QM section 10:

	<b>Requirements of QM Section 10 Relating To:</b>	<b>Yes</b>	<b>No<sup>1</sup></b>
A	The Firm's Risk Assessment Process		
B	Governance and Leadership		
C	Relevant Ethical Requirements		
D	Engagement Acceptance and Continuance of Client Relationships		
E	Engagement Performance		
F	Resources		
G	Information and Communication		
H	Monitoring and Remediation		
I	Documentation		

<sup>1</sup> At a minimum, "No" answers in this section are communicated as a matter for further consideration (MFC), with consideration of elevating the matter to either be communicated on a finding for further consideration (FFC), or communicated in the peer review report as a deficiency when the report rating is *pass with deficienc(ies)*, or a significant deficiency when the report rating is *fail*.

## **APPENDIX A**

### **EXPLANATION OF “NO” ANSWERS AND OTHER COMMENTS**

This appendix is provided for your comments on all “No” answers or to expand upon any of the “Yes” answers. All “No” answers must be thoroughly explained and reviewed with the person or persons assigned operational responsibility for the firm’s system of quality management.

<sup>i</sup> In concluding on the disposition of “No” answers, the reviewer should determine whether

- the issue can be resolved (for example, the answer to the checklist question should have been “Yes”);
- the issue is not significant enough to warrant the preparation of a matter for further consideration (MFC) form; or
- an MFC form should be prepared.

**PRP 4600QM – Evaluating the Design of A Firm’s System of Quality Management (Firms with Two or More Personnel)**

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Firm	Prepared By	Date
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**.01** This questionnaire is completed by the reviewer when evaluating the design of the firm's system of quality management (SOQM) **during the planning phase of the review** according to the AICPA Standards for Performing and Reporting on Peer Reviews, effective for peer reviews commencing on or after May 1, 2022 (the standards). This questionnaire has been developed for review of a firm with two or more personnel, while taking into consideration the requirements and application and other explanatory material in the relevant PR-C sections of the standards.

**.02** When evaluating the firm's SOQM, the reviewer uses professional judgment to determine whether the firm's system of quality management was designed in accordance with QM section 10, *A Firm's System of Quality Management*. In so doing, reviewers will likely need to consider application guidance from QM section 10 and from other sources, including the reviewed firm's risk assessment documentation that takes into consideration the nature and circumstances of the firm's practice.

**.03** If the firm's documented design of its SOQM does not address one or more of the requirementsconsiderations, this may represent a risk that the firm's risk responses (e.g. control processes, policies, and or procedures) are not suitably designed to comply with QM section 10. The reviewer may consider whether that risk is sufficiently mitigated by the firm's other control processes, or policies and procedures established by the firm, and document that consideration.

#### A. The Firm's Risk Assessment Process

1. To provide support for evaluating the design of the firm's system of quality management (SOQM) for each required component, did the firm perform and document an appropriate risk assessment that
  - Establishes quality objectives required by paragraph 24-28 of QM section 10,
  - Identifies and assesses the risks to achieving the firm's quality objectives, and
  - Includes responses designed to address the firm's identified quality risks?

[Y-N-N/A]

**Reviewer Comments:**

*[At a minimum, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]*

*Note:* Additional considerations regarding the firm's risk assessment process that are specific to each component of the firm's SOQM are included in the subsequent sections of this checklist.

#### B. Governance and leadership

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for governance and leadership? [QM sec. 10.24 and QM sec. 10.29]

[Y-N-N/A]

**Reviewer Comments:**

*[At a minimum, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, the firm is required by paragraph 29 of QM section 10 to establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:*

- a. *The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces the following:*
  - i. *The firm's role in serving the public interest by consistently performing quality engagements*
  - ii. *The importance of professional ethics, values, and attitudes*
  - iii. *The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management and their expected behavior*
  - iv. *The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities*
- b. *Leadership is responsible and accountable for quality.*

- c. Leadership demonstrates a commitment to quality through its actions and behaviors.
- d. The organizational structure and assignment of roles, responsibilities, and authority is appropriate to enable the design, implementation, and operation of the firm's system of quality management.
- e. Resource needs, including financial resources, are planned for, and resources are obtained, allocated, or assigned in a manner that is consistent with the firm's commitment to quality.

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures and evaluation of the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

[Open-Ended Response]

[Not Applicable]

**Reviewer Comments:**

[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

[Y-N-N/A]

**Reviewer Comments:** [For example, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;

(4) the resources of the firm, including the resources provided by service providers;

(5) law, regulation, professional standards, and the environment in which the firm operates; and

(6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any

ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to

(1) the types of engagements performed by the firm and the reports to be issued, and

(2) the types of entities for which such engagements are undertaken

b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
[Y-N-N/A]

**Reviewer Comments:** [For example, document your considerations when reaching the conclusion that a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for
  - i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.
  - ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory

*requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*

*d. The firm establishes policies or procedures that address the following circumstances:*

- i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
- ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. The firm establishes policies or procedures that*
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation*
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

**C. Relevant ethical requirements**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for relevant ethical requirements? [QM sec. 10.24 and QM sec. 10.30]  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 30 of QM section 10 to establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence:*

- a. The firm and its personnel*
  - i. understand the relevant ethical requirements to which the firm and the firm's engagements are subject, and*

*ii. fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.*

*b. Others, including the network, network firms, individuals in the network or network firms, or service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject*

*i. understand the relevant ethical requirements that apply to them, and*

*ii. fulfill their responsibilities in relation to the relevant ethical requirements that apply to them.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[N/A]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

*a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:*

*i. With respect to the nature and circumstances of the firm, those relating to*

*(1) the complexity and operating characteristics of the firm;*

(2) the strategic and operational decisions and actions, business processes, and business model of the firm;

(3) the characteristics and management style of leadership;

(4) the resources of the firm, including the resources provided by service providers;

(5) law, regulation, professional standards, and the environment in which the firm operates; and

(6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any

ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to

(1) the types of engagements performed by the firm and the reports to be issued, and

(2) the types of entities for which such engagements are undertaken

b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses ([e.g., control processes, policies, or procedures](#)) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. *The firm establishes policies or procedures for*
  - i. *identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. *identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. *The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*

- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.
- d. The firm establishes policies or procedures that address the following circumstances:
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.
  - ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.
- e. The firm establishes policies or procedures that
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks +

**D. Acceptance and continuance of client relationships and specific engagements**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for acceptance and continuance of client relationships and specific engagements? [QM sec. 10.24 and QM sec. 10.31]

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 31 of QM section 10 to establish the following quality objectives that address the acceptance and continuance of client relationships and specific engagements:*

- a. Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the following:*
  - i. Information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management and, when appropriate, those charged with governance) that is sufficient to support such judgments*
  - ii. The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements*
- b. The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;
    - (4) the resources of the firm, including the resources provided by service providers;
    - (5) law, regulation, professional standards, and the environment in which the firm operates; and
    - (6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any
  - ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to
    - (1) the types of engagements performed by the firm and the reports to be issued, and
    - (2) the types of entities for which such engagements are undertaken
- b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
 [Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for

- i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
- ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. The firm establishes policies or procedures that address the following circumstances:*
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
  - ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. The firm establishes policies or procedures that*
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation*
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

#### **E. Engagement performance**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for engagement performance? [QM sec. 10.24 and QM sec. 10.32]  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 32 of QM section 10 to establish the following quality objectives that address the performance of quality engagements:*

- a. *Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.*
- b. *The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams; the work performed by less experienced engagement team members is directed, supervised, and reviewed by suitably experienced engagement team members.*
- c. *Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, maintain professional skepticism.*
- d. *Consultation on difficult or contentious matters is undertaken, and the conclusions agreed to are implemented.*
- e. *Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, are brought to the attention of the firm and resolved.*
- f. *Engagement documentation is assembled on a timely basis after the date of the engagement report and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, and professional standards.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?  
**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;
    - (4) the resources of the firm, including the resources provided by service providers;
    - (5) law, regulation, professional standards, and the environment in which the firm operates; and
    - (6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any
  - ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to
    - (1) the types of engagements performed by the firm and the reports to be issued, and
    - (2) the types of entities for which such engagements are undertaken
- b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. *The firm establishes policies or procedures for*
  - i. *identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. *identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. *The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. *The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. *The firm establishes policies or procedures that address the following circumstances:*
  - i. *The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
  - ii. *The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. *The firm establishes policies or procedures that*
  - i. *address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. *address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*

*f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*

- i. Audits or other engagements for which an engagement quality review is required by law or regulation*
- ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

## **F. Resources**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for resources? [QM sec. 10.24 and QM sec. 10.33]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 33 of QM section 10 to establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating, and assigning resources in a timely manner to enable the design, implementation, and operation of the system of quality management:*

### Human Resources

- a. Personnel are hired, developed, and retained and have the competence and capabilities to*
  - i. consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs, or*
  - ii. perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.*
- b. Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion, and other incentives.*
- c. Individuals are obtained from external sources (that is, the network, another network firm, or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements.*
- d. Engagement team members, including an engagement partner, who have appropriate competence and capabilities to consistently perform quality*

*engagements, including being given sufficient time, are assigned to each engagement.*

*e. Individuals who have appropriate competence and capabilities, including sufficient time, to perform such activities are assigned to perform activities within the system of quality management.*

**Technological Resources**

*f. Appropriate technological resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the performance of engagements.*

**Intellectual Resources**

*g. Appropriate intellectual resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.*

**Service Providers**

*h. Human, technological, or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in performing engagements, taking into account the quality objectives in paragraph 33d–g of QM section 10.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:
  - i. With respect to the nature and circumstances of the firm, those relating to
    - (1) the complexity and operating characteristics of the firm;
    - (2) the strategic and operational decisions and actions, business processes, and business model of the firm;
    - (3) the characteristics and management style of leadership;
    - (4) the resources of the firm, including the resources provided by service providers;
    - (5) law, regulation, professional standards, and the environment in which the firm operates; and
    - (6) in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any
  - ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to
    - (1) the types of engagements performed by the firm and the reports to be issued, and
    - (2) the types of entities for which such engagements are undertaken
- b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for*
  - i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. The firm establishes policies or procedures that address the following circumstances:*
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*
  - ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*
- e. The firm establishes policies or procedures that*
  - i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
  - ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*
- f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*
  - i. Audits or other engagements for which an engagement quality review is required by law or regulation*
  - ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

#### **G. Information & communication**

1. Did the firm's SOQM risk assessment documentation address all quality objectives required by QM section 10 as it pertains to the component for information and communication? [QM sec. 10.24 and QM sec. 10.34]  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 24 of QM section 10 to design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.*

*Additionally, consider that the firm is required by paragraph 34 of QM section 10 to establish the following quality objectives that address obtaining, generating, or using information regarding the system of quality management and communicating information within the firm and to external parties on a timely basis to enable the design, implementation, and operation of the system of quality management:*

- a. The information system identifies, captures, processes, and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.*
- b. The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.*
- c. Relevant and reliable information is exchanged throughout the firm and with engagement teams, including the following:*
  - i. Information is communicated to personnel and engagement teams, and the nature, timing, and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.*
  - ii. Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.*
- d. Relevant and reliable information is communicated to external parties, including the following:*
  - i. Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them.*
  - ii. Information is communicated externally when required by law, regulation, or professional standards or to support external parties' understanding of the system of quality management.*

2. If the firm established any other quality objectives in addition to the quality objectives required by QM section 10, describe your planned procedures to evaluate the additional

quality objectives, taking into consideration the nature and circumstances of the firm and its engagements. [QM sec. 10.25]

**[Open-Ended Response]**

**[Not Applicable]**

**Reviewer Comments:**

*[Document your considerations and evaluation of the firm's other quality objectives that are not specifically required by QM section 10, if any.]*

*In responding to the preceding question, consider that the firm is required by paragraph 25 of QM section 10 to establish the quality objectives specified by SQMS and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.*

3. Did the firm identify and assess appropriate quality risks to the achievement of the firm's quality objectives [QM sec. 10.26]?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph .26 of QM section 10 to identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm should do the following:*

- a. *Obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives, including the following:*
  - i. *With respect to the nature and circumstances of the firm, those relating to*
    - (1) *the complexity and operating characteristics of the firm;*
    - (2) *the strategic and operational decisions and actions, business processes, and business model of the firm;*
    - (3) *the characteristics and management style of leadership;*
    - (4) *the resources of the firm, including the resources provided by service providers;*
    - (5) *law, regulation, professional standards, and the environment in which the firm operates; and*
    - (6) *in the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any*

*ii. With respect to the nature and circumstances of the engagements performed by the firm, those relating to*

- (1) the types of engagements performed by the firm and the reports to be issued, and*
- (2) the types of entities for which such engagements are undertaken*

*b. Take into account how, and the degree to which, the conditions, events, circumstances, actions, or inactions in paragraph 26a may adversely affect the achievement of the quality objectives.*

4. For each quality risk, did the firm design appropriate quality responses (e.g., control processes, policies, or procedures) to achieve the firm's quality objectives [QM sec. 10.27 and QM sec. 10.35]?  
[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 27 of QM section 10 to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses should include the responses specified in paragraph 35 of QM section 10. However, the responses specified in paragraph 35 alone are not sufficient to achieve the objectives of the system of quality management.*

*In designing and implementing responses in accordance with paragraph 27 of QM section 10, the firm is required by paragraph 35 to include the following responses:*

- a. The firm establishes policies or procedures for*
  - i. identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.*
  - ii. identifying, communicating, evaluating, and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.*
- b. The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.*
- c. The firm establishes policies or procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS.*
- d. The firm establishes policies or procedures that address the following circumstances:*
  - i. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have*

*caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.*

*ii. The firm is obligated by law or regulation to accept a client relationship or specific engagement.*

*e. The firm establishes policies or procedures that*

- i. address when it is appropriate to communicate with external parties about the firm's system of quality management, and*
- ii. address the information to be provided when communicating externally about the firm's system of quality management, including the nature, timing, and extent and appropriate form of communication.*

*f. The firm establishes policies or procedures that address engagement quality reviews in accordance with SQMS No. 2 and requires an engagement quality review for the following:*

- i. Audits or other engagements for which an engagement quality review is required by law or regulation*
- ii. Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risks*

#### **H. The firm's monitoring and remediation process**

1. Did the firm establish a monitoring and remediation process to [QM sec. 10.36]
  - a. Provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management? **[Y-N-N/A]**
  - b. Take appropriate actions to respond to identified QM deficiencies such that the deficiencies are remediated on a timely basis? **[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 36 of QM section 10 to establish a monitoring and remediation process to*

- a. provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management.*
- b. take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.*

2. Did the firm design monitoring activities to provide a basis for the identification of QM deficiencies? [QM sec. 10.37]?
   
**[Y-N-N/A]**

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 37 of QM section 10 to design and perform monitoring activities to provide a basis for the identification of QM deficiencies.*

3. Did the firm take the following into account in determining the nature, timing, and extent of monitoring activities? [QM sec. 10.38]

[Y-N-N/A]

- The reasons for the assessments given to the quality risks
- The design of the responses
- The design of the firm's risk assessment process and monitoring and remediation process
- Changes in the system of quality management
- The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm's system of quality management and whether remedial actions to address previously identified QM deficiencies were effective
- Other relevant information, including complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS, information from external inspections, and information from service providers

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required to determine the nature, timing, and extent of the monitoring activities, taking the following into account:*

- a. The reasons for the assessments given to the quality risks
- b. The design of the responses
- c. The design of the firm's risk assessment process and monitoring and remediation process
- d. Changes in the system of quality management
- e. The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm's system of quality management and whether remedial actions to address previously identified deficiencies were effective
- f. Other relevant information, including complaints and allegations about failures to perform work in accordance with professional standards and

*applicable legal and regulatory requirements or noncompliance with the firm's policies or procedures established in accordance with this SQMS, information from external inspections, and information from service providers*

4. Did the firm include an inspection of completed engagements in its monitoring activities, including determination of which engagements and engagement partners to select? [QM sec. 10.39]?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required to include the inspection of completed engagements in its monitoring activities and should determine which engagements and engagement partners to select. In doing so, the firm is required by paragraph 39 of QM section 10 to*

- a. *take into account the matters in paragraph 38 of QM section 10;*
- b. *consider the nature, timing, and extent of other monitoring activities undertaken by the firm and the engagements and engagement partners subject to such monitoring activities; and*
- c. *select at least one completed engagement for each engagement partner on a cyclical basis determined by the firm*

5. Did the firm establish policies and procedures that [QM sec. 10.40]

- require the individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and
- address the objectivity of the individuals performing the monitoring activities, based on the premise that objectivity is enhanced when the engagement team members or the engagement quality reviewer of an engagement are not involved in performing any monitoring activities related to that engagement?

[Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 40 of QM section 10 to establish policies or procedures that*

- a. require the individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and*
- b. address the objectivity of the individuals performing the monitoring activities, based on the premise that objectivity is enhanced when the engagement team members or the engagement quality reviewer of an engagement are not involved in performing any monitoring activities related to that engagement.*

**I. Documentation**

1. Did the firm prepare documentation of its system of quality management that is sufficient to [QM sec. 10.58]
  - Support a consistent understanding of the system of quality management by personnel, including an understanding of their roles and responsibilities with respect to the system of quality management and performing engagements?
  - Support the consistent implementation and operation of the responses?
  - Provide evidence of the design, implementation, and operation of the responses to support the evaluation of the system of quality management by the individual or individuals assigned ultimate responsibility and accountability for the system of quality management?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 58 of QM section 10 to prepare documentation of its system of quality management that is sufficient to*

- a. support a consistent understanding of the system of quality management by personnel, including an understanding of their roles and responsibilities with respect to the system of quality management and performing engagements.*
- b. support the consistent implementation and operation of the responses.*
- c. provide evidence of the design, implementation, and operation of the responses to support the evaluation of the system of quality management by the individual or individuals assigned ultimate responsibility and accountability for the system of quality management.*

2. In preparing documentation of the system of quality management, did the firm include the following? [QM sec. 10.59]

**[Y-N-N/A]**

- Identification of the individual or individuals assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management
- The firm's quality objectives and quality risks
- A description of the responses and how the firm's responses address the quality risks
- Regarding the monitoring and remediation process,
  - evidence of the monitoring activities performed;
  - the evaluation of findings, and identified deficiencies and their related root causes; and
  - remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions
  - communications about monitoring and remediation
- The conclusion reached pursuant to paragraph 55 and the basis for that conclusion

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 59 of QM section 10 to include the following:*

- a. *Identification of the individual or individuals assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management*
- b. *The firm's quality objectives and quality risks (Ref: par. A227)*
- c. *A description of the responses and how the firm's responses address the quality risks*
- d. *Regarding the monitoring and remediation process,*
  - i. *evidence of the monitoring activities performed;*
  - ii. *the evaluation of findings, and identified deficiencies and their related root causes; and*
  - iii. *remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions*
  - iv. *communications about monitoring and remediation*
- e. *The conclusion reached pursuant to paragraph 55 and the basis for that conclusion*

3. If applicable, did the firm document the preceding considerations as they relate to the network requirements or network services and the evaluation of the network requirements or network services in accordance with paragraph .50b of QM section 10? [Y-N-N/A]

**Reviewer Comments:** [For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]

*In responding to the preceding question, consider that the firm is required by paragraph 60 of QM section 10 to document the matters in paragraph 59 of QM section 10 as they relate to network requirements or network services and the evaluation of the network requirements.*

*Additionally, the firm is required by paragraph 50b of QM section 10 to evaluate whether and, if so, how the network requirements or network services need to be adapted or supplemented by the firm to be appropriate for use in its system of quality management.*

4. Did the firm establish a period of time for the retention of documentation for the system of quality management that is sufficient to enable the firm and its peer reviewer to monitor the design, implementation, and operation of the firm's system of quality management, or for a longer period if required by law or regulation?

**[Y-N-N/A]**

**Reviewer Comments:** *[For example, documentation of how the reviewer concluded a 'No' answer is appropriate.]*

*In responding to the preceding question, consider that the firm is required by paragraph 61 of QM section 10 to establish a period of time for the retention of documentation for the system of quality management that is sufficient to enable the firm and its peer reviewer to monitor the design, implementation, and operation of the firm's system of quality management or for a longer period if required by law or regulation.*

## J. Conclusions

Consider your evaluation from the preceding questions and indicate whether the firm's system of quality management, including documentation thereof, is suitably designed in accordance with QM section 10:

	<b>Requirements of QM Section 10 Relating To:</b>	<b>Yes</b>	<b>No<sup>1</sup></b>
A	The Firm's Risk Assessment Process		
B	Governance and Leadership		
C	Relevant Ethical Requirements		
D	Engagement Acceptance and Continuance of Client Relationships		
E	Engagement Performance		
F	Resources		
G	Information and Communication		
H	Monitoring and Remediation		
I	Documentation		

<sup>1</sup> At a minimum, "No" answers in this section are communicated as a matter for further consideration (MFC), with consideration of elevating the matter to either be communicated on a finding for further consideration (FFC), or communicated in the peer review report as a deficiency when the report rating is *pass with deficienc(ies)*, or a significant deficiency when the report rating is *fail*.

## **APPENDIX A**

### **EXPLANATION OF “NO” ANSWERS AND OTHER COMMENTS**

This appendix is provided for your comments on all "No" answers or to expand upon any of the "Yes" answers. All "No" answers must be thoroughly explained and reviewed with the person or persons assigned operational responsibility for the firm's system of quality management.

<sup>i</sup> In concluding on the disposition of “No” answers, the reviewer should determine whether

- the issue can be resolved (for example, the answer to the checklist question should have been “Yes”);
- the issue is not significant enough to warrant the preparation of a matter for further consideration (MFC) form; or
- an MFC form should be prepared.

**PRP 4550QM - Testing the operating effectiveness of a firm's system of quality management—Sole Practitioners**

.01 This questionnaire is completed by the reviewer when testing the implementation and operating effectiveness of the firm's quality risk responses (e.g., control processes or policies and procedures) of the firm's system of quality management (SOQM) **after the planning phase of the review** according to the AICPA Standards for Performing and Reporting on Peer Reviews, effective for peer reviews commencing on or after May 1, 2022 (the standards). This questionnaire has been developed for peer reviews of sole practitioner firms, while taking into consideration the requirements and application and other explanatory material in the relevant PR-C sections of the standards and the applicable requirements of QM Section 10, *A Firm's System of Quality Management*.

.02 When testing the implementation and operating effectiveness of the firm's SOQM, the reviewer will develop a plan for the nature and extent of testing and document the plan in the *Summary Review Memorandum*. The nature and extent of testing procedures will be based upon the reviewer's assessment of peer review risk, taking into consideration the firm's quality management documentation containing its assessment of quality risks and quality responses thereto.

.03 A "Procedures Library" is provided for each QM component, which contains example procedures that may be tailored or augmented to address the unique circumstances of the reviewed firm's quality responses identified in its SOQM. Example procedures are categorized as "key" or "enhanced":

**Key Procedures** - A minimum testing procedure to evaluate a firm's quality response that, absent any "No" answers, is likely to provide sufficient evidence to support a reviewer's conclusion that the quality response is implemented and operating effectively.

**Enhanced Procedures** - A supplementary testing procedure to evaluate a firm's quality response when the reviewer determines additional evidence is necessary to conclude whether a quality response is implemented and operated to mitigate its related quality risk (e.g., considering instances where the reviewed firm's related risk ratings are elevated).

**Note 1:** If the reviewer determines other alternative procedures (not included in the Procedures Library) are sufficient and effective to evaluate the implementation and operating effectiveness of one or more quality responses, such procedures should also be documented in this checklist.

**Note 2:** Example procedures listed for one component may, based on a reviewer's judgment, suffice in testing a firm's policies and procedures for another component. For example, testing the communication of monitoring results to staff may address policies and procedures for both the Monitoring and Remediation and Information and Communication components.

.04 If no events relative to certain risk responses have occurred during the peer review year, it may be necessary for the reviewer to review evidential matter from prior to the peer review year. If the design of the SOQM has changed such that a component of the firm's SOQM cannot be tested, consult with the administering entity to conclude whether a scope limitation is appropriate.

Firm

Prepared By

Date

**PRP 4550QM - Testing the operating effectiveness of a firm's system of quality management—Sole Practitioners**

**A. The Firm's Risk Assessment Process**

Obtain the firm's risk assessment documentation pertaining to the firm's system of quality management (SOQM) and complete the following questions to evaluate whether it was performed and documented according to QM section 10.

#	Evaluation of The Firm's Risk Assessment Process	Yes	No	N/A	Comments, Findings Noted
1.	Consider the firm's documented assessment of risk according to QM section 10, including the firm's established quality objectives and assessed quality risks. Does the documentation appropriately reflect responses (policies and procedures) to the assessed risks, taking into account the nature and circumstances of the firm's practice?				
2.	Has the firm performed an annual (or other period specified by firm policy) review of its assessment of quality risks assessment or when circumstances change within the firm's internal or external environment (clientel, structure, mergers acquisitions, etc.)				

Ref # (e.g.,RA QRe X.xx)	Other Relevant Firm Control Process, Policy, or Procedure	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
<i>PRP 4650QM - A.1</i>	<p>Obtain management's Quality Management Planning and Management Assessment Document (or equivalent). Review the Assessment to determine if management has addressed the following, as applicable:</p> <ul style="list-style-type: none"> <li>a. relevant QM components;</li> <li>b. relevant quality risks;</li> <li>c. relevant quality responses; and</li> <li>d. mapping of the QM components to significant cycles and the underlying processes and systems.</li> </ul>	Key
<i>PRP 4650QM - A.2</i>	Obtain the firm's annual risk assessment. Determine if the list appears complete and addresses all relevant components, risks, responses, underlying systems, processes, and controls. Also determine if management's assessment of risks is reasonable and appropriate for the nature and circumstances of the firm and its engagements.	Key
<i>PRP 4650QM - A.3</i>	Obtain management's control matrices for all relevant components and determine if management's assigned "risk ratings" appear reasonable and appropriate.	Key
<i>PRP 4650QM - A.4</i>	Obtain a list of all documented changes prepared for the year. Ensure the documentation appears to appropriately respond to the new pronouncements, requirements, or guidance. In the absence of new memos, review the literature released during the year to determine if management has appropriately determined that changes were not necessary.	Key

**PRP 4550QM - Testing the operating effectiveness of a firm's system of quality management—Sole Practitioners**

**B. Governance and Leadership**

Ref # (e.g., GOV QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SOQM policies and procedures. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
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Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

*PRP 4650QM - B.1 Obtain the firm's quality management documentation and verify that the documentation addresses all components of the firm's system of quality management and was updated during the peer review year, as applicable.*

Key

*PRP 4650QM - B.2 When the firm has risk responses that require the firm to timely communicate changes to the SOQM with per diem personnel, verify through review of correspondence that changes to the firm's SOQM were communicated in a timely manner.*

Key

*PRP 4650QM - B.3 If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.*

Key

*PRP 4650QM - B.4 Select a sample of per diem personnel (if applicable) and verify that they are familiar with the firm's risk responses (control processes or policies and procedures) and that the firm sets appropriate expectations relative to quality management.*

Enhanced



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**C. Relevant Ethical Requirements**

Ref # (e.g., RER QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	<p>All professional personnel who work on attest engagements and are required to be independent sign an independence representation form when hired and annually thereafter acknowledging their familiarity with the firm's relevant ethical requirements policy and procedures, particularly regarding independence</p> <p><b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p>If a breach of a relevant ethical requirement, including independence, is identified, the breach and the required corrective actions are promptly communicated to (a) the managing partner, (b) the engagement partner who (along with the firm) needs to address the breach, (c) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action, and (d) those charged with governance at the attest client. The engagement partner confirms to the managing partner when required corrective actions related to the breach and noncompliance with these policies and procedures have been taken. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				

<p>[Enter all other quality responses described in the firm's quality management documentation.]</p>	<p>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</p>		
<p>[Enter all other quality responses described in the firm's quality management documentation.]</p>	<p>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</p>		

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
PRP 4650QM - C.1	<i>Review the firm's guidance materials regarding applicable independence, integrity, and objectivity requirements. Confirm that they have been updated to reflect current requirements.</i>	Key
PRP 4650QM - C.2	<i>Review the risk responses (policies) put in place by the firm to monitor its independence with respect to financial statement audits. Consider the results of reviews of engagements and assess whether the firm's risk responses were implemented and operating effectively.</i>	Key
PRP 4650QM - C.3	<i>Select a sample of situations in which independence, integrity, and objectivity questions arose and verify that the resolution of such questions was appropriate.</i>	Key
PRP 4650QM - C.4	<p><i>If the firm accepted one or more engagements in which it acted as principal auditor or accountant, and another firm of CPAs was engaged to perform segments of the engagement, on a test basis</i></p> <p><i>a. determine whether the firm made sufficient inquiries concerning the professional reputation of the other auditor(s).</i></p> <p><i>b. verify that written confirmations were obtained regarding the other firm's independence with respect to audit engagements and either written or oral confirmations were obtained for review or attestation engagements.</i></p>	Key
PRP 4650QM - C.5	<i>If applicable, review evidence of the correspondence to personnel regarding changes in the firm's clients to which independence policies apply.</i>	Key
PRP 4650QM - C.6	<i>Consider the actions taken by the firm when threats to independence were identified. Verify that the firm took appropriate actions, including withdrawing from an engagement or issuing the appropriate report in the circumstances if effective safeguards could not be applied.</i>	Key
PRP 4650QM - C.7	<i>Select the sole practitioner and a sample of per diem personnel (if applicable) and review the required written representations obtained by the firm regarding independence, integrity, and objectivity. Confirm that representations were obtained for all selected personnel within the peer review year.</i>	Key

	<i>Via inquiry of the sole practitioner, confirm that the individual</i>	
PRP 4650QM - C.8	<p><i>a. understands what is required from an independence perspective when the firm accepts an engagement in which it acts as principal auditor or accountant and another firm is engaged to perform segments of the engagement; and</i></p> <p><i>b. has implemented and complied with procedures to assure the firm's independence as required by the AICPA, state CPA societies, state boards of accountancy, state statute, the SEC, and other regulatory bodies.</i></p>	Key
PRP 4650QM - C.9	<i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i>	Key
PRP 4650QM - C.10	<i>Via inquiry of the sole practitioner, determine how threats to independence were evaluated and addressed, and verify that treatment of threats was appropriate in the circumstances.</i>	Enhanced
PRP 4650QM - C.11	<i>If the firm's criteria for consulting with individuals outside the firm on independence, integrity, or objectivity concerns were met, obtain evidence that individuals outside of the firm were consulted.</i>	Enhanced
PRP 4650QM - C.12	<i>Via inquiry of the sole practitioner, verify that the individual performs regular reviews of unpaid fees from clients to ascertain whether any outstanding amounts may impair the firm's independence.</i>	Enhanced
PRP 4650QM - C.13	<i>If any situations were noted in which the firm was not independent or failed to meet the requirements included in the interpretations of the "Nonattest Services" subtopic (ET sec. 1.295) verify, via inquiry of the sole practitioner that the firm's independence policies and procedures were followed and that the actions taken to resolve the matter were appropriately communicated to the firm.</i>	Enhanced
PRP 4650QM - C.14	<i>Select a sample of engagements for which the firm has had a long relationship with the client. If the same senior personnel were used on an engagement, confirm that appropriate action was taken to address the familiarity threat. Appropriate actions include rotating partners, rotating senior staff, conducting an engagement quality review (EQR), or withdrawing from the engagement.</i>	Enhanced

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**D. Acceptance and Continuance of Client Relationships and Specific Engagements**

Ref # (e.g., EAC QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	<p>The firm has established policies or procedures that address situations that occur where the firm becomes aware of information after accepting or continuing a client relationship or specific engagement that would have caused the firm to decline the client relationship or specific engagement if that information had been known initially. In that situation, the engagement partner promptly communicates the information to the managing partner who considers whether there are any professional, regulatory, or legal requirements that obligate the firm to remain associated with the client and the engagement or to report the withdrawal to regulatory authorities. The engagement partner and managing partner jointly decide whether to withdraw from an attest engagement or from the client relationship. This may necessitate consultation with legal counsel. Significant issues, consultations, conclusions, and the basis for the conclusions are documented when withdrawal from an engagement or from both the engagement and the client relationship occurs. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				

[Enter all other quality responses described in the firm's quality management documentation.]

[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]

[Enter all other quality responses described in the firm's quality management documentation.]

[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]


Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
	<p>Select a sample of acceptance and continuance decisions, review the documentation for those decisions, and verify that the firm</p> <p><i>PRP 4650QM - D.1</i> a. complied with its own policies and procedures and with the requirements of professional standards. b. had the required knowledge and expertise to perform the engagements. c. evaluated management's integrity. d. documented its understanding with the client regarding the services to be performed.</p>	Key
	<p>Select a sample of new engagements and verify that the firm</p> <p><i>PRP 4650QM - D.2</i> a. communicated with predecessor auditors regarding management's integrity, history of correcting the predecessor auditor's findings, and the reason for the change; and b. estimated the resources necessary to complete the engagement before the proposal was submitted.</p>	Key
	<p><i>PRP 4650QM - D.3</i> Verify that the firm's policies and procedures for acceptance and continuance of client relationships and specific engagements are consistent with what is done in practice and that they are followed.</p>	Key
	<p><i>PRP 4650QM - D.4</i> If any client relationships were discontinued, select a sample of such situations and verify that the firm's procedures for withdrawal were followed.</p>	Key
	<p><i>PRP 4650QM - D.5</i> If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</p>	Key
	<p><i>PRP 4650QM - D.6</i> Verify, via inquiry of the sole practitioner, that the firm's policies and procedures for assessing the integrity of a client before accepting the engagement are followed.</p>	Enhanced
	<p><i>PRP 4650QM - D.7</i> If the firm identified any issues relative to the "Conflicts of Interest for Members in Public Practice" interpretation (ET sec. 1.110.010) and ultimately decided to accept or continue the client relationship or specific engagement, determine how the conflicts of interest were resolved. Verify that the resolution was appropriate and in conformity with professional standards.</p>	Enhanced

PRP 4650QM - D.8 *If the firm considered discontinuing any audit and accounting client relationships but decided to continue, review the factors considered and verify that the firm's decision will not increase the risk that the firm will fail to perform and report in conformity with applicable professional standards.*

Enhanced

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**E. Engagement Performance**

Ref # (e.g., EP QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

*If the firm uses quality management materials (QMM) (for example, written or electronic manuals, software tools or other forms of standardized documentation, and industry or subject matter specific guidance materials, including audit and accounting manuals, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like) to promote consistency in the quality of engagement performance,*

*a. obtain an understanding of and assess the firm's policies and procedures for use of the QMM.*

*b. through the procedures performed, evaluate whether the firm's policies and procedures for use of the QMM are appropriately implemented and operating effectively.*

Key

*Examine the firm's documentation of its firm licenses and confirm that they were active (through the earlier of reviewed engagements' issuance dates or the date of peer review field work) in the states where the firm performs attest engagements.*

Key

*Review the firm's reference materials for its audit and accounting practice. Verify that they contain both recent pronouncements and comprehensive literature appropriate for the firm's specialties (including current A&A guides) and were updated on a timely basis.*

Key

	<i>Select a sample of consultations with outside parties and verify the following:</i>	
	<i>a. All relevant facts and circumstances appear to have been provided to the party or parties consulted.</i>	
PRP 4650QM - E.4	<i>b. The advice given appears reasonable based on the relevant facts and circumstances and is consistent with professional standards.</i>	
	<i>c. The firm acted in a manner consistent with professional standards and with the firm's policies and procedures.</i>	
	<i>d. The extent of required consultations was appropriately comprehensive.</i>	
	<i>e. The requirements for documentation were met.</i>	Key
PRP 4650QM - E.5	<i>Interview the sole practitioner and verify that consultation is being conducted when difficult technical issues arise.</i>	Key
	<i>Select a sample of engagements in which an EQR was required under the firm's policies and procedures. Verify that</i>	
	<i>a. the procedures required by the firm's policies on EQR were performed.</i>	
PRP 4650QM - E.6	<i>b. the EQR was completed prior to the report release date, and any significant matters identified through the EQR were resolved before the report was released.</i>	
	<i>c. the individual(s) performing the EQR was appropriately qualified and was assigned in accordance with the firm's policies and procedures.</i>	
	<i>d. the EQR was documented as required by professional standards.</i>	Key
PRP 4650QM - E.7	<i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i>	Key
PRP 4650QM - E.8	<i>If the firm evaluates its QMM in part by referring to the results of an examination under the Statements on Standards for Attestation Engagements (SSAEs), or another engagement or other procedures, request a copy of the practitioner's report or other documentation from the firm, evaluate the scope and results of the procedures performed, and determine the extent to which the results can be relied upon to assist the firm in evaluating its QMM.</i>	Enhanced
PRP 4650QM - E.9	<i>Evaluate whether the firm used engagement type and industry-specific QMM for the engagement types and industries in which the firm practices.</i>	Enhanced
PRP 4650QM - E.10	<i>Determine whether the QMM used by the firm are appropriate for the firm.</i>	Enhanced
PRP 4650QM - E.11	<i>Identify the must-select industries and areas in which the firm practices. Ask the sole practitioner about the firm's methodology for addressing nuanced topics and recent pronouncements affecting the industry or area. Assess the sole practitioner's competency perform engagements in that area.</i>	Enhanced
PRP 4650QM - E.12	<i>Review the sole practitioner's CPE records relative to the must-select industries and areas in which the firm practices. Verify that the sole practitioner is up-to-date on any recent changes to standards or guidance.</i>	Enhanced

PRP 4650QM - E.13	<i>Interview the sole practitioner. Determine how instructions are given and to what extent work is reviewed when the firm uses correspondents for audit or accounting engagements. Verify that the responses are consistent with firm policy.</i>	Enhanced
PRP 4650QM - E.14	<i>Obtain a list of the firm's designated consultants, including each consultant's specialties. Select a sample of consultants and verify, through examination of resumes, that the consultants are qualified to perform their designated responsibilities.</i>	Enhanced
PRP 4650QM - E.15	<i>Consider the firm's engagement listing and the results of inquiries of the sole practitioner. Verify that EQR was performed for any audit engagements in an industry in which the firm's practice is limited and the sole practitioner has little or no experience.</i>	Enhanced
PRP 4650QM - E.16	<i>Contact an individual who performed an EQR for the firm.</i> a. Ask about his or her approach to addressing nuanced topics and recent pronouncements affecting the type of engagement they reviewed. Verify that the individual was competent to perform an EQR in that area. b. Confirm that they were given sufficient time to complete a sufficiently thorough review. c. Verify that appropriate measures were taken to ensure that they met the independence requirements relative to the engagement(s) reviewed. d. Determine the EQR's degree of involvement with the engagement, including whether they were consulted, and confirm that they did not make decisions on behalf of the engagement team. e. Determine whether any matters that would cause them to question the sole practitioner's judgments and conclusions arose. Confirm that such matters were resolved before report issuance.	Enhanced
PRP 4650QM - E.17	<i>Select a sample of EQRs and discuss the process for selecting the individual(s) performing the EQR with the sole practitioner. Confirm that firm policy was adhered to relative to the selection of the individual(s) performing the EQR.</i>	Enhanced
PRP 4650QM - E.18	<i>Select a sample of engagements and verify that the firm's quality responses addressing time limits for completing the assembly of final engagement files are complied with.</i>	Enhanced
PRP 4650QM - E.19	<i>Interview the sole practitioner. Gain an understanding of his or her process for determining retention periods and verify that it is appropriate.</i>	Enhanced

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**F. Resources**

Ref # (e.g., RES QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SOQM policies and procedures. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			
[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

*Review the firm's CPE records (sole practitioner and per diem personnel) and confirm that they demonstrate the following:*

*a. Personnel participated in CPE in subjects that are relevant to the engagements they perform and their responsibilities in the firm.*

*PRP 4650QM - F.1 b. If, prior to the commencement of the peer review, the firm identified instances in which personnel are not meeting requirements, verify that the firm has established an appropriate plan for correcting the situation.*

*c. The firm was in compliance with its plans for its CPE program and with the CPE requirements of the following:*

- i. Board(s) of accountancy in state(s) in which the firm's personnel is licensed*
- ii. AICPA (if applicable)*
- iii. State CPA society (if applicable)*
- iv. Government Auditing Standards (the Yellow Book) (if applicable)*

Key

*PRP 4650QM - F.2 Interview the sole practitioner and verify that the individual has an understanding of the industries and areas in which the firm serves and the standards that apply to the firm's clients.*

Key

*PRP 4650QM - F.3 Select a sample of engagement teams, which includes per diem personnel (if applicable) and review documentation of the factors considered in making those assignments. Confirm that the firm policies and procedures were adhered to.*

Key

*PRP 4650QM - F.4 Select a sample of personnel (sole practitioner and per diem personnel) and review the firm's documentation regarding licensure. Verify that, when required, licenses were active (through the earlier of reviewed engagements' issuance dates or the date of peer review fieldwork) in the states where the individuals primarily practiced public accounting.*

Key

*PRP 4650QM - F.5 If the firm has established one or more control processes that are designed to ensure compliance with the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.*

Key

*Select a sample of engagements that were found to be nonconforming after report issuance. Verify through corroborative inquiry that the firm took appropriate action in addressing the performance of the engagement partner. For example, the PRP 4650QM - F.6 sole practitioner may*

- a. Take relevant CPE and engage a qualified third party to perform EQR on future engagements in that industry or area, or*
- b. Elect not to perform future engagements in that area.*

*Verify that the firm's decision was properly implemented (for example, by reviewing the engagement listing and confirming that no engagements in that industry or area were performed after that decision was made).*

Enhanced

*PRP 4650QM - F.7 Select an audit engagement in an industry or area in which the firm performs a limited number of engagements and review the sole practitioner's competence, capabilities, and resources to undertake the engagement, with a focus on the education and experience. Conclude whether the sole practitioner was competent to perform the engagement and verify that a knowledgeable third party was engaged to assist with the performance of the engagement, if appropriate.*

Enhanced

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**G. Information and Communication**

Ref # (e.g., I&C QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	The firm has established policies or procedures that address (1) when it is appropriate to communicate with the firm's network or service providers about the firm's SOQM, and (2) the information to be provided when communicating externally about the firm's SOQM, including the nature, timing, and extent and appropriate form of communication. <b>[Specified Responses - Ref: par. [Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</b> <b>QM sec. 10.35]</b>					
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

**PRP 4650QM - G.1**

*Interview the sole practitioner and inquire whether any relevant feedback received through monitoring results, peer review, or regulatory inspections, as applicable, are communicated with per diem personnel (if applicable).*

Key

PRP 4650QM - G.2	<i>If the firm's policies and procedures require a firm handbook or other equivalent policies and procedures manual to be provided to per diem personnel (if applicable), review such materials to determine whether the individual roles and responsibilities (including chain of command) are adequately addressed.</i>	Key
PRP 4650QM - G.3	<i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i>	Key
PRP 4650QM - G.4	<i>Interview the sole practitioner and inquire whether changes to the IT environment of the firm are appropriately communicated to per diem personnel (if applicable) according to firm policy.</i>	Enhanced
PRP 4650QM - G.5	<i>Interview the sole practitioner and per diem personnel and inquire whether such individuals are familiar with and where to locate the firm's policies pertaining to document retention.</i>	Enhanced
PRP 4650QM - G.6	<i>Inquire of the sole practitioner to determine whether the firm's policies and procedures are consistently adhered to with respect to communicating the results of regulatory inspection and compliance communications, or monitoring and remediation procedures performed by internal or external parties.</i>	Enhanced

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**H. Monitoring and Remediation**

Ref # (e.g., M&R QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	<p>The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks.</p> <p><b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p>The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SOQM policies and procedures. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p>The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				


[Enter all other quality responses described in the firm's quality management documentation.]

[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]

[Enter all other quality responses described in the firm's quality management documentation.]

[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

Review the firm's monitoring and remediation documentation. Verify that the procedures performed were timely and PRP 4650QM - H.1 covered these areas:

- a. Reviewing and testing compliance with firm SOQM relating to all the components of quality management
- b. Reviewing an appropriate number and type of engagements for compliance with professional standards
- c. Reviewing its library and practice aids to determine that they were appropriate and up to date

Key

If knowledgeable third parties were engaged to assist with monitoring and remediation, conduct interviews for a sample of the individuals and verify that they PRP 4650QM - H.2

- a. Have sufficient training, experience, and competence to execute their responsibilities.
- b. Were free from any limitations or restrictions on their ability to practice public accounting.
- c. Did not act as engagement partner on one or more nonconforming engagements which were uncovered through peer review, monitoring, or regulatory inspection.

Key

Discuss the firm's approach to monitoring with the sole practitioner and review documentation of the firm's engagement selection for internal inspection. Verify that the firm PRP 4650QM - H.3

- a. Took appropriate steps to ensure that the engagement population was complete.
- b. Selected a reasonable cross section of the levels of service and industries served by the firm.
- c. Targeted selections of entities operating in highly specialized or regulated industries (including financial institutions, governmental entities, and employee benefit plans) such that all such industries were included in the inspection.

Key

Review the materials used in carrying out the monitoring procedures, such as questionnaires, programs, and checklists.

PRP 4650QM - H.4 Confirm that those materials are sufficiently comprehensive to identify instances of nonconformity with professional standards or the firm's SOQM

Key

Review monitoring and remediation documentation. Verify that the documentation addresses the QM deficiencies identified PRP 4650QM - H.5 through monitoring procedures, an assessment of the significance of those deficiencies, and recommended corrective actions.

Key

PRP 4650QM - H.6	<p><i>Verify, through inquiry, that the results of the monitoring and remediation procedures (procedures performed, conclusions reached, deficiencies noted, and actions planned) were appropriately summarized and communicated to appropriate per diem personnel at least annually.</i></p>	Key
PRP 4650QM - H.7	<p><i>Verify that appropriate corrective action was taken based on the results of the monitoring and remediation procedures, including, if necessary, action pursuant to the requirements of AU-C section 585, Consideration of Omitted Procedures After the Report Date, and AU-C section 560, Subsequent Events and Subsequently Discovered Facts, or supplementing the working papers to document the procedures performed.</i></p>	Key
PRP 4650QM - H.8	<p><i>Verify, through corroborative inquiry with per diem personnel, that the firm follows up on planned corrective actions as a result of the monitoring procedures to determine that they were actually implemented.</i></p>	Key
PRP 4650QM - H.10	<p><i>If the firm has established one or more control processes that are designed to ensure compliance with the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i></p>	Key
PRP 4650QM - H.11	<p><i>Verify that the firm engaged a suitably qualified external person or another firm to perform engagement inspections and other monitoring or has otherwise appropriately mitigated the risks posed by self-review.</i></p>	Enhanced

**PRP 4550QM - Testing the operating effectiveness of a firm's system of quality management—Sole Practitioners**

**I. Documentation**

Complete the following questions as it pertains to the firm's documentation of its system of quality management.

#	Procedures performed to evaluate documentation of the firm's SOQM	Yes	No	N/A	Comments, Findings Noted
PRP 4650QM - I.1	<p>Did the firm prepare documentation of its system of quality management that is sufficient to [QM sec. 10.58]</p> <ul style="list-style-type: none"> <li>• Support a consistent understanding of the system of quality management by per diem personnel, including an understanding of their roles and responsibilities with respect to the system of quality management and performing engagements?</li> <li>• Support the consistent implementation and operation of the responses?</li> <li>• Provide evidence of the design, implementation, and operation of the responses to support the sole practitioner's evaluation of the system of quality management?</li> </ul>				

PRP 4650QM - I.2

In preparing documentation of the system of quality management, did the firm include the following? [QM sec. 10.59]

- Identification of the sole practitioner as being assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management
- The firm's quality objectives and quality risks
- A description of the responses and how the firm's responses address the quality risks
- Regarding the monitoring and remediation process,
- o Evidence of the monitoring activities performed;
- o The evaluation of findings, and identified deficiencies and their related root causes; and
- o Remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions
- o Communications about monitoring and remediation
- The conclusion reached pursuant to paragraph 55 and the basis for that conclusion


PRP 4650QM - I.3

If applicable, did the firm document the preceding considerations as they relate to the network requirements or network services and the evaluation of the network requirements or network services in accordance with paragraph .50b of QM section 10?

PRP 4650QM - I.4

Did the firm establish a period of time for the retention of documentation for the system of quality management that is sufficient to enable the firm and its peer reviewer to monitor the design, implementation, and operation of the firm's system of quality management, or for a longer period if required by law or regulation?

**PRP 4550QM - Testing the operating effectiveness of a firm's system of quality management—Sole Practitioners**

**J. Conclusions**

Consider the results of procedures performed to evaluate each component of the reviewed firm's system of quality management. Complete the following table to indicate your overall conclusion whether the firm's SOQM is implemented and operating effectively to provide reasonable assurance of performing and reporting in accordance with applicable professional standards.

	<b>Requirements of QM Section 10 Relating To:</b>	<b>Yes</b>	<b>No[1]</b>
A	The Firm's Risk Assessment Process		
B	Governance and Leadership		
C	Relevant Ethical Requirements		
D	Engagement Acceptance and Continuance of Client Relationships		
E	Engagement Performance		
F	Resources		
G	Information and Communication		
H	Monitoring and Remediation		
I	Documentation		

[1] At a minimum, "No" answers in this section are communicated as a matter for further consideration (MFC), with consideration of elevating the matter to be communicated either on a finding for further consideration (FFC), or communicated in the peer review report as a deficiency when the report rating is pass with deficienc(ies), or a significant deficiency when the report rating is fail.

PRP 4550QM - Testing the operating effectiveness of a firm's system of quality management—Sole Practitioners

## **APPENDIX A**

### **EXPLANATION OF “NO” ANSWERS AND OTHER COMMENTS**

This appendix is provided for your comments on all “No” answers or to expand upon any of the “Yes” answers. All “No” answers must be thoroughly explained and reviewed with the person or persons assigned operational responsibility for the firm’s system of quality management.

**[i] In concluding on the disposition of “No” answers, the reviewer should determine whether**

- the issue can be resolved (for example, the answer to the checklist question should have been “Yes”);
- the issue is not significant enough to warrant the preparation of a matter for further consideration (MFC) form; or
- an MFC form should be prepared.

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

.01 This questionnaire is completed by the reviewer when testing the implementation and operating effectiveness of the firm's quality risk responses (e.g., control processes or policies and procedures) of the firm's system of quality management (SOQM) **after the planning phase of the review** according to the AICPA Standards for Performing and Reporting on Peer Reviews, effective for peer reviews commencing on or after May 1, 2022 (the standards). This questionnaire has been developed for peer reviews of firms with two or more personnel, while taking into consideration the requirements and application and other explanatory material in the relevant PR-C sections of the standards and the applicable requirements of QM Section 10, *A Firm's System of Quality Management*.

.02 When testing the implementation and operating effectiveness of the firm's SOQM, the reviewer will develop a plan for the nature and extent of testing and document the plan in the *Summary Review Memorandum*. The nature and extent of testing procedures will be based upon the reviewer's assessment of peer review risk, taking into consideration the firm's quality management documentation containing its assessment of quality risks and quality responses thereto.

.03 A "Procedures Library" is provided for each QM component, which contains example procedures that may be tailored or augmented to address the unique circumstances of the reviewed firm's quality responses identified in its SOQM. Example procedures are categorized as "key" or "enhanced":

**Key Procedures** - A minimum testing procedure to evaluate a firm's quality response that, absent any "No" answers, is likely to provide sufficient evidence to support a reviewer's conclusion that the quality response is implemented and operating effectively.

**Enhanced Procedures** - A supplementary testing procedure to evaluate a firm's quality response when the reviewer determines additional evidence is necessary to conclude whether a quality response is implemented and operated to mitigate its related quality risk (e.g., considering instances where the reviewed firm's related risk ratings are elevated).

**Note 1:** If the reviewer determines other alternative procedures (not included in the Procedures Library) are sufficient and effective to evaluate the implementation and operating effectiveness of one or more quality responses, such procedures should also be documented in this checklist.

**Note 2:** Example procedures listed for one component may, based on a reviewer's judgment, suffice in testing a firm's policies and procedures for another component. For example, testing the communication of monitoring results to staff may address policies and procedures for both the Monitoring and Remediation and Information and Communication components.

.04 If no events relative to certain risk responses have occurred during the peer review year, it may be necessary for the reviewer to review evidential matter from prior to the peer review year. If the design of the SOQM has changed such that a component of the firm's SOQM cannot be tested, consult with the administering entity to conclude whether a scope limitation is appropriate.

Firm

Prepared By

Date

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel****A. The Firm's Risk Assessment Process**

Obtain the firm's risk assessment documentation pertaining to the firm's system of quality management (SOQM) and complete the following questions to evaluate whether it was performed and documented according to QM section 10.

#	Evaluation of The Firm's Risk Assessment Process	Yes	No	N/A	Comments, Findings Noted
1.	Consider the firm's documented assessment of risk according to QM section 10, including the firm's established quality objectives and assessed quality risks. Does the documentation appropriately reflect responses (policies and procedures) to the assessed risks, taking into account the nature and circumstances of the firm's practice?				
2.	Has the firm performed an annual (or other period specified by firm policy) review of its assessment of quality risks assessment or when circumstances change within the firm's internal or external environment (clientel, structure, mergers acquisitions, etc.)				

Ref # (e.g.,RA QRe X.xx)	Other Relevant Firm Control Process, Policy, or Procedure	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted


Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
<i>PRP 4650QM - A.1</i>	Obtain management's Quality Management Planning and Management Assessment Document (or equivalent). Review the Assessment to determine if management has addressed the following, as applicable: a. relevant QM components; b. relevant quality risks; c. relevant quality responses; and d. mapping of the QM components to significant cycles and the underlying processes and systems.	Key
<i>PRP 4650QM - A.2</i>	Obtain the firm's annual risk assessment. Determine if the list appears complete and addresses all relevant components, risks, responses, underlying systems, processes, and controls. Also determine if management's assessment of risks is reasonable and appropriate for the nature and circumstances of the firm and its engagements.	Key
<i>PRP 4650QM - A.3</i>	Obtain management's control matrices for all relevant components and determine if management's assigned "risk ratings" appear reasonable and appropriate.	Key
<i>PRP 4650QM - A.4</i>	Obtain a list of all documented changes prepared for the year. Ensure the documentation appears to appropriately respond to the new pronouncements, requirements, or guidance. In the absence of new memos, review the literature released during the year to determine if management has appropriately determined that changes were not necessary.	Key

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

**B. Governance and Leadership**

Ref # (e.g., GOV QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SOQM policies and procedures. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
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Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

*PRP 4650QM - B.1*

*Obtain the firm's quality management documentation and verify that the documentation addresses all components of the firm's system of quality management and was updated during the peer review year, as applicable.*

Key

*PRP 4650QM - B.2*

*When the firm has risk responses that require the firm to timely communicate changes to the SOQM with firm personnel, verify through review of correspondence that changes to the firm's SOQM were communicated in a timely manner.*

Key

*PRP 4650QM - B.3*

*Interview a representative sample of firm personnel and verify that they are familiar with the firm's risk responses (policies and procedures) and that the firm sets appropriate expectations relative to quality management.*

Key

*PRP 4650QM - B.4*

*If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.*

Key

*PRP 4650QM - B.5*

*Select a sample of new hires and confirm that they are familiar with the firm's SOQM.*

Enhanced

*PRP 4650QM - B.6*

*Interview firm personnel and verify that*

- they were notified of any changes to the firm's SOQM during the peer review year, and*
- the training they have received on the firm's system of quality management is consistent with firm policy.*

Enhanced

*Interview firm personnel and verify that*

*PRP 4650QM - B.7 a. the firm promotes a culture that emphasizes the importance of quality;*

*b. the firm does not prioritize profitability over quality;*

*c. they have not been expected to meet an unrealistic deadline such that the quality of their work was affected;*

*d. they have not felt pressure to skip planned procedures due to time constraints; and*

*e. they are encouraged to provide management with feedback on the SOQM and understand the process for doing so.*

Enhanced

*Review the QM director or partner's (or equivalent role) personnel file and other available information to assess whether the individual has sufficient and appropriate experience and ability to assume that responsibility. Confirm that the QM*

*PRP 4650QM - B.8 partner*

- a. has sufficient and appropriate experience and ability to serve in that capacity,*
- b. has taken industry-specific CPE in any high-risk areas (for example, must-select industries) he or she reviews, and*
- c. has no documented history of performance issues identified through regulator inspections, the firm's monitoring and remediation process, or peer review.*

Enhanced

*Via inquiry, confirm that the QM partner has the necessary authority to implement quality responses (policies and*

*PRP 4650QM - B.9 procedures) that would improve quality and gets the appropriate approvals for new policies and procedures before they go into effect.*

Enhanced

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

**C. Relevant Ethical Requirements**

Ref # (e.g., RER QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	<p>All professional personnel who work on attest engagements and are required to be independent sign an independence representation form when hired and annually thereafter acknowledging their familiarity with the firm's relevant ethical requirements policy and procedures, particularly regarding independence</p> <p><b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p>If a breach of a relevant ethical requirement, including independence, is identified, the breach and the required corrective actions are promptly communicated to (a) the managing partner, (b) the engagement partner who (along with the firm) needs to address the breach, (c) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action, and (d) those charged with governance at the attest client. The engagement partner confirms to the managing partner when required corrective actions related to the breach and noncompliance with these policies and procedures have been taken. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				


[Enter all other quality responses described in the firm's quality management documentation.]

[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]

[Enter all other quality responses described in the firm's quality management documentation.]

[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
PRP 4650QM - C.1	Review the firm's guidance materials regarding applicable independence, integrity, and objectivity requirements. Confirm that they have been updated to reflect current requirements.	Key
PRP 4650QM - C.2	Review the risk responses (policies) put in place by the firm to monitor its independence with respect to financial statement audits. Consider the results of reviews of engagements and assess whether the firm's risk responses were implemented and operating effectively.	Key
PRP 4650QM - C.3	Select a sample of situations in which independence, integrity, and objectivity questions arose and verify that the resolution of such questions was appropriate.	Key
PRP 4650QM - C.4	If the firm accepted one or more engagements in which it acted as principal auditor or accountant, and another firm of CPAs was engaged to perform segments of the engagement, on a test basis <ol style="list-style-type: none"> <li>determine whether the firm made sufficient inquiries concerning the professional reputation of the other auditor(s).</li> <li>verify that written confirmations were obtained regarding the other firm's independence with respect to audit engagements and either written or oral confirmations were obtained for review or attestation engagements.</li> </ol>	Key
PRP 4650QM - C.5	Review evidence of the correspondence to personnel regarding changes in the firm's clients to which independence policies apply.	Key
PRP 4650QM - C.6	Consider the actions taken by the firm when threats to independence were identified. Verify that the firm took appropriate actions, including withdrawing from an engagement or issuing the appropriate report in the circumstances if effective safeguards could not be applied.	Key
PRP 4650QM - C.7	Interview a representative sample of firm personnel and verify that they have a sufficient understanding of the risk responses (policies and procedures) the firm has implemented and operated to ensure an independent relationship with its accounting and auditing clients.	Key
PRP 4650QM - C.8	Select a sample of personnel and review the written representations (required by QC section 10.25) obtained by the firm regarding independence, integrity, and objectivity. Confirm that representations were obtained for all selected personnel within the peer review year.	Key

PRP 4650QM - C.9	<p><i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i></p>	Key
PRP 4650QM - C.10	<p><i>Via inquiry of the individual assigned with responsibility for providing guidance, answering questions, monitoring compliance, and resolving matters with respect to independence, integrity, and objectivity ("relevant ethical requirements"), confirm that he or she</i></p> <ol style="list-style-type: none"> <li><i>a. understands the responsibilities they have been assigned;</i></li> <li><i>b. understands what is required from an independence perspective when the firm accepts an engagement in which it acts as principal auditor or accountant and another firm is engaged to perform segments of the engagement;</i></li> <li><i>c. has implemented and complied with procedures to assure the firm's independence as required by the AICPA, state CPA societies, state boards of accountancy, state statutes, the SEC and other regulatory bodies; and</i></li> <li><i>d. perceives that he or she has the authority to resolve matters with respect to independence, integrity, and objectivity.</i></li> </ol>	Enhanced
PRP 4650QM - C.11	<p><i>Interview firm personnel and verify that</i></p> <ol style="list-style-type: none"> <li><i>a. independence training has been provided in a manner consistent with the SOQM;</i></li> <li><i>b. they have a sufficient understanding of the consultation resources available for independence matters.</i></li> </ol>	Enhanced
PRP 4650QM - C.12	<p><i>Via inquiry of the individual assigned with responsibility for relevant ethical requirements, determine how threats to independence were evaluated and addressed, and verify that treatment of threats was appropriate in the circumstances.</i></p>	Enhanced
PRP 4650QM - C.13	<p><i>Interview firm personnel and verify that the firm informs them of its policies and procedures for relevant ethical requirements, including the types of financial or other relationships that may impair independence and that may be prohibited.</i></p>	Enhanced
PRP 4650QM - C.14	<p><i>Via inquiry of the individual assigned with responsibility for relevant ethical requirements, confirm that engagement partners provide the individual with relevant information about client engagements, including scope of services, to enable them to evaluate the overall effect, if any, on independence requirements.</i></p>	Enhanced
PRP 4650QM - C.15	<p><i>Via inquiry of an engagement partner, verify that when engagement acceptance or continuance decisions are made, they provide appropriate information to the individual responsible for matters with respect to independence, integrity, and objectivity to enable them to evaluate the overall effect on independence requirements.</i></p>	Enhanced
PRP 4650QM - C.16	<p><i>If the firm's criteria for consulting with individuals outside the firm on independence, integrity, or objectivity concerns were met, obtain evidence that individuals outside of the firm were consulted.</i></p>	Enhanced
PRP 4650QM - C.17	<p><i>Interview firm personnel and verify that the firm notifies them of new clients and they understand how to communicate potential independence conflicts.</i></p>	Enhanced

<p><i>Via inquiry of the individual assigned with responsibility for relevant ethical requirements, verify that the individual performs regular reviews of unpaid fees from clients to ascertain whether any outstanding amounts may impair the firm's independence.</i></p>	Enhanced
<p><i>If any situations were noted in which the firm, its personnel, or both, were not independent or failed to meet the requirements included in the interpretations of the "Nonattest Services" subtopic (ET sec. 1.295) fn 3 verify, via inquiry of the engagement partner, that the firm's independence policies and procedures were followed and that the actions taken to resolve the matter were appropriately communicated to the firm.</i></p>	Enhanced
<p><i>Select a sample of engagements for which the firm has had a long relationship with the client. If the same senior personnel were used on an engagement, confirm that appropriate action was taken to address the familiarity threat. Appropriate actions include rotating partners, rotating senior staff, conducting an engagement quality review (EQR), or withdrawing from the engagement.</i></p>	Enhanced
<p><i>PRP 4650QM - C.21 Interview firm personnel and verify that staff are asked to make written representations of their independence with respect to firm clients on an annual basis.</i></p>	Enhanced

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

**D. Acceptance and Continuance of Client Relationships and Specific Engagements**

Ref # (e.g., EAC QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	<p>The firm has established policies or procedures that address situations that occur where the firm becomes aware of information after accepting or continuing a client relationship or specific engagement that would have caused the firm to decline the client relationship or specific engagement if that information had been known initially. In that situation, the engagement partner promptly communicates the information to the managing partner who considers whether there are any professional, regulatory, or legal requirements that obligate the firm to remain associated with the client and the engagement or to report the withdrawal to regulatory authorities. The engagement partner and managing partner jointly decide whether to withdraw from an attest engagement or from the client relationship. This may necessitate consultation with legal counsel. Significant issues, consultations, conclusions, and the basis for the conclusions are documented when withdrawal from an engagement or from both the engagement and the client relationship occurs. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				
	<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>	<p><i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i></p>				

<p>[Enter all other quality responses described in the firm's quality management documentation.]</p>	<p>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</p>		
<p>[Enter all other quality responses described in the firm's quality management documentation.]</p>	<p>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</p>		

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
	<p>Select a sample of acceptance and continuance decisions, review the documentation for those decisions, and verify that the firm</p> <p><i>PRP 4650QM - D.1</i> a. complied with its own policies and procedures and with the requirements of professional standards.  b. had the required knowledge and expertise to perform the engagements.  c. evaluated management's integrity.  d. documented its understanding with the client regarding the services to be performed.</p>	Key
	<p>Select a sample of new engagements and verify that the firm</p> <p><i>PRP 4650QM - D.2</i> a. communicated with predecessor auditors regarding management's integrity, history of correcting the predecessor auditor's findings, and the reason for the change; and  b. estimated the resources necessary to complete the engagement before the proposal was submitted.</p>	Key
	<p><i>PRP 4650QM - D.3</i> Verify that firm partners and managers are aware of the firm's policies and procedures for acceptance and continuance of client relationships and specific engagements and that they are followed.</p>	Key
	<p><i>PRP 4650QM - D.4</i> If any client relationships were discontinued, select a sample of such situations and verify that the firm's procedures for withdrawal were followed.</p> <p><i>PRP 4650QM - D.5</i> If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</p>	Key
	<p><i>PRP 4650QM - D.6</i> Verify, via inquiry of an engagement partner, that the firm's policies and procedures for assessing the integrity of a client before accepting the engagement are followed.</p>	Enhanced
	<p><i>PRP 4650QM - D.7</i> If the firm's SOQM require each client acceptance and continuance decision to be considered by someone other than the engagement partner, select a sample of such decisions and confirm that the policy was adhered to.</p>	Enhanced
	<p><i>PRP 4650QM - D.8</i> Verify, via inquiry, that the individual responsible for evaluating and making recommendations about whether a client or specific engagement should be accepted or continued understands his or her responsibilities.</p>	Enhanced

*PRP 4650QM - D.9 If the firm identified any issues relative to the "Conflicts of Interest for Members in Public Practice" interpretation (ET sec. 1.110.010) and ultimately decided to accept or continue the client relationship or specific engagement, determine how the conflicts of interest were resolved. Verify that the resolution was appropriate and in conformity with professional standards.* Enhanced

*PRP 4650QM - D.10 If the firm considered discontinuing any audit and accounting client relationships but decided to continue, review the factors considered and verify that the firm's decision will not increase the risk that the firm will fail to perform and report in conformity with applicable professional standards.* Enhanced

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**
**E. Engagement Performance**

Ref # (e.g., EP QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
		[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			
		[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			
		[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

PRP 4650QM - E.1 *If the firm uses quality control materials (QMM) (for example, written or electronic manuals, software tools or other forms of standardized documentation, and industry or subject matter specific guidance materials, including audit and accounting manuals, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like) to promote consistency in the quality of engagement performance,*

- obtain an understanding of and assess the firm's policies and procedures for use of the QMM.*
- through the procedures performed, evaluate whether the firm's policies and procedures for use of the QMM are appropriately implemented and operating effectively.*

Key

PRP 4650QM - E.2 *Examine the firm's documentation of its firm licenses and confirm that they were active (through the earlier of reviewed engagements' issuance dates or the date of peer review field work) in the states where the practice unit is domiciled (main office is located) and in any other states where the firm performs attest engagements.*

Key

PRP 4650QM - E.3 *Review the firm's reference materials for its audit and accounting practice. Verify that they contain both recent pronouncements and comprehensive literature appropriate for the firm's specialties (including current A&A guides) and were updated on a timely basis.*

Key

	<i>Select a sample of consultations, including at least one involving an outside party and verify the following:</i>	
	<i>a. All relevant facts and circumstances appear to have been provided to the party or parties consulted.</i>	
PRP 4650QM - E.4	<i>b. The advice given appears reasonable based on the relevant facts and circumstances and is consistent with professional standards.</i>	Key
	<i>c. The firm acted in a manner consistent with professional standards and with the firm's policies and procedures.</i>	
	<i>d. The extent of required consultations was appropriately comprehensive.</i>	
	<i>e. The requirements for documentation were met.</i>	
PRP 4650QM - E.5	<i>Interview a representative sample of firm personnel and verify that consultation is being conducted when difficult technical issues arise.</i>	Key
	<i>Select a sample of engagements in which an EQR was required under the firm's policies and procedures. Verify that</i>	
	<i>a. the procedures required by the firm's policies on EQR were performed.</i>	
PRP 4650QM - E.6	<i>b. the EQR was completed prior to the report release date, and any significant matters identified through the EQR were resolved before the report was released.</i>	Key
	<i>c. the individual(s) performing the EQR was appropriately qualified and was assigned in accordance with the firm's policies and procedures.</i>	
	<i>d. the EQR was documented as required by professional standards.</i>	
PRP 4650QM - E.7	<i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i>	Key
PRP 4650QM - E.8	<i>If the firm evaluates its QMM in part by referring to the results of an examination under the Statements on Standards for Attestation Engagements (SSAEs), or another engagement or other procedures, request a copy of the practitioner's report or other documentation from the firm, evaluate the scope and results of the procedures performed, and determine the extent to which the results can be relied upon to assist the firm in evaluating its QMM.</i>	Enhanced
PRP 4650QM - E.9	<i>Evaluate whether the firm used engagement type and industry-specific QMM for the engagement types and industries in which the firm practices.</i>	Enhanced
PRP 4650QM - E.10	<i>Determine whether the QMM used by the firm are appropriate for the firm.</i>	Enhanced
PRP 4650QM - E.11	<i>Interview the firm's partner responsible for a given must-select industry or area. Ask them about the firm's methodology for addressing nuanced topics and recent pronouncements affecting the industry or area. Assess the partner's competency to take responsibility for the quality of the firm's practice in that area.</i>	Enhanced
PRP 4650QM - E.12	<i>Review CPE records for the partner responsible for a given must-select industry or area. Verify that the partner is up-to-date on any recent changes to standards or guidance.</i>	Enhanced

PRP 4650QM - E.13	<i>Interview an engagement partner. Determine how instructions are given and to what extent work is reviewed when the firm uses other offices or correspondents for audit or accounting engagements. Verify that these responses are consistent with firm policy.</i>	Enhanced
PRP 4650QM - E.14	<p><i>Interview firm personnel and verify that</i></p> <ul style="list-style-type: none"> <li><i>a. the procedures appearing in the firm's audit programs differ from client to client based on their unique risks;</i></li> <li><i>b. the form and content of audit working paper files are consistent throughout the firm;</i></li> <li><i>c. engagement planning meetings are held prior to the commencement of work on an engagement; appropriate topics are discussed during the meetings; and all personnel assigned to the engagement, including the engagement partner, attend;</i></li> <li><i>d. supervision of engagements is consistent with firm policy, and supervisors are readily available throughout performance of the engagement;</i></li> <li><i>e. the extent of working paper review is consistent with firm policy; and</i></li> <li><i>f. reports are not being released before the work, and reviews are completed.</i></li> </ul>	Enhanced
PRP 4650QM - E.15	<i>Interview the QM director (or other equivalent role). Determine whether there are any circumstances in which an engagement team would not include a partner, and if so, verify that a partner of the firm would ultimately still be responsible for the engagement.</i>	Enhanced
PRP 4650QM - E.16	<i>Obtain a list of the firm's designated consultants, including each consultant's specialties. Select a sample of consultants and verify, through examination of resumes, that the consultants are qualified to perform their designated responsibilities.</i>	Enhanced
PRP 4650QM - E.17	<i>Interview a sample of engagement partners. Determine whether they performed any engagements in which the criteria for consultation were met. If the criteria were met, verify that consultations were performed and that the documentation requirements were met.</i>	Enhanced
PRP 4650QM - E.18	<i>Contact a sample of internal specialists. Determine whether they had any differences of opinion with engagement personnel and, if so, how those differences of opinion were addressed. Verify that any differences of opinion were resolved before report issuance.</i>	Enhanced
PRP 4650QM - E.19	<p><i>Interview firm personnel and verify that</i></p> <ul style="list-style-type: none"> <li><i>a. they understand firm policy with respect to consultation and are performing consultations when required;</i></li> <li><i>b. they are familiar with the resources available for consultation and utilize them when appropriate; and</i></li> <li><i>c. consultations are documented consistent with firm policy.</i></li> </ul>	Enhanced
PRP 4650QM - E.20	<i>Interview an engagement partner and verify that they understand the firm's criteria for the performance of EQRs.</i>	Enhanced
PRP 4650QM - E.21	<i>Consider the firm's engagement listing and the results of inquiries of leadership. Verify that EQR was performed for any audit engagements in an industry in which the firm's practice is limited and the firm's personnel have little or no experience.</i>	Enhanced

	<i>Contact an individual who performed an EQR for the firm.</i>	
<i>PRP 4650QM - E.22</i>	<ul style="list-style-type: none"> <li><i>a. Ask about his or her approach to addressing nuanced topics and recent pronouncements affecting the type of engagement they reviewed. Verify that the individual was competent to perform an EQR in that area.</i></li> <li><i>b. Confirm that they were given sufficient time to complete a sufficiently thorough review.</i></li> <li><i>c. Verify that appropriate measures were taken to ensure that they met the independence requirements relative to the engagement(s) reviewed.</i></li> <li><i>d. Determine EQR's degree of involvement with the engagement, including whether they were consulted, and confirm that they did not make decisions on behalf of the engagement team.</i></li> <li><i>e. Determine whether any matters that would cause them to question the engagement team's judgments and conclusions arose. Confirm that such matters were resolved before report issuance.</i></li> </ul>	<i>Enhanced</i>
<i>PRP 4650QM - E.23</i>	<i>Select a sample of EQRs and discuss the process for selecting the individual(s) performing the EQR with the engagement partner. Confirm that firm policy was adhered to relative to the selection of the individual(s) performing the EQR.</i>	<i>Enhanced</i>
<i>PRP 4650QM - E.24</i>	<i>Interview an engagement partner and verify that the firm's policies relative to resolving differences of professional judgment on the engagement team are understood and being followed.</i>	<i>Enhanced</i>
<i>PRP 4650QM - E.25</i>	<i>Interview firm personnel and verify that they are familiar with firm policy relative to resolving disagreements on the engagement team.</i>	<i>Enhanced</i>
<i>PRP 4650QM - E.26</i>	<i>Interview an engagement partner and verify that the firm's quality responses addressing time limits for completing the assembly of final engagement files are understood and complied with.</i>	<i>Enhanced</i>
<i>PRP 4650QM - E.27</i>	<i>Select a sample of engagements and confirm that the firm has complied with its policies and procedures relative to assembly of final engagement files.</i>	<i>Enhanced</i>
<i>PRP 4650QM - E.28</i>	<i>Interview firm personnel and verify that firm policies for completing assembly of final engagement files are being adhered to.</i>	<i>Enhanced</i>
<i>PRP 4650QM - E.29</i>	<i>Interview the individual responsible for document retention. Gain an understanding of his or her process for determining retention periods and verify that it is appropriate.</i>	<i>Enhanced</i>

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

**F. Resources**

Ref # (e.g., RES QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SOQM policies and procedures. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			
[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

*Select a sample of new hires, including those joining the firm through mergers or at supervisory levels. Obtain each individual's personnel file and complete the following:*

**PRP 4650QM - F.1**

- a. *Review the documentation and verify that the individual possessed the desired attributes, achievements, and experience required by the firm. If the individual did not possess the requisite qualifications, ascertain from other documentation or by inquiry that an exception was appropriately made.*
- b. *Verify that the background information and other documentation required by firm policy were obtained.*

Key

*Review the firm's CPE records on a test basis and confirm that they demonstrate the following:*

**PRP 4650QM - F.2**

- a. *The firm provided CPE to and maintained CPE records for professional personnel.*
- b. *Personnel participated in CPE in subjects that are relevant to the engagements they perform and their responsibilities in the firm.*
- c. *If, prior to the commencement of the peer review, the firm identified instances in which personnel are not meeting requirements, verify that the firm has established an appropriate plan for correcting the situation.*
- d. *The firm was in compliance with its plans for its CPE program and with the CPE requirements of the following:*

  - i. *Board(s) of accountancy in state(s) in which the firm's personnel is licensed*
  - ii. *AICPA (if applicable)*
  - iii. *State CPA society (if applicable)*
  - iv. *Government Auditing Standards (the Yellow Book) (if applicable)*

Key

*Determine the degree to which personnel training is conducted in-house. If the firm presents a significant amount of in-house training, select a sample of such programs for review and verify that the following are true:*

**PRP 4650QM - F.3**

- a. *The developer is qualified and has obtained any necessary approvals, for example, a sponsor number from the appropriate state board of accountancy.*
- b. *The course is technically accurate, current, and contributes to the professional competence of the attendees.*
- c. *The instructor is qualified.*
- d. *The participants and instructor evaluate the course, and appropriate action is taken when the evaluations are not favorable.*

Key

PRP 4650QM - F.4	<i>Interview a representative sample of firm personnel and verify that they believe the firm's CPE and on-the-job training are appropriate and effective.</i>	Key
PRP 4650QM - F.5	<i>Review the firm's standardized personnel evaluation form and compensation and advancement criteria (if applicable). Verify that the quality of performance receives greater weighting than commercial considerations.</i>	Key
PRP 4650QM - F.6	<i>Select a sample of personnel, review their personnel files, personnel evaluations, or other documentation, and verify that personnel are reviewed, evaluated, and promoted in accordance with firm policy, with evaluations being performed at least annually.</i>	Key
PRP 4650QM - F.7	<i>Review job descriptions and responsibilities for managers, seniors, and so on, and confirm that they are reasonable for the firm.</i>	Key
PRP 4650QM - F.8	<i>Interview a representative sample of firm personnel and verify that the firm's SOQM is followed when compensation and advancement decisions are made.</i>	Key
PRP 4650QM - F.9	<i>Select a sample of practitioners responsible for engagements in must-select industries and areas. Interview the practitioners and verify that they have an understanding of the industry or area and the standards that apply to the clients they have been assigned.</i>	Key
PRP 4650QM - F.10	<i>Select a sample of report signors and confirm that they have exhibited the knowledge, skills, and abilities (competencies) necessary to qualify them to perform the firm's accounting, auditing, or attestation engagements.</i>	Key
PRP 4650QM - F.11	<i>Select a sample of engagement teams and review documentation of the factors considered in making those assignments. Confirm that the factors listed in paragraph .A11 of QC section 10 were considered, firm policies and procedures were adhered to, and the engagement partner approved the engagement team prior to the commencement of the engagement.</i>	Key
PRP 4650QM - F.12	<i>Select a sample of personnel and review the firm's documentation regarding licensure. Verify that, when required, licenses were active (through the earlier of reviewed engagements' issuance dates or the date of peer review fieldwork) in the states where the individuals primarily practiced public accounting.</i>	Key
PRP 4650QM - F.13	<i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i>	Key
PRP 4650QM - F.14	<i>Verify, via inquiry, that the individual responsible for the firm's hiring and human resources management understands his or her responsibilities and is familiar with the firm's criteria for determining which individuals will be involved in the interviewing and hiring process.</i>	Enhanced

<i>PRP 4650QM - F.15</i>	<p><i>Interview a new hire. Verify that firm policies relative to orientation and training for new hires were adhered to and that he or she is familiar with the firm's policies relative to passing the Uniform CPA Examination and participation in other professional development activities.</i></p>	Enhanced
<i>PRP 4650QM - F.16</i>	<p><i>Interview the individual responsible for the firm's professional development activities, including maintaining CPE records. Verify via inquiry that the individual understands and is executing his or her responsibilities.</i></p>	Enhanced
<i>PRP 4650QM - F.17</i>	<p><i>Interview firm personnel and verify that</i></p> <ul style="list-style-type: none"> <li><i>a. the firm provides them with CPE in subjects that are relevant to their responsibilities;</i></li> <li><i>b. the firm informs personnel of changes in accounting and auditing standards, independence, integrity and objectivity requirements, and the firm's technical policies and procedures with respect to them in a timely manner; and</i></li> <li><i>c. the firm encourages personnel to pass the Uniform CPA Examination and to participate in other professional development activities.</i></li> </ul>	Enhanced
<i>PRP 4650QM - F.18</i>	<p><i>Interview firm personnel and verify that</i></p> <ul style="list-style-type: none"> <li><i>a. personnel evaluations are conducted in a manner consistent with the firm's SOQM; and</i></li> <li><i>b. evaluations are effective in helping personnel understand what is required for advancement.</i></li> </ul>	Enhanced
<i>PRP 4650QM - F.19</i>	<p><i>Select a sample of partner and experienced staff evaluations. Confirm that the evaluation addressed feedback based on monitoring results, peer reviews, and regulatory inspections; identification of significant and emerging accounting and auditing issues; and consultation with firm experts when challenging issues arise.</i></p>	Enhanced
<i>PRP 4650QM - F.20</i>	<p><i>Interview the individual responsible for making advancement and termination decisions and developing the evaluation form for each professional classification. Verify that the individual understands and is executing his or her responsibilities consistent with the firm's policies and procedures.</i></p>	Enhanced
<i>PRP 4650QM - F.21</i>	<p><i>Interview one or more individuals responsible for periodically evaluating the performance of personnel. Verify that they understand and are executing their responsibilities consistent with the firm's policies and procedures</i></p>	Enhanced
<i>PRP 4650QM - F.22</i>	<p><i>Select a sample of personnel and review their personnel evaluations. Confirm that those evaluations address performance, an assessment of their knowledge, skills, and abilities, their progress within the firm, and the individual's career objectives and how they can be reached.</i></p>	Enhanced

	<p>Select a sample of engagements that were found to be nonconforming after report issuance. Verify through corroborative inquiry that the firm took appropriate action in addressing the performance of the engagement partner. For example, the firm may</p> <p>PRP 4650QM - F.23 a.Require the engagement partner to take relevant CPE and required EQCR on the engagement partner's future engagements in that industry or area, b.Prohibit the engagement partner from performing future engagements in that industry or area, or c.Dismiss the engagement partner.</p> <p>Verify that the firm's decision was properly implemented (for example, by reviewing the engagement listing and confirming that the engagement partner did not serve on any engagements in that industry or area after the firm's decision).</p> <p>PRP 4650QM - F.24 Select an audit engagement in an industry or area in which the firm performs a limited number of engagements and review the engagement team's competence, capabilities, and resources to undertake the engagement, with a focus on the education and experience of the team. Conclude on whether the engagement team was competent to perform the engagement.</p> <p>PRP 4650QM - F.25 Select a sample of new audit engagements in high-risk industries or areas. Assess the qualifications and experience of the engagement team and the adequacy of the resources assigned to the engagement. Verify that the firm engaged a knowledgeable third party to assist with the performance of the engagement if appropriate.</p> <p>PRP 4650QM - F.26 Interview firm personnel and verify that a.They believe they have had the technical training and proficiency required to perform their assignments, considering the nature and extent of supervision provided, and b.They are adhering to the firm's SOQM when preparing for engagements in industries they have not previously served.</p>	Enhanced
PRP 4650QM - F.24	Select an audit engagement in an industry or area in which the firm performs a limited number of engagements and review the engagement team's competence, capabilities, and resources to undertake the engagement, with a focus on the education and experience of the team. Conclude on whether the engagement team was competent to perform the engagement.	Enhanced
PRP 4650QM - F.25	Select a sample of new audit engagements in high-risk industries or areas. Assess the qualifications and experience of the engagement team and the adequacy of the resources assigned to the engagement. Verify that the firm engaged a knowledgeable third party to assist with the performance of the engagement if appropriate.	Enhanced
PRP 4650QM - F.26	Interview firm personnel and verify that a.They believe they have had the technical training and proficiency required to perform their assignments, considering the nature and extent of supervision provided, and b.They are adhering to the firm's SOQM when preparing for engagements in industries they have not previously served.	Enhanced

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**
**G. Information and Communication**

Ref # (e.g., I&C QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
		<p>The firm has established policies or procedures that address (1) when it is appropriate to communicate with the firm's network or service providers about the firm's SOQM, and (2) the information to be provided when communicating externally about the firm's SOQM, including the nature, timing, and extent and appropriate form of communication. <b>[Specified Responses - Ref: par. [Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</b></p> <p><b>QM sec. 10.35]</b></p>				
		<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>				
		<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>				
		<p><i>[Enter all other quality responses described in the firm's quality management documentation.]</i></p>				

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)

PRP 4650QM - G.1 *Interview a sample of partners and staff. Inquire whether the QM Director (equivalent) or managing partner (equivalent) addressed and communicated according to firm policy, any relevant feedback received through monitoring results, peer review, or regulatory inspections, as applicable.*

Key

PRP 4650QM - G.2	<p><i>If the firm's policies and procedures require a firm handbook or other equivalent policies and procedures manual to be provided to partners and staff, review such materials to determine whether the individual roles and responsibilities (including chain of command) are adequately addressed.</i></p>	Key
PRP 4650QM - G.3	<p><i>Interview the QM Director and others who assist the QM Director in the operation of the system of quality management to verify whether:</i></p> <ol style="list-style-type: none"> <li data-bbox="488 574 1868 616"><i>a. The managing partner is sufficiently accessible to meet and discuss matters pertaining to the firm's SOQM as needed,</i></li> <li data-bbox="488 616 1868 659"><i>b. The frequency of such meetings if conducted according to firm policy, and</i></li> <li data-bbox="488 659 1868 744"><i>c. whether the managing partner provides sufficient attention to address issues encountered as it pertains to the firm's SOQM.</i></li> </ol>	Key
PRP 4650QM - G.4	<p><i>If the firm has established one or more control processes that are designed to ensure compliance with the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i></p>	Key
PRP 4650QM - G.5	<p><i>Interview a representative sample of firm personnel and inquire whether the firm's policy related to CPE and on-the-job training are effectively communicated according to the firm's methodology for conducting engagements.</i></p>	Enhanced
PRP 4650QM - G.6	<p><i>Interview a representative sample of firm personnel and inquire whether changes to the IT environment of the firm are appropriately communicated according to firm policy.</i></p>	Enhanced
PRP 4650QM - G.7	<p><i>Interview a sample of partners and staff and inquire whether such individuals are familiar with and where to locate the firm's policies pertaining to document retention.</i></p>	Enhanced
PRP 4650QM - G.8	<p><i>Inquire of the firm's QM director or equivalent to determine whether the firm's policies and procedures are consistently adhered to with respect to communicating the results of regulatory inspection and compliance communications, or monitoring and remediation procedures performed by internal or external parties.</i></p>	Enhanced

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

**H. Monitoring and Remediation**

Ref # (e.g., M&R QRe X.xx)	Quality Response Description (Firm Control Process, Policy, or Procedure)	Operating Effectiveness Procedure (Select from Procedures Library or Describe Other Alternative Procedures)	Yes	No	N/A	Comments, Findings Noted
	The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SOQM policies and procedures. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities. <b>[Specified Responses - Ref: par. QM sec. 10.35]</b>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				
	<i>[Enter all other quality responses described in the firm's quality management documentation.]</i>	<i>[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]</i>				

[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			
[Enter all other quality responses described in the firm's quality management documentation.]	[Enter selected procedure(s) from the "Procedures Library" section below (tailored as appropriate), or describe alternative procedures, if any.]			

Procedures Library		
#	Procedure Description	Type (Key or Enhanced)
PRP 4650QM - H.1	<p>Review the firm's monitoring and remediation documentation. Verify that the procedures performed were timely and covered these areas:</p> <ul style="list-style-type: none"> <li>a. Reviewing and testing compliance with firm SOQM relating to all the components of quality management</li> <li>b. Reviewing an appropriate number of offices</li> <li>c. Reviewing an appropriate number and type of engagements for compliance with professional standards</li> <li>d. Reviewing partners and managers with significant accounting and auditing responsibilities</li> <li>e. Reviewing its library and practice aids to determine that they were appropriate and up to date</li> <li>f. Evaluating professional development programs to determine whether they were achieving their objectives and whether those programs were appropriate for firm personnel</li> </ul>	Key
PRP 4650QM - H.2	<p>Review the personnel files and conduct interviews for a sample of the individuals responsible for the firm's monitoring process, including the individual with overall responsibility for the firm's monitoring. Verify that they</p> <ul style="list-style-type: none"> <li>a. Have sufficient training, experience, and competence to execute their responsibilities.</li> <li>b. Were free from any limitations or restrictions on their ability to practice public accounting.</li> <li>c. Did not act as engagement partner on one or more nonconforming engagements which were uncovered through peer review, monitoring, or regulatory inspection.</li> </ul>	Key
PRP 4650QM - H.3	<p>Discuss the firm's approach to monitoring with the responsible individual and review documentation of the firm's engagement selection for internal inspection. Verify that the firm</p> <ul style="list-style-type: none"> <li>a. Took appropriate steps to ensure that the engagement population was complete.</li> <li>b. Selected a reasonable cross section of the levels of service and industries served by the firm.</li> <li>c. Selected a reasonable cross section of the firm's partners.</li> <li>d. Targeted selections of entities operating in highly specialized or regulated industries (including financial institutions, governmental entities, and employee benefit plans) such that all such industries were included in the inspection.</li> </ul>	Key
PRP 4650QM - H.4	<p>Review the materials used in carrying out the monitoring procedures, such as questionnaires, programs, and checklists.</p> <p>Confirm that those materials are sufficiently comprehensive to identify instances of nonconformity with professional standards or the firm's SOQM</p>	Key

PRP 4650QM - H.5	<p><i>Review monitoring and remediation documentation. Verify that the documentation addresses the QM deficiencies identified through monitoring procedures, an assessment of the significance of those deficiencies, and recommended corrective actions.</i></p>	Key
PRP 4650QM - H.6	<p><i>Verify, through inquiry, that the results of the monitoring and remediation procedures (procedures performed, conclusions reached, deficiencies noted, and actions planned) were appropriately summarized and communicated to appropriate personnel at least annually.</i></p>	Key
PRP 4650QM - H.7	<p><i>Verify, through corroborative inquiry, that appropriate corrective action was taken based on the results of the monitoring and remediation procedures, including, if necessary, action pursuant to the requirements of AU-C section 585, Consideration of Omitted Procedures After the Report Date, and AU-C section 560, Subsequent Events and Subsequently Discovered Facts, or supplementing the working papers to document the procedures performed.</i></p>	Key
PRP 4650QM - H.8	<p><i>Verify, through corroborative inquiry, that the firm follows up on planned corrective actions as a result of the monitoring procedures to determine that they were actually implemented.</i></p>	Key
PRP 4650QM - H.9	<p><i>Verify, through review of monitoring and remediation documentation and through inquiry, that the firm interviewed a sample of its personnel regarding the effectiveness of its SOQM (including professional development programs) and that the feedback from personnel was addressed.</i></p>	Key
PRP 4650QM - H.10	<p><i>If the firm has established one or more control processes that are designed to ensure compliance with the firm the firm's policies and procedures, describe the nature, timing, and extent of procedures performed by the review team to evaluate whether the control process is implemented and operating effectively.</i></p>	Key
PRP 4650QM - H.11	<p><i>Interview the individual responsible for the firm's monitoring and remediation process and confirm that the individual feels they have appropriate authority in the firm to take on that responsibility.</i></p>	Enhanced
PRP 4650QM - H.12	<p><i>If the firm has a limited number of persons with sufficient and appropriate experience and authority to perform inspections, verify that the firm engaged a suitably qualified external person or another firm to perform engagement inspections and other monitoring procedures that are required by firm policy.</i></p>	Enhanced
PRP 4650QM - H.13	<p><i>Select a sample of complaints and allegations. Verify that they were investigated by a suitably qualified individual who was not otherwise involved in the engagement and the complaints and allegations and responses to them were documented.</i></p>	Enhanced
PRP 4650QM - H.14	<p><i>Interview firm personnel and verify that they are encouraged to raise concerns about noncompliance with professional standards, regulatory and legal requirements, and the firm's system of quality management.</i></p>	Enhanced

**PRP 4650QM - Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel**

**I. Documentation**

Complete the following questions as it pertains to the firm's documentation of its system of quality management.

#	Procedures performed to evaluate documentation of the firm's SOQM	Yes	No	N/A	Comments, Findings Noted
PRP 4650QM - I.1	<p>Did the firm prepare documentation of its system of quality management that is sufficient to [QM sec. 10.58]</p> <ul style="list-style-type: none"> <li>• Support a consistent understanding of the system of quality management by personnel, including an understanding of their roles and responsibilities with respect to the system of quality management and performing engagements?</li> <li>• Support the consistent implementation and operation of the responses?</li> <li>• Provide evidence of the design, implementation, and operation of the responses to support the evaluation of the system of quality management by the individual or individuals assigned ultimate responsibility and accountability for the system of quality management?</li> </ul>				

PRP 4650QM - I.2

In preparing documentation of the system of quality management, did the firm include the following? [QM sec. 10.59]

- Identification of the individual or individuals assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management
- The firm's quality objectives and quality risks
- A description of the responses and how the firm's responses address the quality risks
- Regarding the monitoring and remediation process,
- o Evidence of the monitoring activities performed;
- o The evaluation of findings, and identified deficiencies and their related root causes; and
- o Remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions
- o Communications about monitoring and remediation
- The conclusion reached pursuant to paragraph 55 and the basis for that conclusion


PRP 4650QM - I.3

If applicable, did the firm document the preceding considerations as they relate to the network requirements or network services and the evaluation of the network requirements or network services in accordance with paragraph .50b of QM section 10?

PRP 4650QM - I.4

Did the firm establish a period of time for the retention of documentation for the system of quality management that is sufficient to enable the firm and its peer reviewer to monitor the design, implementation, and operation of the firm's system of quality management, or for a longer period if required by law or regulation?

**PRP 4650QM - *Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel***

#### J. Conclusions

Consider the results of procedures performed to evaluate each component of the reviewed firm's system of quality management. Complete the following table to indicate your overall conclusion whether the firm's SOQM is implemented and operating effectively to provide reasonable assurance of performing and reporting in accordance with applicable professional standards.

	<b>Requirements of QM Section 10 Relating To:</b>	<b>Yes</b>	<b>No[1]</b>
A	The Firm's Risk Assessment Process		
B	Governance and Leadership		
C	Relevant Ethical Requirements		
D	Engagement Acceptance and Continuance of Client Relationships		
E	Engagement Performance		
F	Resources		
G	Information and Communication		
H	Monitoring and Remediation		
I	Documentation		

[1] At a minimum, "No" answers in this section are communicated as a matter for further consideration (MFC), with consideration of elevating the matter to be communicated either on a finding for further consideration (FFC), or communicated in the peer review report as a deficiency when the report rating is pass with deficienc(ies), or a significant deficiency when the report rating is fail.

PRP 4650QM - *Testing the operating effectiveness of a firm's system of quality management—Firms With Two or More Personnel*

## **APPENDIX A**

### **EXPLANATION OF “NO” ANSWERS AND OTHER COMMENTS**

This appendix is provided for your comments on all “No” answers or to expand upon any of the “Yes” answers. All “No” answers must be thoroughly explained and reviewed with the person or persons assigned operational responsibility for the firm’s system of quality management.

[i] In concluding on the disposition of “No” answers, the reviewer should determine whether

- the issue can be resolved (for example, the answer to the checklist question should have been “Yes”);
- the issue is not significant enough to warrant the preparation of a matter for further consideration (MFC) form; or
- an MFC form should be prepared.

## Instructions for using this excel template.

### Format:

- Tabs are organized by components.
- Each component tab is organized by objective.
- Under each objective is at least one risk, which is generally the inverse of the objective.
- The required specified responses from paragraph 35 of QM section 10 are included in the template. These are in bold letters and include the specific paragraph reference. Your firm may decide to map the required specified responses to different risks or objectives.
- Responses relating to the required responsibilities that the firm should assign in compliance with paragraphs 21 through 23 of QM section 10 are included in the template. These include the specific paragraph reference. Your firm may decide to map the responses to different risks or objectives.
- Blank rows are included under each objective; add more rows as necessary.

### Quality objectives:

- Quality objectives are the desired outcomes in relation to the components of the system of quality management to be achieved by the firm. This template provides the required quality objectives that each firm should establish in accordance with the SQMS. The firm determines how to achieve the quality objectives.
- The firm may establish any additional quality objectives that they determine necessary by the firm to achieve the objectives of the system of quality management. The firm may also choose to establish sub-objectives to enhance the firm's identification and assessment of quality risks.

### Quality risks:

- A quality risk is a risk that has a reasonable possibility of occurring, and individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.
- The quality risks library is intended to be a repository of potential risks; it is not all-inclusive, nor are all quality risks necessarily applicable to your firm. In identifying and assessing quality risks, focus on understanding conditions, events, circumstances, actions, or inactions that relate to the nature and circumstances of your firm and its engagements.
- The example quality risks should be tailored to suit your firm. You may decide to evaluate risks at a very high level, for example, stating risks as the reverse of the quality objectives, in which case, all the risks would be quality risks. You may decide to evaluate risks at a somewhat more granular level or at a very granular level, or a combination of these approaches.

To determine if a risk is a quality risk for your firm

- determine the likelihood of the risk occurring, and-
- determine the impact that the risk could have, whether individually or in combination with other risks, to the firm achieving one or more quality objectives

**Note:** Formal ratings or scores are not required by QM section 10. However, **this practice aid provides drop-down menus to assess the risks as low, medium, or high.** Risks that have a low likelihood of occurring and a low impact are not considered quality risks for purposes of this practice aid.

**WARNING!** The risk is evaluated before the effect of controls (that is, responses: policies and procedures). You may think that a quality risk doesn't exist because your firm already has effective controls to mitigate it. Evaluate risks as if you were starting to build a system of quality management from the ground up.

**Responses:**

- Responses are policies or procedures designed and implemented by the firm to address one or more quality risks.
- There are a limited number of required specified responses, which have been identified in the practice aid. The firm is expected to design and implement its own responses that are responsive to their identified quality risks.
- Although we have categorized responses by component, responses may be related in a number of ways, including as follows:
  - A response may address multiple quality risks across various components. For example, the responses designed and implemented by the firm to address complaints and allegations may address quality risks related to the quality objectives in (i) resources (for example, personnel's commitment to quality), (ii) relevant ethical requirements, and (iii) governance and leadership.
  - A response may support another response in another component. This is particularly the case for responses related to resources and information and communication because these elements are often needed to support the operation of other responses.

**Make this document your firm's own by tailoring the illustrative risks and responses as necessary for the facts and circumstances of your practice. Not all these risks and responses may be applicable to your firm. This template does not represent a complete system of quality management; for example, it does not address monitoring and remediation. Consider your current policies and procedures while completing this template.**

If you choose to print this template, consider using a color printer to benefit from the color formatted likelihood and impact columns.

GOV QO-1		<p>The firm demonstrate a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces the following:</p> <ul style="list-style-type: none"> <li>i. The firm's role in serving the public interest by consistently performing quality engagements</li> <li>ii. The importance of professional ethics, values, and attitudes</li> <li>iii. The responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM and their expected behavior</li> </ul> <p>iv. The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities</p>							
		Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
GOV QO-1	GOV QRi-1			The firm does not demonstrate a commitment to quality through the culture that exists throughout the firm.	Green	Red	Yes	GOV QRe-5.01	The firm promotes an internal culture that recognizes quality is essential through [describe the firm's specific actions: for example, a mission statement that includes the firm's core values and the importance of quality; frequent messages to personnel about the importance of quality and that it is not sacrificed to the need to achieve profitability; the status of the QM partner within the firm (that is, the QM function is not relegated to an administrative role); the QM partner reports directly to the managing partner; quality is considered in performance appraisals and compensation.]
GOV QO-1	GOV QRi-2			The firm does not acknowledge its role in serving the public interest and does not strive to perform quality engagements.	Yellow	Red	Yes	GOV QRe-9.01	Performance evaluation and advancement systems are designed and implemented that reward partners and staff involved in the accounting and auditing practice for the quality of their work and their compliance with professional standards.
GOV QO-1	GOV QRi-3			The firm does not recognize or reinforce the importance of professional ethics, values, and attitudes.	Green	Red	Yes	GOV QRe-9.04	Performance evaluation and advancement systems are designed and implemented that reward partners and staff for their professional values and attitudes.
GOV QO-1	GOV QRi-4			The firm does not recognize or reinforce the responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM and their expected behavior.	Green	Yellow	Yes	GOV QRe-9.01	Performance evaluation and advancement systems are designed and implemented that reward partners and staff involved in the accounting and auditing practice for the quality of their work and their compliance with professional standards.
GOV QO-1	GOV QRi-5			The firm does not recognize or reinforce the importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities.	Yellow	Yellow	Yes	GOV QRe-6.04	The firm's strategic decision-making process is aligned with the firm's quality objectives and approved by leadership with the ultimate responsibility for the firm's system of quality management.
						-			
						-			
GOV QO-2		Leadership is responsible and accountable for quality							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership						Quality response (policy or procedure)	
GOV QO-2	GOV QRi-11	Leadership is not responsible and accountable for quality.						Policy: The firm assigns ultimate responsibility and accountability for the system of quality management to the firm's CEO or the firm's managing partner (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent). [QM sec. 10.21]	
GOV QO-2	GOV QRi-15	Leadership responsibilities and accountability for quality are not clearly defined and assigned.						Policy: The firm assigns operational responsibility for the system of quality management to individuals with the appropriate influence and authority within the firm. [QM sec. 10.21b]	
						-			
						-			
GOV QO-3		Leadership demonstrates a commitment to quality through its actions and behaviors							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership						Quality response (policy or procedure)	
GOV QO-3	GOV QRi-18	Leadership does not demonstrate a commitment to quality through their actions and behaviors (e.g., establishing the tone at the top through their actions and behaviors, clear, consistent and frequent actions and communications at all levels within the firm)						The firm promotes an internal culture that recognizes quality is essential through [describe the firm's specific actions: for example, a mission statement that includes the firm's core values and the importance of quality; frequent messages to personnel about the importance of quality and that it is not sacrificed to the need to achieve profitability; the status of the QM partner within the firm (that is, the QM function is not relegated to an administrative role); the QM partner reports directly to the managing partner; quality is considered in performance appraisals and compensation.]	
GOV QO-3	GOV QRi-23	Professionals in leadership positions prioritize economic gain over quality through their actions and behaviors.						Policy: The firm does not allow financial and operational priorities to override the quality of the work performed, and assigns management responsibilities accordingly.	
						-			
						-			
GOV QO-4		The organizational structure and assignment of roles, responsibilities, and authority is appropriate to enable the design, implementation, and operation of the firm's SOQM							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership						Quality response (policy or procedure)	
GOV QO-4	GOV QRi-25	The organizational structure and assignment of roles, responsibilities, and authority is not appropriate and does not enable the design, implementation, and operation of the firm's SOQM.						Policy: The firm assigns operational responsibility for specific aspects of the system of quality management to individuals with the appropriate influence and authority within the firm, including [QM sec. 21.c-i] - compliance with independence requirements, and - the monitoring and remediation process	
GOV QO-4	GOV QRi-30	Persons assigned roles relevant to the system of quality management lack the skills, knowledge, and experience to undertake those roles.						Policy: Personnel with sufficient and appropriate experience, authority, and ability are assigned responsibility for developing, implementing, and operating the firm's system of quality management. [QM sec. 10.22]	
						-			
						-			
GOV QO-5		Resource needs, including financial resources, are planned for, and resources are obtained, allocated, or assigned in a manner that is consistent with the firm's commitment to quality							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership						Quality response (policy or procedure)	
GOV QO-5	GOV QRi-33	Resource needs, including financial resources, are not obtained by, allocated, or assigned to the appropriate parties in a manner that facilitates the firm's commitment to quality.						Policy: The firm devotes sufficient and appropriate resources for the development, communication, and support of its quality management policies and procedures.	

<p><b>The firm and its personnel</b></p> <p>i. understand the relevant ethical requirements to which the firm and the firm's engagements are subject, and (Ref: par. A23)</p> <p>ii. fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.</p>								
<p><b>RER QO-1</b></p>								
Quality Objective #	Quality Risk #	Quality Risks: Relevant ethical requirements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)	
RER QO-1	RER QRi-1	The firm and its personnel do not understand the relevant ethical requirements to which the firm and the firm's engagements are subject	Yellow	Red	Yes	RER QRe-1.01	A person with appropriate authority [name] is responsible for staying informed on relevant ethical requirements; providing guidance; answering questions; monitoring compliance; and resolving matters with respect to independence, integrity, and objectivity. [specified response par 35ai]	
RER QO-1	RER QRi-2	The firm and its personnel fail to fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.	Green	Red	Yes	RER QRe-6	<p>Policy: The firm obtains written confirmation, upon hire and at least annually, of compliance with its policies and procedures regarding independence from all personnel required to be independent by relevant requirements. [required response see par. 35b]</p> <p>Note: A sole practitioner with no staff will not obtain a confirmation but document compliance in a less formal manner.</p>	
RER QO-1	RER QRi-6	The firm and its personnel do not identify, communicate, evaluate, or report ethical breaches.	Green	Red	Yes	RER QRe-4	Policy: Firm personnel notify the firm of breaches of the relevant ethical requirements, including independence requirements, and the firm takes appropriate actions to resolve such situations. [specified response par. 35 a ii]	
RER QO-1	RER QRi-4	Consultation and evaluation of identified independence matters results in an incorrect conclusion that impairs independence.	Green	Red	Yes	RER QRe-4.05	The firm promptly communicates identified breaches of these policies and procedures, and the required corrective actions, to (a) the engagement partner who, with the firm, needs to address the breach and (b) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action. [specified response par. 35 a ii]	
RER QO-1	RER QRi-6	The firm and its personnel do not identify, communicate, evaluate, or report ethical breaches.	Yellow	Red	Yes	RER QRe-4.06	The engagement partner and other relevant personnel confirm to the firm that the required corrective actions have been taken [specified response par. 35 a ii]	
RER QO-1	RER QRi-3	The firm does not receive, investigate and resolve complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with the firm's system of quality management. (Specified Response 35c)	Green	Red	Yes	RER QRe-9	Policy – The firm has procedures for receiving complaints about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies and procedures; investigates the complaints and resolves them. [specified response par 35 c]	
<p><b>RER QO-2</b></p> <p>Others, including the network, network firms, individuals in the network or network firms, or service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject</p> <p>i. understand the relevant ethical requirements that apply to them, and (Ref: par. A23 and A67)</p> <p>ii. fulfill their responsibilities in relation to the relevant ethical requirements that apply to them. (Ref: par. A68)</p>								
Quality Objective #	Quality Risk #	Quality Risks: Relevant ethical requirements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)	
RER QO-2	RER QRi-11	Others who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject do not understand the relevant ethical requirements that apply to them	Yellow	Red	Yes	RER QRe-7	Policy: When another firm, or firm personnel in associated member firms, perform part of the engagement, the firm confirms the independence of the other firm and adherence to other relevant ethical requirements.	
RER QO-2	RER QRi-12	Others who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject do not fulfill their responsibilities in relation to the relevant ethical requirements that apply to them	Yellow	Red	Yes	RER QRe-7.01	Written confirmations are obtained regarding the other firm's independence with respect to audit engagements and either written or oral confirmations are obtained for review or attestation engagements. Oral confirmations are documented.	

<p><b>Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the following</b></p> <p><b>EAC QO-1</b></p> <p>i. information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments (Ref: par. A69-A74)</p>							
<p><b>Quality Objective #</b></p> <p><b>Quality Risk #</b></p> <p><b>Quality Risks: Acceptance and continuance of client relationships and specific engagements</b></p> <p><b>Likelihood</b></p> <p><b>Impact</b></p> <p><b>Quality Risk</b></p> <p><b>Quality response #</b></p> <p><b>Quality response (policy or procedure)</b></p>							
EAC QO-1	EAC QRi-1	The firm does not obtain information about the nature and circumstances of the engagement and the client (including management, and, when appropriate, those charged with governance) that is sufficient to support judgments about client acceptance or continuance.	Green	Red	Yes	EAC QRe-3	<b>Policy:</b> The firm has established policies and procedures when information that becomes known subsequent to accepting or continuing a client relationship or specific engagement that may have affected the firm's decision to accept or continue a client relationship or specific engagement as follows. [specified response par. 35di]
EAC QO-1	EAC QRi-2	The firm accepts or continues a client relationship or specific engagement when the firm does not have the ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements	Yellow	Yellow	Yes	EAC QRe-2.05	The firm evaluates whether the firm (or practice office) has, or can reasonably expect to obtain, the competency and capability necessary to perform the engagement, including relevant regulatory or reporting requirements.
					-		
					-		
<p><b>Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the following</b></p> <p><b>EAC QO-2</b></p> <p>ii. the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements (Ref: par. A75-A76)</p>							
<b>Quality Objective #</b>	<b>Quality Risk #</b>	<b>Quality Risks: Acceptance and continuance of client relationships and specific engagements</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Quality Risk</b>	<b>Quality response #</b>	<b>Quality response (policy or procedure)</b>

EAC QO-2	EAC QRI-32	A firm partner accepts or continues an engagement that does not meet the firm's engagement acceptance or continuation criteria or is otherwise prohibited by the firm.	Yellow	Yellow	Yes	EAC QRe-3.01	<p><b>When the firm becomes aware of information that would have caused the firm to decline the engagement if the information had been available earlier, the firm considers the following. [QM par. 35di]</b></p> <ul style="list-style-type: none"><li>-undertaking consultation within the firm or legal counsel</li><li>-the professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to continue the engagement or report to regulatory authorities,</li><li>-discussing with the appropriate level of client's management and those charged with governance,</li><li>-whether to withdraw from the engagement or from the client relationship</li></ul>
EAC QO-2	EAC QRI-33	The firm does not recognize when the firm is obligated by law or regulation to accept or continue a client relationship or specific engagement, nor understand the appropriate procedures to follow in such circumstances.	Yellow	Red	Yes	EAC QRe-5.01	<p><b>The firm considers whether there is a professional, regulatory, or legal requirement for the firm to remain in place. [QM par. 35dii]</b></p>
					-		
					-		
<b>EAC QO-3</b>  <b>The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.</b>							
Quality Objective #	Quality Risk #	Quality Risks: Acceptance and continuance of client relationships and specific engagements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EAC QO-3	EAC QRI-32	The financial and operational priorities of the firm lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.	Yellow	Red	Yes	EAC QRe-1.05	The firm evaluates the risk of providing services to significant clients or to other clients for which the firm's objectivity or the appearance of independence may be impaired. The firm takes appropriate safeguards if necessary or if safeguards cannot reduce the threat to objectivity and independence to an acceptably low level, the firm does not accept the engagement.
					-		
					-		

EP QO-1		<p><b>Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. (Ref: par. A79)</b></p>							
		Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
	EP QO-1	Engagement teams do not understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.		Yellow	Red	Yes	EP QRe-2.02	The firm trains personnel on the use of the firm's practice aids (audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like).	
						-			
						-			
EP QO-2		<p><b>The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members. (Ref: par. A80-A81)</b></p>							
		Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
	EP QO-2	The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is not appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is not directed, supervised, and reviewed by more experienced engagement team members.		Yellow	Red	Yes	EP QRe-4.01	The firm's methodology prescribes who on the engagement team reviews the work of other members of the engagement team.	

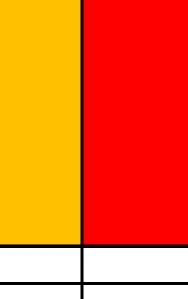
EP QO-2	EP QRi-42	The engagement team does not follow the established criteria for engagement quality reviews, including the selection of the EQ reviewer.	Yellow	Yellow	Yes	Ep QRe-8.02	<b>The firm's criteria include the following: [specify criteria, which could include, but are not limited to, the following]: [specified response par. 35fii based on risks to firm's quality objectives]</b> -The identification of unusual circumstances or risks in an engagement or class of engagements as pre-determined by the firm. <b>-An engagement quality review is required by law or regulation. [specified response par. 35fi]</b> -An engagement for which the undue influence threat may exist (e.g., an engagement that represents over 10% of the firm's A&A practice)	
					-			
					-			
EP QO-3		<b>Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, maintain professional skepticism. (Ref: par. A82)</b>						
Quality Objective #	Quality Risk #	<b>Quality Risks: Engagement performance</b>	Likelihood	Impact	Quality Risk	Quality response #	<b>Quality response (policy or procedure)</b>	
EP QO-3	EP QRi-50	Engagement teams do not exercise appropriate professional judgment and, when applicable to the type of engagement, do not maintain professional skepticism	Yellow	Red	Yes	EP QRe-6	Policy: Firm leaders set a tone that addresses the importance and understanding of exercising professional judgment and professional skepticism.	
					-			
					-			
EP QO-4		<b>Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented. (Ref: par. A83-A85)</b>						
Quality Objective #	Quality Risk #	<b>Quality Risks: Engagement performance</b>	Likelihood	Impact	Quality Risk	Quality response #	<b>Quality response (policy or procedure)</b>	
EP QO-4	EP QRi-55	Consultation on difficult or contentious matters is not undertaken or if it is, the conclusions agreed are not implemented.	Yellow	Red	Yes	EP QRe-11.03	The firm requires sufficiently experienced engagement team members to identify matters for consultation or consideration during the engagement.	
					-			
					-			
EP QO-5		<b>Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management are brought to the attention of the firm and resolved. (Ref: par. A86)</b>						

Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-5	EP QRi-67	Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, are not brought to the attention of the firm or if they are, they are not resolved.	Yellow	Red	Yes	EP QRe-12.01	The firm follows procedures for consultation in resolving differences within an engagement team. If further action is necessary, the engagement partner, and the quality management partner, and the firm's leadership, if necessary, resolve the differences.
				-			
				-			
EP QO-6		<b>Engagement documentation is assembled on a timely basis after the date of the engagement report, and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. (Ref: par. A87-A89)</b>					
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-6	EP QRi-73	Engagement documentation is not assembled on a timely basis after the date of the engagement report or is not appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.	Yellow	Red	Yes	EP QRe-13.01	Final engagement files are assembled by the earlier of time limits required by professional standards and applicable regulatory requirements, if any, or 60 days from the report release date.
				-			
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RES QO-1		<p><b>Personnel are hired, developed, and retained and have the competence and capabilities to (Ref: par. A92–A94)</b></p> <p>i. consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs, or</p> <p>ii. perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.</p>					
		Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-1	RES QRi-1	Personnel, including partners, do not have, or cannot gain, the competence and capabilities to consistently perform quality engagements (which includes not only technical competence but professional ethics, values, and attitudes.	Yellow	Red	Yes	RES QRe-1	Policy: The firm has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.
RES QO-1	RES QRi-2	Personnel, including partners, do not have the competence and capabilities to perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.		-		RES QRe-1	Policy: The firm has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.
RES QO-2		<p><b>Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion, and other incentives. (Ref: par. A95–A97)</b></p>					
		Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-2	RES QRi-8	Personnel do not demonstrate a commitment to quality through their actions and behaviors; do not develop or do not maintain the appropriate competence to perform their roles and are not held accountable or recognized through timely evaluations, compensation, promotion, and other incentives.	Yellow	Red	Yes	RES QRe-5.01	The firm evaluates personal characteristics such as integrity, competence, and motivation of personnel on an ongoing basis.
				-			
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RES QO-3		<p>Individuals are obtained from external sources (that is, the network, another network firm, or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements. (Ref: par. A98)</p>							
		Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-3	RES QRi-30	<p>Individuals are not obtained from external sources (that is, the network, another network firm, or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of the firm's system of quality management or performance of engagements.</p>		Yellow	Red	Yes	RES QRe-2.04	<p>The firm identifies sources of employment candidates or external human resources: such as universities, executive recruiters, or networks.</p>	
						-			
						-			
RES QO-4		<p>Engagement team members, including an engagement partner, who have appropriate competence and capabilities to consistently perform quality engagements, including being given sufficient time, are assigned to each engagement. (Ref: par. A92–A93 and A99–A101)</p>							
		Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-4	RES QRi-37	<p>Engagement team members, including an engagement partner, are assigned to engagements when they do not have appropriate competence and capabilities to consistently perform quality engagements, including being given sufficient time.</p>		Yellow	Red	Yes	RES QRe-4	<p>Policy: The firm determines capabilities and competencies required for an engagement, including those required of the engagement partner.</p>	
						-			
						-			
RES QO-5		<p>Individuals who have appropriate competence and capabilities, including sufficient time, to perform such activities are assigned to perform activities within the system of quality management.</p>							
		Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-5	RES QRi-45	<p>Individuals who do not have appropriate competence and capabilities, including sufficient time, are assigned to perform activities within the system of quality management.</p>		Yellow	Red	Yes	RES QRe-7	<p>Policy: The firm assigns appropriate personnel with the necessary competence and capabilities to perform activities within the system of quality management or engagements in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.</p>	
						-			

RES QO-6	<p><b>Appropriate technological resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the performance of engagements.</b>            (Ref: par. A102–A106 and A109)</p>						
Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-6	RES QRi-50	Technological resources to enable the operation of the firm's system of quality management and the performance of engagements that are obtained or developed are not appropriate, are not implemented, are not maintained, are not used, or are used inappropriately.	<span style="background-color: yellow;"> </span>	<span style="background-color: red;"> </span>	Yes	RES QRe-10.01	Before obtaining technological resources, the firm conducts research into its usability in the engagements it performs.
					-		
					-		
RES QO-7	<p><b>Appropriate intellectual resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.</b>            (Ref: par. A107–A109)</p>						
Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-7	RES QRi-67	Intellectual resources to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, are obtained or developed inappropriately, are not implemented, are not maintained, are not used, or are used inappropriately, and such intellectual resources are not consistent with professional standards and applicable legal and regulatory requirements.	<span style="background-color: yellow;"> </span>	<span style="background-color: red;"> </span>	Yes	RES QRe-12	Policy: The firm uses quality management materials (QMM) (for example, an audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like) to assist with the operation of the firm's system of quality management and the consistent performance of quality engagements.
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RES QO-8	<p><b>Human, technological, or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in performing engagements, taking into account the quality objectives in paragraph 33d–g.</b>            (Ref: par. A110–A115)</p>						
Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)

RES QO-8	RES QRi-79	Human, technological, or intellectual resources from service providers are not appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 33d, e, f, and g of QM section 10, <i>A Firm's System of Quality Management</i> .			Yes	RES QRe-13.01	The firm evaluates the use of resources received from service providers to meet its quality objectives and its appropriateness for its system of quality management.
					-		
					-		

<b>I&amp;C QO-1</b>		<b>The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.</b>						
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)	
I&C QO-1	I&C QRi-1	The information system does not identify, capture, process or maintain relevant and reliable information that supports the system of quality management, whether from internal or external sources.	Yellow	Red	Yes	I&C QRe-2.02	The QM partner periodically reviews the information provided through the firm's website for accuracy, completeness, and balance.	
I&C QO-1	I&C QRi-23	Lack of a proper chain of command results in inconsistent messaging of firm policies and methodology.	Green	Red	Yes	I&C QRe-3.01	Those charged with operational, compliance with independence requirements, and monitoring and remediation functions over the firm's system of quality management have a direct line of communication to the Managing Partner. [QM 10.23]	
				-				
<b>I&amp;C QO-2</b>		<b>The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.</b>						
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)	
I&C QO-2	I&C QRi-17	The culture of the firm does not recognize nor reinforce the responsibility of personnel to exchange information with the firm and with one another.	Yellow	Red	Yes	I&C QRe-4.04	Leadership promotes a culture where, although there may be customary channels of communication, collaboration and open communication are encouraged.	
				-				
				-				

I&C QO-3	<p><b>Relevant and reliable information is exchanged throughout the firm and with engagement teams, including the following: (Ref: par. A120)</b></p> <p>i. Information is communicated to personnel and engagement teams, and the nature, timing, and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.</p> <p>ii. Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.</p>						

Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
I&C QO-3	I&C QRi-30	Unreliable information is exchanged throughout the firm and with engagement teams.	Yellow	Red	Yes	I&C QRe-4	Policy: The firm has established communication channels to facilitate communication across the firm. (For example, weekly leadership meetings!).
I&C QO-3	I&C QRi-31	Relevant and reliable information is not exchanged throughout the firm and with engagement teams. The nature, timing and extent of the information is not sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.	Yellow	Yellow	Yes	I&C QRe-4.03	When leadership becomes aware of information that impacts specific engagement teams, they alert the engagement partner to communicate the information to the rest of the engagement team.
I&C QO-3	I&C QRi-32	Personnel and engagement teams do not communicate information to the firm when performing activities within the system of quality management or engagements.	Green	Yellow	Yes	I&C QRe-4.02	Engagement teams communicate information about the operation of firm's responses (for example, concerns about the firm's process for assigning personnel to engagements).
				-			
				-			

I&C QO-4		<p><b>Relevant and reliable information is communicated to external parties, including the following:</b></p> <p>i. Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them. (Ref: par. A121)</p> <p>ii. Information is communicated externally when required by law, regulation, or professional standards or to support external parties' understanding of the system of quality management. (Ref: par. A122–A123)</p>						
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)	
I&C QO-4	I&C QRi-51	Relevant and reliable information is not communicated to external parties. Irrelevant or unreliable information is communicated to external parties.	Yellow	Red	Yes	I&C QRe-2	<b>Policy:</b> The firm shares information about the firm's system of quality management externally only after the QM partner has reviewed for accuracy, relevance, and that sharing does not breach confidentiality requirements [specified response 35eii].	
I&C QO-4	I&C QRi-52	Information is not communicated by the firm to or within the firm's network or to service providers, if any, preventing the network or service providers from fulfilling their responsibilities relating to the network requirements or network services or resources provided by them.	Yellow	Yellow	Yes	I&C QRe-1.01	The firm communicates information to service providers, or network firms, necessary for them to fulfill their responsibilities.	
I&C QO-4	I&C QRi-53	Information is not communicated externally when required by law, regulation, or professional standards, or to support external parties' understanding of the system of quality management.	Green	Red	Yes	I&C QRe-1	<b>Policy:</b> The firm communicates information about our system of quality management as prescribed by our policies and procedures with the following external parties, if requested [specified response 35ei]: -management or those charged with governance of a potential new client, -external oversight authorities, -group auditors, or -other users of our firm engagement reports	
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## Peer Review Pilot QM Checklists—Stakeholder Feedback Request

### *Evaluating the Design of a Firm's System of Quality Management (PRP4500QM and PRP4600QM)*

1. Are the instructions to the checklist sufficiently clear and understandable?
  - a. Y/N
  - b. If no, please explain any specific suggestions or proposed revisions.
2. Are the questions sufficiently organized and detailed to facilitate a reviewer's evaluation of the design of a firm's system of quality management?
  - a. Y/N
  - b. If no, please explain any specific suggestions or proposed revisions.
3. Do you suggest any additional procedures or considerations to assist with a peer reviewer's evaluation of the design of a firm's system of quality management?
  - a. [Open Ended]
4. Please provide any other specific feedback or suggested revisions that you believe the Peer Review Board should consider.
  - a. [Open Ended]

### *Evaluating the Implementation and Operating Effectiveness of a Firm's System of Quality Management (PRP4550QM and PRP4650QM)*

5. Are the instructions to the checklist sufficiently clear and understandable?
  - a. Y/N
  - b. If no, please explain any specific suggestions or proposed revisions.
6. Are the questions sufficiently organized and detailed to facilitate a reviewer's evaluation of the implementation and operating effectiveness of a firm's system of quality management?
  - c. Y/N
  - d. If no, please explain any specific suggestions or proposed revisions.
7. Do you suggest any additional procedures or considerations to assist with a peer reviewer's evaluation of the implementation and operating effectiveness of a firm's system of quality management?
  - e. [Open Ended]
8. Please provide any other specific feedback or suggested revisions that you believe the Peer Review Board should consider.
  - f. [Open Ended]

### *Other QM Checklist Considerations*

9. Consider that peer reviewers are expected to develop a testing plan for evaluating a firm's system of quality management that specific to the nature and circumstances of a reviewed firm and its engagements.
  - a. Do you believe it would increase efficiency for subsequent peer reviews if the standards were revised to expand the requirement to allow peer reviewers to retain documentation describing their testing plan as it is tailored specifically to the peer review client?
  - b. Are there any perceived risks if a reviewer is permitted to retain such documentation?

**Agenda Item 1.4****Discussion of Proposed “Split-Year” Peer Review Q&A Resource****Why is this on the Agenda?**

To assist stakeholders with additional considerations when the effective date of the QM standards falls during a firm's peer review year, Staff has developed a draft Q&A (see agenda item 1.4A) for the Peer Review Board (PRB) to review and discuss before publishing.

This version of the proposed Q&A has been modified to take into account feedback received from STF members at recent meetings.

**Feedback Received**

All feedback from Standards Task Force (STF) members has been incorporated into the proposed Q&A. Staff intends to request feedback from stakeholders once the document has been published.

**PRIMA Impact**

None anticipated

**Administering Entity (AE) Impact**

AEs will need to consider the content of this Q&A for situations that, for example, involve firms requesting a change in peer review year that would, in effect, delay having a peer review that evaluates the firm's system of quality management according to the QM standards.

**Communications Plan**

A reviewer alert will be prepared to call attention to this Q&A and it will be published on AICPA-CIMA.com with other peer review related Q&As.

**Effective Date**

There is no proposed effective date necessarily associated with this agenda item. Stakeholders will need to consider its contents once published for relevant peer reviews.

**PRB Consideration**

Staff is requesting the PRB review the proposed Q&A in agenda item 1.4A and provide any feedback that Staff should consider prior to publishing the resource.



# **Questions and Answers:**

**Considerations for Peer Reviews of Firms  
that Implement the Statements on Quality  
Management Standards During the Peer  
Review Year (System Reviews)**

As of May 2025

AICPA Peer Review Program

## Questions and Answers: Considerations for Peer Reviews of Firms that Implement the QM Standards During the Peer Review Year (System Reviews)

As CPA firms implement the new AICPA Statements on Quality Management Standards (QM standards), the AICPA Peer Review Board (PRB) and AICPA Staff anticipate differences between the timing of a reviewed firm's implementation of the QM standards and its peer review year. For purposes of this Q&A, note that firms are required to implement the QM standards by the required effective date of December 15, 2025. Additionally, firm's management is required to perform its first (at least annual) evaluation of its system of quality management (QM system) no later than December 15, 2026.

The following questions and answers are intended to assist reviewed firms, peer reviewers, and administering entities (AEs) with additional considerations related to the following areas:

- The timing of a reviewed firm's implementation of the QM standards compared to its peer review year when a portion of the year under review precedes the effective date of the QM standards (i.e. a "split year").
  - For example, a firm with a peer review year end of June 30, 2026, was required to comply with the *Statements on Quality Control Standards* (hereinafter referred to as "SQCS" or "QC standards") (from July 1, 2025 to December 14, 2025) and the QM standards (from December 15, 2025 to June 30, 2026) for the year under review.
- Performing peer reviews of a firm's QM system in accordance with *AICPA Standards for Performing and Reporting on Peer Reviews*, as amended by Peer Review Standards Update (PRSU) No. 2, *Reviewing a Firm's System of Quality Management and Omnibus Technical Enhancements* for a split year peer review.
- Applicability of peer review checklists and related procedures that peer reviewers consider when evaluating a firm's system in accordance with the requirements of the QC standards or QM standards.
  - Quality Control Checklists ("QC checklists"): PRP Section 4500, 4550, 4600, and 4650 (used to evaluate a firm's system in accordance with the requirements of SQCS)
  - Quality Management Checklists ("QM checklists"): PRP Section 4500QM, 4550QM, 4600QM, and 4650QM (used to evaluate a firm's QM system)
- Tailoring peer review reports to address when a firm implements the QM standards during its peer review year, and to address situations when certain aspects of a firm's QM system may not yet be available for evaluation when the peer review is performed.

### Performing Peer Reviews of a Firm's QM System

**(Q1)** Firms with accounting and auditing practices are required to design, implement, and operate a QM system in accordance with the QM standards by December 15, 2025. If a firm

implements the QM standards on the required effective date and its peer review year-end is March 31, 2026, which standards will be used to evaluate the reviewed firm's system for the year-ended March 31, 2026?

**(A1)** The peer reviewer will evaluate whether the firm's system complies with requirements of

- The QC standards established by the AICPA for the portion of the peer review year that precedes the effective date of the QM standards. In other words, based on the example provided, the reviewer will evaluate whether the firm complied with the requirements of SQCS from April 1, 2025 through December 14, 2025.
- The QM standards established by the AICPA beginning on the effective date of the QM standards. In other words, based on the example provided, the reviewer would evaluate whether the firm complied with the requirements of the QM standards from December 15, 2025 through March 31, 2026.

**(Q2)** Are peer reviewers required to complete both sets of checklists (QC and QM checklists) when the reviewed firm's peer review year is a split-year?

**(A2)** No, but reviewers may find it helpful to do so depending on the circumstances of the review.

It is expected that, when a firm complies with the QM standards, the minimum requirements of the QC standards have been met because the QM standards are, by design, additive to the extant QC standards. In other words, the PRB believes completing the QM checklists for the period under review is sufficient because the requirements of QM are more extensive than the QC standards; however, reviewers will need to exercise caution as to not hold the reviewed firm to a higher standard than the applicable QC requirements in effect for the period preceding the effective date of the QM standards.

Additionally, the PRB would like to emphasize that each firm's system is unique—Reviewers will need to consider the nature and extent of changes to the firm's system because of adopting the QM standards, to determine if additional procedures may be necessary to support the reviewer's opinion on the firm's system. In certain instances, it could be helpful to reference, or to complete the QC checklists to evaluate the system for the portion of the peer review year that the QC standards were applicable, in addition to completing the QM checklists to evaluate the system from the date of adoption through the end of the firm's peer review year.

**(Q3)** If the period under review is a split-year and the reviewed firm implemented the QM standards by the required effective date of December 15, 2025, are peer reviewers required to

- A. select engagements with years ending (or report dates issued for financial forecasts, projections, and agreed upon procedures engagements) before *and* after the firm implemented the QM standards?
- B. test other components of the firm's system before *and* after the firm implemented the QM standards?

**(A3)** Not necessarily. Reviewers will consider their assessment of peer review risk to determine the appropriate procedures to support their conclusion regarding the design, implementation, and operating effectiveness of each component of the reviewed firm's

QM system. Because the requirements of the QM standards are additive to the requirements of the QC standards, a reviewer may conclude that certain procedures are necessary and appropriate when significant changes have occurred in a firm's policies and procedures as a result of implementing the QM standards.

- A.** As it relates to evaluating engagement performance, peer reviewers are required to assess peer review risk and select a reasonable cross section of engagements while taking into consideration the nature and circumstances of a firm's audit and accounting (A&A) practice. There may be certain types of engagements where it is impractical to select with period ends before and after implementation. For example, a firm's EBP portfolio may consist solely of engagements with December 31, 2025 year ends. In these situations, the reviewer will likely need to consider the nature and extent of changes to the firm's policies and procedures that occurred when the firm implemented the QM standards.

Additionally, reviewers should note that portions of selected engagements (e.g. EQCR) with period ends that precede the firm's QM implementation date may still be subject to the firm's QM policies and procedures. The primary example being if the engagement's report issuance date comes after QM implementation.

Conversely, portions of selected engagements (e.g. client acceptance, planning) may have been subject to the firm's QC policies and procedures even though the period end is after the firm's QM implementation date.

- B.** Because the firm is required to design, implement, and operate its QM system by the required effective date, documentation of the firm's quality objectives, assessment of quality risks, and responses to those risks (policies and procedures) should be available to review and evaluate, at a minimum, the design of such policies and procedures. In certain instances, such as when a firm performs client acceptance procedures at a specific evidential matter may not yet be available to evaluate the operating effectiveness (formerly "compliance") of the firm's policies and procedures. When similar policies and procedures were in place prior to implementing the QM standards, it may be sufficient to test operation of those policies and procedures under the requirements of the QC standards.

### Reporting on Peer Reviews of a Firm's QM System

**(Q4)** If a firm's peer review covers a split-year, should the peer reviewer tailor the peer review report?

**(A4)** Yes. The reviewer will evaluate and express an opinion whether the firm's system (1) complied with the requirements of the QC standards prior to the adoption of the QM standards, and (2) complied with the requirements of the QM standards from the date of adoption through the end of the firm's peer review year. For transparency purposes, it is appropriate for a peer reviewer to tailor the peer review report to indicate that the firm implemented the QM standards at a point in time during the peer review year. Tailored illustrative examples of the [peer review report](#) and the [firm representation letter](#) are provided in the appendixes to this Q&A.

**(Q5)** Can a peer reviewer opine on a firm's QM system when the reviewed firm's peer review year end is March 31, 2026 and reviewed firm management has not yet performed its annual

assessment of its system as required by the QM standards? In this situation, should the report reflect a scope limitation?

**(A5)** A peer reviewer can opine on the firm's QM system in this scenario. When a peer review is performed before the date all monitoring and remediation procedures are performed as required by the QM standards, it is still appropriate for a peer reviewer to opine on the firm's QM system for the year-ended March 31, 2026.

Additionally, it would not be considered a scope limitation. As the firm's peer review year-end is March 31, 2026, this requirement is not yet applicable and therefore does not represent a limitation in scope for the firm's peer review. As a reminder, the firm's management is required to perform its (at least annual) assessment of the firm's QM system by December 15, 2026.

The peer reviewer would still evaluate the design, implementation, and operating effectiveness of the firm's system in effect for the period under review. It is expected that certain procedures, such as documentation of management's final assessment and remediation procedures related to the monitoring and remediation component of the QM system may not yet be performed and documented until required by the QM standards on December 15, 2026. In these situations, a peer reviewer may still inquire about the firm's policies and procedures related to performing its annual assessment and consider whether such policies and procedures will have an effect on the reviewer's assessment of peer review risk.

### Peer Review Year-End Considerations

**(Q6)** Is a reviewed firm permitted to implement the QM standards at the beginning of its peer review year to avoid having a peer review that covers a split-year?

**(A6)** Yes. The QM standards allow for early-implementation and the PRB believes this approach would be most effective and the least disruptive for firms to plan ahead and early-implement the QM standards at the beginning of the firm's already established peer review year.

**(Q7)** Is a reviewed firm permitted to accelerate its peer review year end to November 30, 2025 (i.e., request a change in peer review year), which falls before the effective date of the QM standards?

**(A7)** Generally, yes; however, the firm's AE will exercise judgement when assessing this request, considering risks associated with the change in year-end in accordance with paragraph .24 of PR-C section 100. For instance, a firm is expected to maintain the new peer review year-end for subsequent peer reviews, and AEs will not approve a change in peer review year that would have a public interest concern, such as when a must-select engagement would be excluded from the scope of the review.

Additionally, the PRB would like to emphasize that all firms are still required to implement the QM standards by December 15, 2025, even if a firm's peer review year is accelerated to have a year-end of November 30, 2025. A change in peer review year such as this would present a risk for the firm as it could delay timely and meaningful feedback that would assist the firm with improving its QM system in the near term. Peer reviewers and reviewed firms will also need to consider while certain engagement year-ends may fall before December 15, 2025, the firm's new QM system could be in effect when the related reports are issued and therefore, subject to evaluation in accordance with the requirements of the QM standards.

## Appendix 1—Illustrative Reports Tailored for “Split-Year” Peer Reviews

*[Note: The following illustrations have been adapted from paragraph .A72 of PR-C section 210, General Principles and Responsibilities for Reviewers – System Reviews, to indicate when a firm implemented the Statements on Quality Management Standards during its peer review year. Peer reviewers may conclude that additional tailoring is necessary based on the circumstances of the review, for example if the firm adopts the Statements on Quality Management Standards prior to December 15, 2025. While only one illustration is included for ease of use, all other types of reports (e.g. Pass with Deficiency, Fail, Scope Limitations) would be modified similarly.]*

### Illustration 1 — A Reviewer’s Report on the Firm’s System of Quality Management With a Peer Review Rating of Pass

*[Firm letterhead for a firm-on-firm review; team captain’s firm letterhead for an association-formed review team]*

#### Report on the Firm’s System of Quality Management

*[Exit Conference Date]*

To the Partners of *[or other appropriate terminology]* XYZ & Co. and the Peer Review Committee of the *[insert the name of the applicable administering entity]*,<sup>fn 1</sup>

We<sup>fn 2</sup> have reviewed the system of quality management for the accounting and auditing practice of XYZ & Co. (the firm)<sup>fn 3</sup> in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews (**Standards**) established by the Peer Review Board of the American Institute of Certified Public Accountants (**AICPA**). *[For purposes of this report, the term quality management refers collectively to the policies and procedures the firm developed to comply with the Statements on Quality Control Standards established by the AICPA prior to December 15, 2025<sup>fn 6</sup>, and the policies and procedures the firm developed to comply with the Statements on Quality Management Standards established by the AICPA thereafter.]*

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable

<sup>fn 1</sup> The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: “To the Partners of *[or appropriate terminology]* XYZ & Co. and the National Peer Review Committee”

<sup>fn 2</sup> The report should use the plural *we*, *us*, and *our* even if the review team consists of only one person. The singular *I*, *me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

<sup>fn 3</sup> The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add “applicable to engagements not subject to PCAOB permanent inspection.”

professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

## **Firm's Responsibility**

The firm is responsible for designing, implementing, and operating a system of quality management to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality management, if any.

## **Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design, implementation, and operating effectiveness of the firm's system of quality management based on our review.

## **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; and examinations of service organizations (SOC 1® and SOC 2® engagements).<sup>fn 4</sup>

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

## **Opinion**

In our opinion, the system of quality management for the accounting and auditing practice of XYZ & Co.<sup>fn 5</sup> in effect for the year ended June 30, 20XX, has been suitably designed,

<sup>fn 4</sup> If the firm performs audits of employee benefit plans; engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of depository institutions with total assets of \$500 million or more at the beginning of the institution's fiscal year; examinations of service organizations (SOC 1 and SOC 2 engagements); or other engagements required to be selected by the board, the engagement(s) selected for review should be identified in the report using this paragraph, tailored as applicable. If the reviewer selected an engagement under *Government Auditing Standards* (excluding engagements subject to the Single Audit Act) and also selected an engagement solely to evaluate a compliance audit under the Single Audit Act, this portion of the sentence should read as follows: "*Government Auditing Standards*, compliance audits under the Single Audit Act," and so on. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

<sup>fn 5</sup> The report of a firm that is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

<sup>fn 6</sup> This date should be tailored if the firm adopts the Statements on Quality Management Standards prior to December 15, 2025.

implemented, and operated to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ & Co. has received a peer review rating of *pass*.

[*Name of team captain's firm*]

## Appendix 2--Tailored Representation Letter for “Split-Year” Peer Reviews

*[Note: Reviewed firms may use the following illustrative representation letter when the firm implemented the Statements on Quality Management Standards during its peer review year. Additional tailoring may be necessary based on the circumstances of the review.]*

[Entity Letterhead]

[Date]

To [Name of Team Captain]:

We are providing this letter in connection with the peer review of the system of quality management for the accounting and auditing practice of [name of firm] [applicable to engagements not subject to PCAOB permanent inspection (if applicable)<sup>fn 1</sup>] as of the date of this letter and for the year ended June 30, 20XX.

Management has fulfilled its responsibility for the design, implementation, and operating effectiveness of a system of quality management for our accounting and auditing practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.<sup>fn 2</sup>

*[For the portion of the year under review that precedes the required December 15, 2025 effective date of the Statements on Quality Management Standards, management has fulfilled its responsibility to design and comply with a system of quality control in accordance with the requirements of the Statements on Quality Control Standards.]*

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 in each state in which it practices for the year under review.

Management has responded fully and truthfully to all of the team captain’s inquiries and we have provided to the team 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 as of the date of this letter. This list appropriately identified and included, but was not limited to, all engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements), as applicable.

<sup>fn 1</sup> The representation letter of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

<sup>fn 2</sup> The representation by management regarding its responsibility for designing, implementing, and operating its system of quality management may be tailored in accordance with paragraph .A24 when any indication exists that management misunderstands those responsibilities or changes in circumstances make it appropriate to tailor the representation.

We understand that failure to properly include engagements subject to the scope of the peer review could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body.

We have completed the following must-select engagements and issued their respective reports. To the best of our knowledge and belief, the peer review team has selected and reviewed at least one of each category:

1. Engagements performed under *Government Auditing Standards*
2. Compliance audits under the Single Audit Act
3. Audits of employee benefit plans
4. Audits performed under FDICIA
5. Examinations of service organizations (SOC 1 and SOC 2 engagements)]

*[We confirm that it is our responsibility to remediate nonconforming engagements as stated by the firm in the [Matter for Further Consideration, Finding for Further Consideration, or Letter of Response (as applicable)]].*

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

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

Sincerely,

[Name of Reviewed Firm Representative(s)]<sup>fn 32</sup>

<sup>fn 32</sup> Firm representatives are members of management, as described in paragraph .10 in section 300, *General Principles and Responsibilities for Reviewed Firms*.

**Agenda Item 1.5****Other Reports****Why is this on the Agenda?**

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

**Technical Director's Report**

Please refer to agenda items 1.5A and 1.5B.

**Peer Review Operations Director's Report**

In addition to the communications outlined in agenda item 1.2, we are excited to tell you to save the date for the 2026 Peer Review Conference, to be held at the Omni in Providence, RI from August 10-12, 2026.

**Report from State CPA Society CEOs**

No feedback of note has been provided by the CEO community in advance of the May meeting.

**Update on the National Peer Review Committee**

The NRPC last met on February 20, 2025. Since the February PRB meeting, the NRPC has held five RAB meetings. During those meetings:

- 51 reviews have been presented, including
  - 47 Pass
  - 4 Pass with Deficiencies and
  - 0 Fail

The NRPC's next meeting will be held on May 22, 2025.

Facilitated State Board Access (FSBA) Requirements List by Licensing Jurisdiction as of 5/1/2025				
THIS DOCUMENT IS NON-AUTHORITATIVE AND HAS NOT BEEN ACTED UPON BY ANY AICPA COMMITTEE				

Agenda Item 1.5A

LICENSING JURISDICTION	FSBA REQUIREMENTS		NO OFFICE/NO LICENSE IN STATE BUT PRACTICING UNDER MOBILITY/SIMILAR		REFERENCES - THESE ARE NOT INTENDED TO BE ALL INCLUSIVE AND MAY NOT BE CURRENT
	OFFICE(S)/LICENSE IN STATE	FSBA - ADDITIONAL DOCUMENTS AND OTHER OBJECTIVE INFORMATION?			
	RESULTS?	FSBA	RESULTS?	FSBA - ADDITIONAL DOCUMENTS AND OTHER OBJECTIVE INFORMATION?	
1 Alabama	NO	NO	NO	NO	Admin. Code § 30-X-8
2 Alaska	NO	NO	NO	NO	Title 08 § 08.04.426 and 12 AAC 04.600
3 Arizona	YES	YES (Effective May 2025)	Yes^	YES^ (Effective May 2025)	Ad.Code § R4-1-454B.,§ 32-731. ^BOA ED said yes 4/16/25
4 Arkansas	YES	NO	NO	NO	Code Ch 12 § 17-12-508, Rule 20-6(c)-"Licensees"
5 California	YES	YES	NO	NO	Code § 5076(f)(1) AE required to submit Fail reviews to Board currently (FSBA used)
					AB 3251 Approved 9/25/24 effective for all reviews scheduled on/after 1/1/25
6 Colorado	YES	NO	NO	NO	Rules 3 CCR § 705-1 Chapter 8.6 "Certificate holders/registrants"
7 Connecticut	NO*	NO*	NO	NO	Title 20 CH 389 § 20-281.*Changes to Regs being considered.
8 Delaware	YES	NO	YES	NO	Ad. Code Title 24 § 10.12.9 Doesn't limit to firms with DE permits
9 District of Columbia	NO	NO	NO	NO	Regs Title 17 § 17-2550
10 Florida	NO	NO	NO	NO	Peer review results are not made available to the Board.
11 Georgia	NO	NO	NO	NO	Rule 20-13
12 Guam	NO	NO	NO	NO	Code Title 22 § 35107
13 Hawaii	NO	NO	NO	NO	Statute § 466-35
14 Idaho	NO	NO	NO	NO	Admin. Code § 24.30.01 211
15 Illinois	YES	NO	NO	NO	Statute 225 ILCS § 16(e) "For license renewals"
16 Indiana	YES^	YES^	NO	NO	^ Effective for reviews scheduled after 5/31/25.
17 Iowa	NO	NO	NO	NO	Code § 542.7
18 Kansas	NO	NO	NO	NO	Statute § 1-501, Article 74-11-7
19 Kentucky	YES	NO	NO	NO	201 KAR 1:160 only Fail/2nd Successive PWD. Firms applying for/ renewing license
20 Louisiana	YES	NO	NO	NO	Admin. Code § 46:1503
21 Maine	NO	NO	NO	NO	Rule 02-280 Chapter 6 3.A.1.a
22 Maryland	YES	YES	NO	NO	Board Minutes 2008 - BOA said yes for both 5/7/24 need 6/11 minutes
23 Massachusetts	NO	NO	NO	NO	Peer review results are not made available to the Board.
24 Michigan	NO	NO	NO	NO	Admin. Code R. 338.5503 Rule 503
25 Minnesota	NO	NO	NO	NO	Admin Rules 1105.5400
26 Mississippi	YES	NO	NO	NO	Title 30 Part 1 Ch 5 Rule 5.4.1.
27 Missouri	NO	NO	NO	NO	Peer review results are not made available to the Board.
28 Montana	YES	NO	NO	NO	ARM 24.201.1103 "All firms registered in Montana"
29 Nebraska	NO	NO	NO	NO	Admin. Code § 288-13-004.09A, B, C - Can Voluntarily Use FSBA
30 Nevada	YES	YES	NO	NO	Revised NAC 628.560 - 628.580
31 New Hampshire	NO	NO	NO	NO	Admin Rules § AC 405.02
32 New Jersey	NO	NO	NO	NO	Title 13 § 13:29-5.6
33 New Mexico	NO	NO	NO	NO	N.M. Code R. § 16.604.4.10 Can Voluntarily Use FSBA
34 New York	YES	YES	NO	NO	ST § 7410, Rules § 70.10 "Firms registered with the Department"
35 North Carolina	YES	YES	NO	NO	Statue § 93, Rules 21 NCAC 08M .0105 and .0106
36 North Dakota	NO	NO	NO	NO	Admin. Code 43-02.2-06.
37 Northern Mariana Islands	NO	NO	NO	NO	No peer review requirement
38 Ohio	NO	NO	NO	NO	Rule 4701-13-07
39 Oklahoma	YES	NO	NO	NO	Regulations §10:15-33-6 "Firm-permit with Oklahoma Accountancy Board"
40 Oregon	YES	YES	NO	NO	OAR § 801-050-0040 (2) and (3) Extension/Enrollment Letters

Facilitated State Board Access (FSBA) Requirements List by Licensing Jurisdiction as of 5/1/2025				
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Agenda Item 1.5A

LICENSING JURISDICTION	FSBA REQUIREMENTS		NO OFFICE/NO LICENSE IN STATE BUT PRACTICING UNDER MOBILITY/SIMILAR		REFERENCES - THESE ARE NOT INTENDED TO BE ALL INCLUSIVE AND MAY NOT BE CURRENT	
	OFFICE(S)/LICENSE IN STATE		FSBA - ADDITIONAL DOCUMENTS AND OTHER OBJECTIVE INFORMATION?			
	FSBA RESULTS?	FSBA - ADDITIONAL DOCUMENTS AND OTHER OBJECTIVE INFORMATION?	FSBA RESULTS?	FSBA - ADDITIONAL DOCUMENTS AND OTHER OBJECTIVE INFORMATION?		
41 Pennsylvania	NO	NO	NO	NO	Act 110 § 8.9	
42 Puerto Rico	NO	NO	NO	NO	No peer review requirement	
43 Rhode Island	NO	NO	NO	NO	Rule § 1.9	
44 South Carolina	NO	NO	NO	NO	Code Regs § 1.09	
45 South Dakota	NO	NO	NO	NO	§ ARSD 20:75:07 Firms must send documents directly to Board	
46 Tennessee	YES	YES (Effective 6/1/2025)	NO	NO	Admin. Code §0020-06-07, § 62-1-103 "Firm-Issued a permit"	
47 Texas	YES	NO	NO	NO	Rule § 527.6 "Firm - Licensed"	
48 Utah	NO	NO	NO	NO	Admin Code R156-26a-303a	
49 Vermont	NO	NO	NO	NO	Admin Rules § 10.7	
50 Virginia	YES	YES	YES	YES	§ 54.1-4412.1.2., and 6.b."Includes firms not required to have VA license"	
51 Virgin Islands	NO	NO	NO	NO	Title 27 Chapter 5 4.3	
52 Washington	YES	YES	NO	NO	WAC § 4-30-130 "Licensed firms- Board said yes 5/6/24	
53 West Virginia	NO	NO	NO	NO	Article 9 § 30-9-19, § 1-1-8	
54 Wisconsin	NO	NO	NO	NO	Admin. Code Chapter 6	
55 Wyoming	NO	NO	NO	NO	Admin. Code R § 9-4	

#### What Documents are Included in Peer Review Results?

All of the documents below are made available to the State Board of Accountancy (SBOA) via FSBA where the firm has indicated it is headquartered when the licensing jurisdiction requires any or all of these documents be included in FSBA:

- Peer review report which has been accepted by the administering entity.
- The firm's letter of response accepted by the administering entity, if applicable.
- The acceptance letter from the administering entity.
- Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the Administering Entity, if applicable
- Letter signed by the Administering Entity notifying the firm that required actions have been appropriately completed, if applicable.

Firms are made aware and acknowledge during the peer review scheduling process that the SBOA where the firm is headquartered is given access to the documents above.

Firms may opt out of SBOAs being provided access to results in licensing jurisdictions where FSBA is not required and the firm is not a member of AICPA Audit Quality Centers or the PCPS.

Firms should expand access to other SBOAs that require FSBA.

Facilitated State Board Access (FSBA) Requirements List by Licensing Jurisdiction as of 5/1/2025			
THIS DOCUMENT IS NON-AUTHORITATIVE AND HAS NOT BEEN ACTED UPON BY ANY AICPA COMMITTEE			

Agenda Item 1.5A

FSBA REQUIREMENTS				REFERENCES - THESE ARE NOT INTENDED TO BE ALL INCLUSIVE AND MAY NOT BE CURRENT	
OFFICE(S)/LICENSE IN STATE		NO OFFICE/NO LICENSE IN STATE BUT PRACTICING UNDER MOBILITY/SIMILAR			
LICENSING JURISDICTION	FSBA RESULTS?	FSBA - ADDITIONAL DOCUMENTS AND OTHER OBJECTIVE INFORMATION?	FSBA RESULTS?		

**What is included in Peer Review Additional Documents and Other Objective Information?**

The additional documents and other objective information (as applicable) are made available to the SBOA via FSBA where the firm has indicated it is headquartered when that licensing jurisdiction requires any or all of these additional documents and other objective information be included in FSBA:

- The most current peer review program enrollment or reenrollment letter (if after January 1, 2020).
- Firm representation to the administering entity that it has not performed engagements subject to peer review in the last 12 months.
- Identification of the due date of the current peer review and due date on any open corrective action(s).
- The peer review or corrective action extension letter(s).
- The date the peer review was scheduled.
- Identification of the estimated dates of the peer review commencement and presentation to a report acceptance body.

Firms are made aware and acknowledge during the peer review scheduling process that the SBOA where the firm is headquartered is given access to the additional documents and other objective information (as applicable) noted above.

Firms may opt out of SBOAs being provided access to additional documents and other objective information in licensing jurisdictions where FSBA is not required.

Firms should expand access to other SBOAs that require FSBA.

**Agenda Item 1.5B****Nonauthoritative Facilitated State Board Access (FSBA) Requirements for Firms****This Guidance is Nonauthoritative**

Each state board of accountancy (SBOA) determines the applicability of its FSBA requirements. In addition, states' peer review laws and regulations are subject to change and the EXCEL spreadsheet (Guidance) may not reflect the current requirements. Furthermore, firms may also need to submit documents and/or information to state boards directly IN ADDITION to complying with any FSBA requirements identified in the Guidance and firms should familiarize themselves with any such requirements. This Guidance only addresses the FSBA requirements.

**What is FSBA?**

FSBA was developed and enhanced by the AICPA to assist firms in complying with state peer review document and objective information submission requirements. Firms give permission to AICPA peer review program administering entities (AEs) and the AICPA to provide specific SBOAs access to peer review results and/or additional documents and other objective information via a secure website.

**Purpose of this Guidance**

The primary purpose of this Guidance is to assist firms and peer reviewers understand:

- Which of the 55 licensing jurisdictions (states) require firms to participate in FSBA.
- What results/additional documents and other objective information each SBOAs are given access. This is included in the Guidance.
- When a firm may need to “expand access” in PRIMA of its peer review results and/or additional documents and other objective information to one or more SBOAs, where the firm is not headquartered and has an FSBA requirement
- “Yes” answers in the Guidance mean it is a state requirement by law/regulation. “No” answers mean it is not an automatic requirement, but the SBOAs may have the ability to require the firm to use FSBA upon request.

**How does a Firm use the Spreadsheet (Guidance) to Assist in Determining What States It Should Provide Access?**

- The peer review technology (PRIMA) is programmed based on the state's FSBA requirements where the firm indicates it is headquartered, not where the firm's peer review is administered, nor other states where it may have offices, nor states where it practices under mobility or similar practice privileges.
- If the answer to column C (third column) on the spreadsheet titled “FSBA Results” is “yes” for that state where the firm is headquartered, firms are made aware when they schedule their peer reviews that results will be provided to that state board. The same is true if the answer is “yes” for column D (fourth column) titled “Additional Documents and Other Objective Information.”

- If a firm has an office/license/permit in other state(s) where it is not headquartered, the firm will need to “expand access” to all states that have an FSBA requirement indicated by “yes” in columns E (fifth column) and column F (sixth column). Firms accomplish this by checking off boxes in PRIMA indicating which other SBOAs, if any, they also want the administering entity to provide access to results and/or additional documents and other objective information. The AICPA cannot program FSBA to accomplish this automatically (and one of the key objectives of this guidance for firms to use to comply with out of state FSBA requirements).
- The Guidance includes a notes column that refers to some state statutes, rules, and other information. This is non-authoritative, not all-inclusive and its subject to change. Its solely for reference and may provide some assistance to users researching the requirements.



**AICPA®**

Peer Review  
Program

# **ANNUAL REPORT ON OVERSIGHT**

**Issued  
April 23, 2025**

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## Introduction

### **Purpose of this report**

The Annual Report on Oversight (report) provides a general overview and information on the results of the AICPA Peer Review Program (program) oversight procedures. This report concludes whether the objectives of the AICPA Peer Review Board's (PRB) oversight program were met.

### **Scope and use of this report**

This report contains data pertaining to the program and should be reviewed in its entirety to understand the full context. Information presented in this report pertains to peer reviews accepted during calendar years 2022–2024, which covers a full three-year peer review cycle. Oversight procedures included in this report are performed on a calendar-year basis.

## Letter to the AICPA Peer Review Board

To the members of the AICPA Peer Review Board:

This report includes oversight procedures performed in 2024. Information presented in this report pertains to peer reviews accepted<sup>1</sup> during the calendar years 2022–2024, which covers a full three-year peer review cycle. In planning and performing our procedures, we considered the objectives of the oversight program, which state there should be reasonable assurance that (1) administering entities (AEs) are complying with the administrative procedures established by the PRB; (2) the reviews are being conducted and reported upon in accordance with the AICPA *Standards for Performing and Reporting on Peer Reviews* (standards); (3) the results of the reviews are being evaluated on a consistent basis by all AE peer review committees; and (4) the information disseminated by AEs is accurate and timely.

Our responsibility is to oversee the activities of AEs that elect and are approved to administer the program, including the establishment and results of each AE's oversight processes. The COVID-19 pandemic impacted oversight procedures in 2022. Certain procedures were not performed in 2022 and others continued with a reduced scope. These impacts are described throughout this report.

Oversight procedures performed by the AEs in accordance with the *AICPA Peer Review Program Oversight Handbook* included the following:

- *Oversight of peer reviews and peer reviewers.* Oversight of various reviews, selected based on reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2024, 177 oversights were performed at the AE level. See pages 10–11, “Oversight of peer reviews and peer reviewers.”
- *Benchmarks.* AEs monitor and regularly report on compliance with AE benchmarks, which are qualitative, objective, and measurable criteria to enhance overall quality and effectiveness of program administration. See pages 11–12, “Evolution of peer review administration.”

The Oversight Task Force (OTF) utilizes subgroups, known as focus groups, to monitor and perform procedures in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook*. These focus groups report to the full OTF.

### AE Oversight Focus Group

The AE Oversight Focus Group monitors the results of AE oversights performed by OTF members which occur on a rotating basis. These oversights include testing the administrative and report acceptance procedures established by the PRB. OTF members oversighted 14 AEs in 2022, 10 AEs in 2023, and 9 AEs in 2024. See pages 5–6 “Oversights of the Administering Entities” for further information.

### Report Acceptance Body (RAB) Observation Focus Group

The RAB Observation Focus Group reviews and approves RAB observation reports, including any responses received from the AEs. Periodically, the focus group will review the process, including applicable checklists. RAB observations, which are performed by OTF members and

<sup>1</sup> All peer reviews accepted by a Report Acceptance Body (RAB) during the period, regardless of when the peer review was performed or the peer review year-end.

AICPA staff, focus on whether the report acceptance process is being conducted in accordance with standards and guidance. In 2024, RAB observations were performed on 53 RAB meetings and 199 peer reviews were selected during these observations. See pages 6–7 “RAB Observations” for a detailed description of the process.

### **Enhanced Oversight Focus Group**

Enhanced oversights are performed by approved subject matter experts (SMEs) on must-select engagements and include the review of financial statements and working papers for such engagements. The Enhanced Oversight Focus Group reviews and evaluates the results of enhanced oversights and the oversight reports with comments, then provides input and feedback to AICPA staff and SMEs. The focus group also evaluates the reviewer performance feedback issued by AE peer review committees as a result of these oversights and recommends that the Reviewer Performance Focus Group consider issuing feedback when necessary. See pages 7–10 “Enhanced Oversight” for a detailed description of the process.

### **Evolution Focus Group**

The Evolution Focus Group developed the AE benchmark criteria approved by the PRB. AEs submit three benchmark summary forms during the year, each covering a four-month period. The focus group reviews the results of the benchmark summary forms submitted by the AEs, evaluates AE performance, and provides feedback to AEs as necessary. The focus group also considers whether modifications to the benchmarks are needed.

### **Plan of Administration (POA) Focus Group**

The POA Focus Group reviews and annually approves the plans submitted by the AEs agreeing to administer the program in compliance with standards and guidance. Information is submitted in two parts. The first part is due each November and typically includes various acknowledgments, policies, and procedures. The second part is due each April and reports on compliance with oversight requirements. Final approval of the POA is evaluated after the completion of the second submission.

### **Reviewer Performance Focus Group**

The Reviewer Performance Focus Group reviews the reviewer performance monitoring report prepared by AICPA staff. This report summarizes AICPA staff’s procedures to evaluate and monitor peer reviewers and AEs for compliance with standards. The focus group evaluates the results to determine if further action should be taken when performance continues to be unsatisfactory or not in compliance with standards.

### **Conclusion**

Based on the results of the oversight procedures performed in 2024, the OTF concluded the objectives of the PRB oversight program were met.

Respectfully submitted,

*Kim D. Meyer*

Kim D. Meyer, Chair  
Oversight Task Force  
AICPA Peer Review Board

## AICPA Peer Review Program

The AICPA Peer Review Program is an important part of the AICPA's Enhancing Audit Quality (EAQ) initiative. Data gathered from the program is used to identify where quality challenges may arise and evaluate whether the EAQ initiatives result in the desired outcomes.

There are approximately 17,700 firms currently enrolled in the program within the United States and its territories, that have a peer review performed once every three years. In recent years, the AICPA has noted a decrease in the number of firms enrolled in the program. This is attributed to firm mergers and firms no longer performing accounting and auditing engagements that would subject them to a peer review. There are also approximately 1,500 firms enrolled in the program that indicated they do not currently perform any engagements subject to peer review. Between 2022–2024, approximately 6,700 peer reviews were performed annually by 800 individuals acting as captains for system or engagement reviews. Refer to Appendix 2 for an additional overview of the program and information about the AEs.

### Results of AICPA Peer Review Program

#### *Overall results*

Between 2022–2024, approximately 19,600 peer reviews were accepted in the program. During this three-year period, more peer reviews were accepted than the number of firms currently enrolled as peer review due date extensions related to the COVID-19 pandemic caused some firms to have more than one peer review accepted. Additionally, some firms resigned from the program after their peer review was accepted. Exhibit 1 shows a summary of these reviews by type of peer review and report issued. The overall results of the reviews accepted during the three-year period by report type were:

	System Reviews	Engagement Reviews
Pass	82%	85%
Pass with deficiency(ies)	12%	10%
Fail	6%	5%

A list of recent examples of matters noted in peer review is available on the [AICPA's website](#). Although this list is not all-inclusive and is not representative of all peer review results, it contains examples of noncompliance with professional standards (both material and immaterial) that were most frequently identified during the peer review process.

Exhibit 2 summarizes the number and type of reasons by quality control element as defined by the Statements on Quality Control Standards (SQCS), for report deficiencies (that is, pass with deficiency[ies] or fail) on system reviews accepted between 2022–2024 in the program.

#### *Nonconforming engagements identified*

The standards state that a nonconforming engagement is an engagement not performed or reported on in accordance with the requirements of applicable professional standards in all material respects. Materiality refers to misstatements, including omissions, where there is substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user. Exhibit 3 shows the total number of individual engagements reviewed for both system and engagement reviews, along with those identified as nonconforming.

The percentage of nonconforming engagements identified each year between 2022–2024 (for system and engagement reviews combined) were:

Year	% of nonconforming engagements
2022	13%
2023	12%
2024	12%

The percentage of nonconforming audit engagements each year were:

Year	% of nonconforming audits
2022	23%
2023	19%
2024	18%

#### *Corrective actions and implementation plans*

During the report acceptance process, an AE's peer review committee determines the need for, and type of, corrective actions or implementation plans (both herein after referred to as follow-up actions) by considering the nature and significance of findings, deficiencies, or significant deficiencies. It also considers whether the reviewed firm's actions taken or planned to remediate nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible.

Corrective actions are remedial in nature and are intended to strengthen the performance of the firm. The firm acknowledges that it will perform and complete the required corrective action plan as a condition of its peer review acceptance. The firm's peer review is not complete until the AE is satisfied that the corrective actions were sufficiently performed.

In addition to corrective actions, there may be instances in which an implementation plan is required to be completed by the firm as a result of findings. There can be multiple corrective actions and implementation plans required on an individual review. For implementation plans, the firm is required to acknowledge that it will perform and complete the implementation plan as a condition of cooperation with the AE and the PRB. Agreeing to and completing such a plan is *not* tied to the acceptance of the peer review. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to fair procedures that could result in the termination of the firm's enrollment in the program.

See Exhibit 4 for a summary of follow-up actions required.

#### **Oversight process**

The PRB is responsible for oversight of all AEs. In turn, each AE is responsible for overseeing peer reviews and peer reviewers for the jurisdictions it administers. See Exhibit 5 for a list of approved AEs. This responsibility includes having written oversight policies and procedures.

All states and jurisdictions that require peer review accept the program as satisfying their peer review licensing requirements. Most state boards of accountancy (SBOAs) actively monitor peer

review results and have the ability to oversight AEs' administration of the program. This report does not describe or report on that process.

## **Objectives of PRB oversight process**

The PRB appointed the OTF to oversee the administration of the oversight program and make recommendations regarding oversight procedures. The main objectives of the OTF are to provide reasonable assurance that:

- AEs comply with the administrative procedures established by the PRB,
- Reviews are conducted and reported upon in accordance with the standards,
- Results of the reviews are evaluated on a consistent basis by all AE peer review committees, and
- Information disseminated by AEs is accurate and timely.

The oversight program also establishes a communications link with AEs and builds a relationship that enables the PRB to:

- Obtain feedback from AEs' peer review committees and staff,
- Provide consultation on matters applicable to specific AEs, and
- Develop guidance on a national basis, when appropriate.

## **OTF oversight procedures**

The following program oversight procedures were performed:

### ***Oversights of the Administering Entities***

#### **Description**

Each AE is overseen by a member of the OTF on a rotating basis. No member of the OTF is permitted to perform the oversight of the AE in the state that his or her main office is located, where he or she serves as a committee member or technical reviewer, may have a conflict of interest (for example, performing the oversight of the AE that administers the OTF member's firm's peer review), or where he or she performed the most recently completed oversight.

#### **Oversight procedures**

During these oversights, the OTF member will:

- Meet with the AE's peer review committee during its consideration of peer review documents,
- Evaluate a sample of peer review documents and applicable working papers,
- Interview the administrator(s), technical reviewer(s), CPA on staff and peer review committee chair, and
- Evaluate the various policies and procedures for administering the program.

As part of the oversight, the AE completes an information sheet that documents policies and procedures in the areas of administration, technical review, peer review committee, report acceptance, and oversight processes in administering the program. The OTF member evaluates the information sheet, results of the prior oversight, comments from RAB observations, and compliance with benchmarks to develop a risk assessment. A comprehensive oversight work

program that contains the various procedures performed during the oversight is completed with the OTF member's comments. At the end of the oversight, the OTF member discusses any comments identified during the oversight with the AE's peer review committee and CPA on staff. The OTF member then issues an AICPA Oversight Report (oversight report) to the AE that discusses the purpose of the oversight and objectives of the oversight program considered in performing those procedures. The oversight report also contains the OTF member's conclusion about whether the AE has complied with the program's administrative procedures, standards and other guidance, in all material respects.

In addition to the oversight report, the OTF member issues an AICPA Oversight Letter of Procedures and Observations (letter) that details the oversight procedures performed and observations noted by the OTF member. The letter also includes recommendations to enhance the quality of the AE's administration of the program. The AE is then required to respond, in writing, to any findings included in the oversight report and letter or, at a minimum, acknowledge the oversight if there are no findings reported. The oversight documents, which include the oversight report, letter, and the AE's response, are presented to the OTF for acceptance. The AE may be required to complete corrective actions as a condition of acceptance. The acceptance letter would reflect corrective actions, if any. A copy of the acceptance letter, the report, letter, and the AE's response are available on the [AICPA's website](#).

## **Results**

For 2022–2024, a member of the OTF performed an oversight for the AEs listed in Exhibit 6. See Exhibit 7 for a summary of comments from the oversights performed.

### ***RAB observations***

#### **Description**

The primary objectives of RAB observations are to determine whether:

- Reviews are conducted and reported on in accordance with the standards,
- Results of reviews are evaluated on a consistent basis within an AE and in all jurisdictions,
- Administrative procedures established by the PRB are being followed, and
- Administrators, technical reviewers, peer review committee/RAB members and the CPA on staff are complying with applicable benchmarks monitored through RAB observations.

RAB observations allow for real-time feedback to RABs and AEs, which helps improve overall quality and consistency of the RAB process. The process for RAB observations is similar to the process used during the AE oversights. Prior to the meeting, the RAB observer receives the materials that will be presented to the RAB, selects a sample of reviews of firms enrolled in the program, and reviews the materials. During the meeting, the RAB observer offers comments at the close of discussions on issues or items noted during his or her review of the materials. All significant items that were noted by the RAB observer, but not the RAB, are included as comments in the RAB observation report, which is reviewed and approved by the OTF. The final report is sent to the AE's peer review committee chair and CPA on staff. Peer review committees may respond after the final report is issued by the OTF.

## Results

For 2022–2024, most AEs had at least two RAB observations each year. RAB observations were performed by OTF members or AICPA staff. Recurring comments generated by RAB observations are summarized in Exhibit 8. Individual peer reviews selected during an observation incorporate an element of risk and are not reflective of the entire population. RAB observation results for 2022–2024 are as follows:

	2022	2023	2024
RAB meetings observed	79	56	53
Peer reviews selected during observations	290	198	199
Peer reviewers	199	146	154
Based on observers' comments:			
Acceptance delayed or deferred	23	17	19
Feedback forms issued to reviewers	0	1	0

The number of reviews delayed or deferred as a result of the RAB observers' comments increased from 7.9% in 2022 to 8.6% in 2023 and 9.5% in 2024.

## Enhanced oversights

### Description

Enhanced oversights are performed by subject matter experts (SMEs). SMEs include current or former members of the applicable Audit Quality Center executive committee and expert panels, current or former PRB members, individuals from firms that perform a large number of engagements in a must-select category, individuals recommended by the Audit Quality Center executive committees and expert panel members, and other individuals approved by the OTF. Enhanced oversights are one element of the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative.

The enhanced oversights identify areas that need improvement and provide meaningful data to inform other EAQ activities. As a result of these oversights, the PRB has approved multiple initiatives to improve reviewer performance on must-select engagements, such as additional training requirements for reviewers. The results of the enhanced oversight findings are shared with other teams at the AICPA to further the goal of improving audit quality.

### Enhanced oversight samples

One objective of the enhanced oversight program is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether engagements are properly identified as nonconforming. Ordinarily this objective is achieved through the selection of two samples.

- *Random sample* – Selected from all peer reviews that include at least one must-select engagement. Each peer review included in the population has an equal chance of being selected for oversight.
- *Risk-based sample* – Selected based on certain criteria established by the OTF.

The oversight samples are selected from peer reviews with must-select engagements performed during the calendar year.

Beginning in 2021, peer reviewers generally were limited to being selected for oversight, no more than once per year. These oversights neither replace nor reduce the minimum number of oversights required by AEs.

### **Enhanced oversight scope**

Enhanced oversights focus exclusively on must-select engagements. Prior to 2021, when *Government Auditing Standards* engagements with single audits were selected, the oversight focused only on the single audit portion of the audit. Beginning in 2021, the entire engagement was reviewed as part of these oversights. Most oversights are performed on employee benefit plan, single audit, and *Government Auditing Standards* engagements as these are the most common must-select engagements. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight.

### **Enhanced oversight process**

After the peer review working papers and report are submitted to the AE, AICPA staff notifies the peer reviewer and the firm of the oversight.

The SME reviews the same engagement financial statements and working papers and compares his or her results to those of the peer reviewer. The SME issues a report, with comments, if applicable, detailing any material items not identified by the peer reviewer that cause the engagement to be considered nonconforming. If the report includes comments, the peer reviewer has an opportunity to provide a letter of response explaining whether he or she agrees with the oversight report and any additional procedures that he or she will perform.

The enhanced oversight report and the peer reviewer's letter of response (if applicable) are provided to the AE for consideration during the peer review report acceptance process. If the peer reviewer disagrees with the results of the oversight, the AE will follow the disagreement guidance in the standards.

AICPA staff monitors the effects of the oversights on the peer review results (report rating change from "pass" to "pass with deficiency" or "pass with deficiency" to "fail"), and the type of reviewer performance feedback (feedback form or performance deficiency letter) issued to the peer reviewer, if any.

### **OTF review of enhanced oversight reports**

The OTF reviews and approves the draft enhanced oversight reports prepared by the SMEs, for consistency and to verify that the items identified by the SMEs are material departures from professional standards.

### **Feedback issued from the enhanced oversight process**

The OTF monitors the types of feedback issued when a nonconforming engagement was not originally identified by the peer reviewer or when the peer reviewer identified the engagement as nonconforming but did not identify additional material items. If an AE does not issue feedback, the OTF considers if any further actions are necessary, including whether to issue feedback as a performance finding or performance deficiency, or a performance deficiency letter to the peer reviewer.

- *Performance finding* – Issued when a peer reviewer does not identify a nonconforming engagement but demonstrates sufficient knowledge and experience required to review the engagement.

- *Performance deficiency* – Issued when a peer reviewer does not identify a nonconforming engagement and does not demonstrate sufficient knowledge and experience required to review the engagement.
- *Performance deficiency letter* – Issued when a peer reviewer has a pattern of performance findings, or more than one performance deficiency is noted.

## Results

The table below summarizes the annual combined results for the random and risk-based samples.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2015	190	104	55%	42	40%
2016	108	38	35%	18	47%
2017	87	43	49%	27	63%
2018	185	108	58%	68	63%
2019	79	46	58%	37	80%
2020	*	*	*	*	*
2021	34	14	41%	7	50%
2022	105	45	43%	28	62%
2023	67	23	34%	12	52%
2024**	75	20	27%	12	60%

\* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020 and resumed in September 2021.

\*\* As of the date of this report, the 2024 overall enhanced oversight sample is 77% complete.

The following table summarizes the annual results for the random sample.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2015	85	47	55%	26	55%
2016	41	18	44%	9	50%
2017	54	21	39%	13	62%
2018	95	47	49%	33	70%
2019	77	44	57%	35	80%
2020	*	*	*	*	*
2021	*	*	*	*	*
2022	81	36	44%	26	72%
2023	62	23	37%	12	52%
2024**	53	16	30%	10	63%

\* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020. Oversight resumed in September 2021; however, no random oversights were performed.

\*\* As of the date of this report, the 2024 random enhanced oversight sample is 76% complete.

The PRB's focus on oversight and reviewer education has led to improvements in peer reviewer performance, which resulted in improved firm performance and higher audit quality.

Exhibit 9 lists items identified by SMEs that were not identified by the peer reviewer that, either individually or in the aggregate, led to a nonconforming engagement.

### ***Oversight by the AEs' peer review committees***

The AEs' peer review committees are responsible for monitoring and evaluating peer reviews of those firms whose main offices are in the jurisdiction(s) the AE administers. Peer review committees may designate a task force to be responsible for monitoring its oversight program.

In conjunction with AE staff, the peer review committee establishes oversight policies and procedures that at least meet the minimum requirements established by the PRB to provide reasonable assurance that:

- Reviews are administered in compliance with the administrative procedures established by the PRB,
- Reviews are conducted and reported on in accordance with the standards,
- Results of reviews are evaluated on a consistent basis,
- Open reviews are monitored on a timely and consistent basis, and
- Information disseminated by the AE is accurate and timely.

AEs are required to submit their oversight policies and procedures to the OTF on an annual basis. The following oversight procedures are performed as part of the AE oversight program:

### ***Oversight of peer reviews and peer reviewers***

#### **Description**

Throughout the year, the AE selects various peer reviews for oversight. The selections for oversight are made by the peer review committee chair or designated task force of peer review committee members, based on input from AE staff, technical reviewers, and peer review committee members and can be on a random or targeted basis. The oversight may consist of completing a full working paper review after the review has been performed but prior to presenting the peer review documents to the peer review committee. The oversight may also consist of having a peer review committee member or designee perform certain procedures, either while the peer review team is performing the review or after the review. It is recommended that the oversight be performed prior to presenting the peer review documents to the peer review committee, as this allows the peer review committee to consider all the facts before accepting the review. However, a RAB may review the peer review documents and decide an oversight should be performed before they can accept the peer review.

As part of its oversight process, the peer review committee considers various factors and criteria when selecting peer reviews for oversight, such as the following.

- *Firm based* – Selection considers various factors, such as the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement review), and whether the firm conducts engagements in high-risk industries.
- *Reviewer based* – Selection considers various factors, including random selection, an unusually high percentage of pass reports compared to non-pass reports, conducting a significant number of reviews for firms with audits in high-risk industries, or performing a

high volume of reviews. Oversight of a reviewer can also occur due to previously noted performance deficiencies or a history of performance deficiencies, such as issuing an inappropriate peer review report, not considering significant matters or failure to select an appropriate number and cross-section of engagements.

- *Minimum requirements* – At a minimum, typically each AE is required to conduct oversight on two percent of all reviews accepted in a 12-month period (ordinarily the previous calendar year), and within the two percent selected, there must be at least two system and two engagement reviews.
- *Exception* – AEs that administer fewer than 25 engagement reviews annually are required to perform a minimum of one engagement review oversight. Waivers may be requested in hardship situations, such as a natural disaster or other catastrophic event.

## Results

For 2024, AEs conducted oversight on 177 reviews. There were 102 system and 75 engagement reviews overseen. See exhibit 10 for a summary of oversights by AEs.

### ***Evolution of peer review administration***

#### **Description**

The evolution of peer review administration is another important part of the AICPA's EAQ initiative, with the objective to ultimately improve audit performance by increasing the consistency, efficiency, and effectiveness of the program administration.

Each of the state CPA societies and all AEs are integral to the success of the program, which is enormous in both scope and size across the country. Their commitment to meeting the needs of practitioners, members, and regulators is tremendous. At the same time, the need for an evolution of peer review administration is overwhelmingly validated by stakeholder feedback.

#### **Benchmark model**

As part of evolution and the AICPA's EAQ initiative, the PRB approved AE benchmarks to enhance overall quality and effectiveness of program administration. Benchmarks are divided into four categories based on the individual(s) with primary responsibility: administrators, technical reviewers, peer review committee/RAB members, and the CPA on staff. The benchmarks include qualitative, objective measurable criteria, which may be modified over time due to advances in technology and other factors. The OTF continues to evaluate the benchmark measurements and make modifications, as needed.

AEs are subject to fair procedures when there is a pattern of consistent noncompliance with the benchmarks. When this occurs, the OTF will monitor the AE to determine if their remediation plan is successful.

## Results

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. See Exhibit 11 for a summary of results for 2024.

The following shows the results of the program between 2022–2024 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review.

#### **System Reviews**

	2022		2023		2024		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,682	81	2,208	80	2,430	83	7,320	82
<i>Pass with deficiency(ies)</i>	419	13	344	13	339	12	1,102	12
<i>Fail</i>	200	6	195	7	162	5	557	6
<b><i>Subtotal</i></b>	<b>3,301</b>	<b>100</b>	<b>2,747</b>	<b>100</b>	<b>2,931</b>	<b>100</b>	<b>8,979</b>	<b>100</b>

#### **Engagement Reviews**

	2022		2023		2024		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	3,180	84	2,881	85	2,932	86	8,993	85
<i>Pass with deficiency(ies)</i>	436	11	326	10	331	10	1,093	10
<i>Fail</i>	182	5	179	5	155	4	516	5
<b><i>Subtotal</i></b>	<b>3,798</b>	<b>100</b>	<b>3,386</b>	<b>100</b>	<b>3,418</b>	<b>100</b>	<b>10,602</b>	<b>100</b>

A system review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including QC section 10, *A Firm's Systems of Quality Control*, in all material respects. QC section 10 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm ("the tone at the top"), relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, and monitoring.

The following table lists the reasons for report deficiencies (that is, pass with deficiency[ies] or fail reports) from system reviews in the program accepted between 2022–2024 summarized by each element of quality control as defined by QC section 10. Since pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in Exhibit 1, *"Results by type of peer review and report issued."*

REASON	2022	2023	2024
Leadership responsibilities for quality within the firm ("the tone at the top")	89	88	60
Relevant ethical requirements	26	36	29
Acceptance and continuance of client relationships and specific engagements	64	52	64
Human resources	288	245	219
Engagement performance	465	392	370
Monitoring	277	246	227
<b>TOTALS</b>	<b>1,209</b>	<b>1,059</b>	<b>969</b>

The following shows the total number of engagements reviewed, for both system and engagement reviews, and the number identified as not performed or reported on in conformity with applicable professional standards in all material respects (nonconforming) from peer reviews accepted between 2022–2024 in the program.

Engagement Type	2022			2023			2024		
	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%
Audits:									
Single Audits	1,238	402	32%	1,272	385	30%	1,294	429	33%
Government Auditing Standards - All Other	1,592	357	22%	1,460	260	18%	1,578	288	18%
ERISA	2,085	462	22%	1,926	423	22%	1,821	374	21%
FDICIA	53	17	32%	62	3	5%	56	4	7%
Other	4,252	857	20%	4,102	631	15%	4,347	586	13%
Reviews	4,934	579	12%	4,316	515	12%	4,464	488	11%
Compilations & Preparations:									
With Disclosures	2,975	242	8%	2,512	172	7%	2,623	138	5%
Omit Disclosures	8,030	551	7%	6,864	391	6%	7,181	431	6%
Forecasts & Projections	9	1	11%	8	1	13%	13	0	0%
SOC® Reports	214	15	7%	236	37	16%	216	41	19%
Agreed Upon Procedures	1,290	95	7%	935	94	10%	1,041	103	10%
Other SSAEs	181	18	10%	147	34	23%	168	9	5%
<b>Totals</b>	<b>26,853</b>	<b>3,596</b>	<b>13%</b>	<b>23,840</b>	<b>2,946</b>	<b>12%</b>	<b>24,802</b>	<b>2,891</b>	<b>12%</b>

The AEs' peer review committees are authorized by the standards to decide on the need for and nature of any additional follow-up actions required as a condition of cooperation or acceptance of the firm's peer review. Follow-up actions include both corrective actions and implementation plans and offer education and remediation guidance to firms. These provide a mechanism for the peer review committee to monitor firms' remedial actions in response to deficiencies and findings. A review can have multiple corrective actions and/or implementation plans. For 2022–2024 reviews, the following represents the type of corrective actions and/or implementation plans required.

Type of follow-up action	2022	2023	2024
Agree to take/submit proof of certain CPE	2,280	1,901	1,813
Submit to review of remediation of nonconforming engagements	292	250	272
Agree to pre-issuance reviews	423	362	332
Agree to post-issuance reviews	488	475	457
Agree to hire outside party to review completion of intended remedial actions	115	73	90
Agree to hire an outside party to review the firm's internal monitoring or inspection report	159	104	95
Submit to outside party revisit	44	2	0
Elect to have accelerated review	1	1	2
Submit evidence of proper licensure	79	76	60
Firm represented in writing they no longer perform engagements in the industry or level of service	63	69	56
Agree to hire outside party to perform inspection	24	25	35
Outside party to review Quality Control Document	24	33	26
Submit proof of purchase of manuals	10	11	6
Agree to join an Audit Quality Center	24	23	24
Other	69	62	57
<b>TOTALS</b>	<b>4,095</b>	<b>3,467</b>	<b>3,325</b>

<b>Administering Entity</b>	<b>Licensing jurisdiction(s)</b>
California Society of CPAs	California, Arizona, Alaska
Coastal Peer Review, Inc.	Maryland, North Carolina
Colorado Society of CPAs	Colorado, New Mexico, Washington
Connecticut Society of CPAs	Connecticut
Florida Institute of CPAs	Florida
Georgia Society of CPAs	Georgia
Society of Louisiana CPAs	Louisiana
Michigan Association of CPAs	Michigan
Minnesota Society of CPAs	Minnesota, North Dakota
Missouri Society of CPAs	Missouri
National Peer Review Committee	All jurisdictions
Nevada Society of CPAs	Nevada, Idaho, Montana, Nebraska, Utah, Wyoming
New England Peer Review, Inc.	Maine, Massachusetts <sup>2</sup> , New Hampshire <sup>2</sup> , Rhode Island, Vermont
New Jersey Society of CPAs	New Jersey
The Ohio Society of CPAs	Ohio
Oklahoma Society of CPAs	Oklahoma, Kansas, South Dakota
Oregon Society of CPAs	Oregon, Guam, Hawaii, Northern Mariana Islands
Partners in Peer Review	Alabama, Arkansas, Mississippi
Peer Review Alliance	Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, Wisconsin
Pennsylvania Institute of CPAs	Pennsylvania, Delaware, New York, Virgin Islands
Puerto Rico Society of CPAs	Puerto Rico
Tennessee Society of CPAs	Tennessee
Texas Society of CPAs	Texas
Virginia Society of CPAs	Virginia, District of Columbia

<sup>2</sup> Effective May 2024. Previously administered by the Massachusetts Society of CPAs.

For the years 2022 - 2024, an OTF member performed an oversight of each of the following AEs. The most recent oversight results are available on the [AICPA's website](#).

2022	2023	2024
California	Coastal Peer Review, Inc.	California
Florida	Colorado	Georgia
Georgia	Connecticut	Massachusetts
Michigan	Louisiana	Michigan
Missouri	Minnesota	Missouri
National Peer Review Committee	Oklahoma	National Peer Review Committee
Nevada	Peer Review Alliance	Nevada
New England Peer Review, Inc.	Puerto Rico	New England Peer Review, Inc.
New Jersey	Texas	New Jersey
Ohio	Virginia	
Oregon		
Partners in Peer Review		
Pennsylvania		
Tennessee		

The following represents a summary of comments by the OTF for the 2022, 2023, and 2024 AE oversights. The comments are not indicative of every AE and may have been a single occurrence that has since been corrected.

#### Administrative procedures

- Appropriate signed versions of confidentiality agreements were not obtained based on the individual's role (e.g., administrator, technical reviewer, CPA on staff or committee member), did not adhere to the current templates, or were not obtained timely.
- AE did not timely notify AICPA staff to disable computer system access of technical reviewers after their resignation.
- Open reviews, including those with overdue corrective actions or implementation plans did not appear to be actively monitored for completion.
- Prior review documents for some peer reviews were not included in the materials for the RAB as required.
- The AE's website contained several instances of outdated information.
- A hearing referral decision letter regarding a firm's consecutive non-pass peer review report was sent before the committee determined whether to refer the firm.

#### Technical reviewer procedures

- Technical reviewer did not initially identify or sufficiently address issues noted by the OTF member.
- During the year, over 10% of peer reviews presented were deferred by the RAB, at times due to matters not initially addressed by the technical reviewer.
- Reviews were not consistently presented to the RAB within 120 days of receipt of working papers from the reviewer.
- Engagement reviews meeting the criteria to be accepted by the technical reviewer were not consistently accepted within 60 days of receipt of working papers from the reviewer.
- Technical reviewer did not recommend reviewer performance feedback when significant revisions to the peer review documentation were requested prior to presentation to the RAB.
- Technical reviewer did not complete a required initial technical reviewer training course prior to serving as a technical reviewer.

#### CPA on staff procedures

- No individuals with current experience in a must-select category included in a review were scheduled to participate in the RAB meeting.
- Information provided to the peer review committee to assess firm noncooperation was incomplete.
- Documentation of the RAB's decision of potential firm referrals for noncooperation related to consecutive non-pass reports was not consistently maintained resulting in instances where it was unclear how the RAB overcame the mandatory presumption to refer firms receiving three or more consecutive non-pass reports.
- Documentation of the peer review committee/RAB's evaluation of potential firm referrals related to consecutive non-pass reports was incomplete and did not include the specific assessment considerations required by standards.
- Individuals involved in the administration of the program were simultaneously involved in enforcement related work.

- A state board of accountancy employee participating in an administrative site visit performed by a Peer Review Oversight Committee (PROC) was allowed access to confidential information.
- A PROC member observing a RAB meeting was improperly provided confidential information when they had a conflict of interest.
- Evaluations for technical reviewers were not completed annually as required.
- Although certain training was taken timely, the CPA on staff did not complete all required training within 90 days of assuming the role. The relevant training was subsequently completed.

#### Peer review committee/RAB procedures

- The RAB did not initially identify issues noted by the OTF member.
- Post-issuance review reports indicated continued significant issues in firm engagement quality; however, additional corrective actions were not issued due to the firm's next peer review being imminent.
- RABs did not issue reviewer performance feedback when appropriate.
- RAB members did not complete the required introductory RAB member training course.
- The administering entity's procedures for evaluating firms with consecutive non-passing reports were not consistently followed or did not align with program guidance.

The following are example comments generated from RAB observations performed by AICPA staff and OTF members for 2022, 2023, and 2024. These comments provide the AEs' peer review committee/RAB members, technical reviewers, and CPAs on staff with information that will increase consistency and improve the peer review process. The comments vary in degree of significance and are not applicable to all the respective parties.

- Firm representation letters were not tailored appropriately or not consistent with the standards.
- RAB agreed to a recommended implementation plan or corrective action that was not in accordance with guidance.
- Peer review report was not properly tailored or was not consistent with the standards.
- Technical issues and questions were not appropriately identified and/or addressed before presentation to the RAB.
- RAB did not include the minimum number of qualified members (e.g., team captain qualified for system reviews or RAB member with current must-select engagement experience) to present, discuss, and accept a peer review.
- RAB inappropriately applied peer review guidance related to noncompliance with risk assessment standards.
- Peer review documentation contained inconsistencies that made it unclear if the peer review report rating was appropriate.
- Finding or deficiency was not written systemically, did not clearly indicate whether it was related to design or compliance issues, or did not reference the relevant elements of quality control.
- Finding or deficiency was improperly identified as a repeat.
- The nature and significance of reviewer's current and prior performance issues were not communicated to the RAB to consider feedback.
- Engagement summary statistics did not reflect the correct number or types of engagements reviewed.
- RAB or PROC members had conflicts of interest with peer reviews presented for acceptance that were not previously identified.

The following are example material departures from professional standards identified by the SMEs in the 2023 and 2024 samples that were not identified by the peer reviewers. The SMEs identified these departures, individually or in the aggregate, as instances in which an engagement was not performed or reported on in accordance with the requirements of applicable professional standards in all material respects.

*Employee Benefit Plan engagements*

- Failure to present the auditor's opinion in accordance with standards.
- Failure to perform walkthroughs or other procedures to determine whether significant controls were implemented for all significant audit areas.
- Failure to include schedule of delinquent contributions when late deposits were identified.
- Failure to appropriately include sufficient documentation such that an experienced auditor can understand the nature, timing, and extent of procedures performed; results of procedures performed; audit evidence obtained; conclusions reached; and any professional judgments used.

*Single audit and Government Auditing Standards engagements*

- Failure to appropriately document or perform a risk assessment including not assessing risk at the assertion level, not supporting inherent risk assessments, not properly linking audit procedures performed to the risk assessment, and not documenting understanding of controls including IT.
- Failure to appropriately document independence matters related to non-attest services including management's SKE, significant threats to independence, and safeguards applied to reduce significant threats to an acceptable level.
- Failure to sufficiently test or document testing of all direct and material compliance requirements.
- Failure to sufficiently test or document testing of controls over compliance for all direct and material compliance requirements.
- Failure to adequately justify or determine sample size to sufficiently test control and compliance attributes.
- Inappropriately assessed control risk at moderate or high for all direct and material compliance requirements when it is required that the auditor plan the audit to achieve a low level of control risk.
- Failure to document controls over the preparation of the Schedule of Expenditures of Federal Awards.
- Insufficient documentation of auditor analysis and judgment of which applicable compliance requirements were determined not to be direct and material.
- Failure to sufficiently document an understanding of the five components of internal control to assess risks of noncompliance with each direct and material compliance requirement.
- Failure to update the auditor's report for SAS 134.

The following shows the number of oversights performed by each AE for 2024.

Administering Entity	2024 Type of review/oversights		
	System	Engagement	Total
California	12	9	21
Coastal Peer Review	3	3	6
Colorado	3	3	6
Connecticut	2	2	4
Florida	5	3	8
Georgia	2	2	4
Louisiana	3	2	5
Michigan	2	2	4
Minnesota	2	2	4
Missouri	2	2	4
National Peer Review Committee	18	1	19
Nevada	2	3	5
New England Peer Review	3	3	6
New Jersey	2	3	5
Ohio	4	3	7
Oklahoma	2	2	4
Oregon	3	2	5
Partners in Peer Review	3	4	7
Peer Review Alliance	6	8	14
Pennsylvania	12	4	16
Puerto Rico	4	0	4
Tennessee	3	2	5
Texas	2	8	10
Virginia	2	2	4
<b>Total</b>	<b>102</b>	<b>75</b>	<b>177</b>

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. The following shows the number of AEs not in compliance during at least one of the benchmark reporting periods in 2024.

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)	2024
<b>Administrators</b>			
Admin 1	Perform tasks associated with cases and letters in PRIMA within 14 calendar days of receipt. Over this reporting period, an AE should have fewer than 10% not performed within this timeframe.	3	
Admin 2	Provide RAB materials to RAB members at least seven calendar days before RAB meetings.	1	
<b>Technical Reviewers</b>			
TR 1	Meet all qualifications established in guidance, including ethical and training requirements.	3	
TR 2	Perform the technical review in accordance with guidance.	3	
TR 3	Maintain objectivity and skepticism to mitigate familiarity threats and implement appropriate safeguards while performing the technical review.	0	
TR 4	Complete technical reviews to meet the 120-day requirement for initial presentation of reviews. Over this reporting period, an AE should have fewer than 10% of reviews not presented within this timeframe.	4	
TR 5	Complete technical reviews to meet the 60-day requirement for engagement reviews with certain criteria. Over this reporting period, an AE should have fewer than 10% of reviews not accepted within this timeframe.	0	
TR 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.	6	
TR 7	Evaluate reviewer performance history and if it has an impact on the current review summarize it for the RAB.	0	
TR 8	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.	1	

Benchmark reference	Benchmark	2024	AEs not in compliance during one or more reporting periods (#)
TR 9	Be available to the RAB regarding their technical reviews being presented to answer questions to avoid deferrals or delays.	1	
<b>Committee/RAB</b>			
Comm/RAB 1	Meet all qualifications established in guidance, including ethical and training requirements.	0	
Comm/RAB 2	Follow peer review guidance in the evaluation and acceptance of peer reviews.	1	
Comm/RAB 3	Maintain objectivity and skepticism to mitigate familiarity threats and implement appropriate safeguards while considering the results of peer reviews.	1	
Comm/RAB 4	Issue reviewer performance feedback forms and performance deficiency letters when appropriate.	0	
Comm/RAB 5	Waive or replace corrective actions and implementation plans in accordance with guidance.	1	
Comm/RAB 6	Evaluate firms receiving consecutive non-pass reports to determine if they are complying with the requirements of the program. These evaluations should – <ul style="list-style-type: none"> <li>• Be performed at the appropriate time,</li> <li>• Include the previous peer review documents, and</li> <li>• Include each consideration in the relevant guidance.</li> </ul>	14	
Comm/RAB 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.	3	
<b>CPA on staff</b>			
CPA 1	Submit benchmark forms signed by CEO and CPA on staff to OTF by due date.	1	
CPA 2	Monitor committee and RAB members' qualifications in accordance with guidance.	1	
CPA 3	RAB composition includes individuals with current experience in must-select engagements.	0	
CPA 4	A minimum of three RAB members to evaluate each item related to a peer review that requires RAB consideration.	0	

Benchmark reference	Benchmark	2024	AEs not in compliance during one or more reporting periods (#)
CPA 5	Monitor and address conflicts of interest in accordance with guidance to ensure that individuals recuse appropriately.	0	
CPA 6	Maintain documentation of committee/RAB's evaluation of potential firm referrals related to consecutive non-pass reports.	0	
CPA 7	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	1	
CPA 8	Scheduling error overrides are appropriate and approved in accordance with guidance.	1	
CPA 9	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.	0	
CPA 10	Respond to requests from OTF or AICPA staff by due date.	0	
CPA 11	Submit complete Plan of Administration signed by the CEO and CPA on staff including all AE oversight requirements by April 1.	4	
CPA 12	Submit complete Plan of Administration signed by the CEO and CPA on staff by November 1.	1	
CPA 13	Meet all qualifications of the CPA on staff, including ethical and training requirements.	1	
CPA 14	Obtain appropriate signed versions of confidentiality agreements annually, based on the individual's role, including AE staff, technical reviewers, committee/RAB members, and Peer Review Oversight Committee (PROC) members (as applicable).	1	

A system of internal inspection was first used regularly in the early 1960s, when a number of large firms used this method to monitor their accounting and auditing practices and to make certain that their different offices maintained consistent standards. Firm-on-firm peer review emerged in the 1970s. No real uniformity to the process existed until 1977, when the AICPA's Governing Council (council) established the Division for CPA Firms to provide a system of self-regulation for its member firms. Two voluntary membership sections within the Division for CPA Firms were created—the SEC Practice Section (SECPS) and the Private Companies Practice Section (PCPS).

One of the most important membership requirements common to both sections was that once every three years, member firms were required to have a peer review of their accounting and auditing practices to monitor adherence to professional standards. The requirements also mandated that the results of peer review information be made available in a public file. Each section formed an executive committee to administer its policies, procedures, and activities as well as a peer review committee to create standards for performing, reporting, and administering peer reviews.

AICPA members voted overwhelmingly to adopt mandatory peer review, effective in January 1988, and the AICPA Quality Review Program was created. Firms could enroll in the newly created AICPA Quality Review Program or become a member of the Division for CPA Firms and undergo an SECPS or PCPS peer review. Firms enrolling in the AICPA Quality Review Program that had audit clients would undergo on-site peer reviews to evaluate the firm's system of quality control, which included a review of selected accounting and auditing engagements. Firms without audit clients that only performed engagements under the attestation standards or accounting and review services standards would undergo off-site peer reviews, which also included a review of selected engagements to determine if they were compliant with professional standards.

From its inception, the peer review program has been designed to be remedial in nature so that deficiencies identified within firms through this process can be effectively addressed. For firms that perform audits and certain other engagements, the peer review is accomplished through procedures that provide the peer reviewer with a reasonable basis for expressing an opinion on whether the reviewed firm's system of quality control for its accounting and auditing practice has been appropriately designed and whether the firm is complying with that system.

In 1990, a new amendment to the AICPA bylaws mandated that AICPA members who practice public accounting with firms that audit one or more SEC clients must be members of the SECPS. In 1994, council approved a combination of the PCPS Peer Review Program, and the AICPA Quality Review Program under the Program governed by the PRB, which became effective in 1995. Thereafter, because of this vote, the PCPS no longer had a peer review program.

The Sarbanes-Oxley Act of 2002 established the Public Company Accounting Oversight Board (PCAOB) as a private sector regulatory entity to replace the accounting profession's self-regulatory structure as it relates to public company audits. One of the PCAOB's primary activities is the operation of an inspection program that periodically evaluates registered firms' SEC issuer audit practices.

As a result, effective January 1, 2004, the SECPS was restructured and renamed the AICPA Center for Public Company Audit Firms (CPCAF). The CPCAF Peer Review Program (CPCAF PRP) became the successor to the SECPS Peer Review Program (SECPS PRP), with the objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with and inspected by the

PCAOB. Because many SBOAs and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAF PRP provided the mechanism (along with the PCAOB inspection process) to allow member firms to meet their SBOA licensing and other state and federal governmental agency peer review requirements.

Because both programs (AICPA and CPCAF PRPs) were only peer reviewing non-SEC issuer practices, the PRB determined that the programs could be merged and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved the revised standards effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the programs, at which time the CPCAF PRP was discontinued, and the program became the single program for all AICPA firms subject to peer review. Upon the dissolution of the CPCAF PRP, the activities of the former program were succeeded by the National Peer Review Committee (NPRC), a committee of the AICPA PRB.

Since peer review became a mandatory AICPA membership requirement in 1988, 53 states and territories have adopted peer review licensure requirements. Many licensees are also required to submit certain peer review documents to their SBOA as a condition of licensure. To help firms comply with state peer review document submission requirements, the AICPA created facilitated state board access (FSBA). FSBA allows firms to give permission to the AICPA or their AEs to provide access to the firms' documents (listed in the following paragraph) to SBOAs through a state-board-only-access website. Some jurisdictions now require their licensees to participate in FSBA, whereas others recognize it as an acceptable process to meet the peer review document submission requirements.

Documents included in FSBA are:<sup>3</sup>

- Peer review reports
- Letters of response (if applicable)
- Acceptance letters
- Letters signed by the reviewed firm indicating that the peer review documents have been accepted, with the understanding that the reviewed firm agrees to take certain actions (if applicable)
- Letters notifying the reviewed firm that required actions have been completed to the satisfaction of the peer review committee (if applicable)

Beginning in January 2020, in conjunction with peer review results described above, firms have been able to give permission to the AICPA or their AE to make other documents and objective information about their enrollment and current peer review available to SBOAs through FSBA. Objective peer review information includes the following, as applicable:

- The most current peer review program enrollment or reenrollment letter (if dated on or after January 1, 2020)
- Firm representation to the AE that it has not performed engagements subject to peer review in the last 12 months
- Identification of the due date of the current peer review and due date on any open corrective actions
- Peer review or corrective action extension letter

<sup>3</sup> As of February 2015, a firm's current and prior peer review documents are available via FSBA. The documents are available if the state participated in FSBA for both review periods, and the firm did not opt out of FSBA for either review.

- Letter acknowledging the peer review was scheduled
- Estimated dates of the peer review commencement and presentation to a RAB

AICPA bylaws require that members engaged in the practice of public accounting be with a firm that is enrolled in an approved practice-monitoring program or, if practicing in firms that are not eligible to enroll, the members themselves are enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice monitoring standards, and the firm or individual issues reports purporting to be in accordance with AICPA professional standards.

Firms enrolled in the program are required to have a peer review of their accounting and auditing practice once every three years, not subject to PCAOB permanent inspection, covering a one-year period. The peer review is conducted by an independent evaluator known as a *peer reviewer*. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role. An *accounting and auditing practice*, as defined by the standards, is "all engagements covered by Statements on Auditing Standards (SAs); Statements on Standards for Accounting and Review Services (SSARSs); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office (GAO); and engagements performed under PCAOB standards."

The following summarizes the different peer review types, objectives and reporting requirements as defined under the standards. There are two types of peer reviews: system reviews and engagement reviews.

**System reviews:** System reviews are for firms that perform engagements under the SAs or *Government Auditing Standards*, examinations under the SSAEs, or engagements under PCAOB standards. In addition, agreed-upon procedures, reviews, compilations, and preparation engagements are also included in the scope of the peer review. The peer reviewer's objective is to determine whether the firm's system of quality control for its auditing and accounting practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control (Redrafted)* (QC sec. 10)<sup>4</sup>, in all material respects. The peer review report rating may be *pass* (firm's system of quality control is adequately designed and firm has complied with its system of quality control); *pass with deficiency(ies)* (firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of deficiency(ies) described in the report); or *fail* (firm's system of quality control is not adequately designed to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects).

**Engagement reviews:** Engagement reviews are available only to firms that do not perform engagements under the SAs, *Government Auditing Standards*, examinations under the SSAEs, or audit or examination engagements performed under PCAOB standards not subject to PCAOB permanent inspection. The peer reviewer's objective is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. The peer review report may be a rating of *pass* when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A rating of *pass with deficiency(ies)* is

<sup>4</sup> QC section 10 can be found in AICPA *Professional Standards*.

issued when the reviewer concludes that at least one, but not all, the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *fail* is issued when the reviewer concludes that all engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects.

### **AEs**

Each state CPA society elects the level of involvement that it desires in the administration of the program. The three options are (1) self-administer; (2) arrange for another state CPA society or group of state societies to administer the program for enrolled firms whose main offices are located in that state; or (3) ask the AICPA to request another state CPA society to administer the program for enrolled firms whose main offices are located in that state. The PRB approved 24 state CPA societies, groups of state societies, or specific-purpose committees, known as AEs, to administer the Program in 2024. Those AEs agree to administer the program in compliance with the standards and related guidance materials issued by the PRB. Each AE is required to establish a peer review committee that is responsible for administration, acceptance, and oversight of the Program.

To receive approval to administer the program, AEs must agree to perform oversight procedures annually. The results of their oversight procedures are submitted as part of the annual Plan of Administration (POA). The annual POA is the AE's request to administer the program and is reviewed and approved by the OTF.

<u>Term</u>	<u>Definition</u>
Accounting and auditing practice	For peer review purposes this includes engagements under Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARSSs), Statements on Standards for Attestation Engagements (SSAEs), <i>Government Auditing Standards</i> (the Yellow Book) issued by the U.S. Government Accountability Office, or PCAOB standards. Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection.
AICPA Peer Review Board (PRB)	The AICPA senior technical committee that governs the Peer Review Program (program).
AICPA Peer Review Program Oversight Handbook	The handbook that includes the objectives and requirements of the AICPA PRB and the administering entity (AE) oversight process for the program.
Administering entity (AE)	A state CPA society, group of state CPA societies, the National Peer Review Committee, or other entity annually approved by the PRB to administer the program.
Agreed-upon procedures (AUP) engagement	An engagement in which a practitioner is engaged to issue, or does issue, a practitioner's report of findings based on specific agreed-upon procedures applied to subject matter for use by specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner's findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. Because the needs of specified parties may vary widely, the nature, timing, and extent of the agreed-upon procedures may vary, as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures because they best understand their own needs. In such an engagement, the practitioner does not perform an examination or a review and does not provide an opinion or conclusion. Instead, the report on agreed-upon procedures is in the form of procedures and findings.
Attest engagement	An engagement that requires independence, as set forth in the AICPA Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARSSs) and Statements on Standards for Attestation Engagements (SSAEs).

<u>Term</u>	<u>Definition</u>
Audit	An engagement which provides financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework.
Compilation	An engagement in which an accountant applies accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with SSARS without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.
Corrective action	Remedial actions prescribed by the committee, RAB, or PRB that should be agreed to and completed by reviewed firms or peer reviewers.
CPA on staff	The CPA responsible for managing the program at the AE.
Deficiency (engagement review)	One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards in all material respects. Deficiencies should be documented in a peer review report with a rating of <i>pass with deficiencies</i> or <i>fail</i> .
Deficiency (system review)	When evaluating the reviewed firm's system of quality control taken as a whole, one or more matters that the team captain has concluded could create a situation in which the reviewed firm would not have reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in one or more important respects. Deficiencies should be documented in a peer review report with a rating of <i>pass with deficiencies</i> .
Engagement review	A type of peer review for firms that do not perform engagements under Statements on Auditing Standards (SASs), <i>Government Auditing Standards</i> , examinations under SSAEs, or audit or examination engagements under PCAOB standards not subject to PCAOB permanent inspection. It focuses on work performed and reports and financial statements issued on particular engagements (SSAE agreed upon procedures, SSAE and SSARSs reviews, compilations, or preparation engagements, and other attestation engagements under PCAOB standards).

<u>Term</u>	<u>Definition</u>
Enhancing Audit Quality initiative	The Enhancing Audit Quality (EAQ) initiative is the AICPA's commitment to providing the resources and tools, as well as standards, monitoring and enforcement, necessary to move the profession further on its journey toward greater audit quality.
Facilitated State Board Access (FSBA)	Developed by the AICPA to assist firms in complying with state peer review document submission requirements. Firms give permission to provide the results of their peer reviews to SBOAs via the secure FSBA website. Several SBOAs allow firms to voluntarily meet their state peer review document submission requirements using FSBA and many SBOAs require firms to use FSBA.
	FSBA was enhanced in January 2020 to also provide other documents and objective information about a firm's enrollment in the program and current peer review when a firm gives permission.
Financial statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended.
Finding (engagement review)	One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Finding (system review)	One or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with the system such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Firm	A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.
Follow-up action	A corrective action or implementation plan issued to a firm in response to a finding, deficiency, or significant deficiency.

<u>Term</u>	<u>Definition</u>
Hearing	When a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial corrective actions are not adequate, the PRB may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the program should be terminated or whether some other action should be taken.
Implementation plan	Actions required of a reviewed firm in response to a finding included on an FFC form.
Licensing jurisdiction	For purposes of this report, licensing jurisdiction means any state or commonwealth of the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands.
Matter	<p>One or more “no” answers to questions in peer review checklists identified during a system review or an engagement review.</p> <ul style="list-style-type: none"> <li>• <i>Engagement reviews.</i> One or more “no” answers to questions in peer review checklists that were not resolved to the review captain’s satisfaction. These are documented as matters for further consideration (MFCs) on an MFC form.</li> <li>• <i>System reviews.</i> One or more “no” answers to questions in peer review checklists that a reviewer concludes warrant further consideration in the evaluation of a firm’s system of quality control. A matter should be documented as a matter for further consideration (MFC) on an MFC form.</li> </ul>
Must-select engagement	<p>An engagement that must be included in the sample of engagements selected for review. The types of engagements included are:</p> <ul style="list-style-type: none"> <li>• Engagements under <i>Government Auditing Standards</i>, including compliance audits subject to the Single Audit Act</li> <li>• Audits of Employee Benefit Plans under ERISA</li> <li>• Audits under FDICIA</li> <li>• Examinations of Service Organizations</li> </ul>
Oversight Task Force (OTF)	The standing task force of the PRB responsible for establishing oversight policies and procedures to ensure that AEs are complying with the administrative procedures established by the PRB, reviews are being conducted and reported on in accordance with standards, and the results of the reviews are being evaluated on a consistent basis in all jurisdictions.

<u>Term</u>	<u>Definition</u>
Peer review committee (committee)	A group of individuals appointed by an AE to oversee the administration, acceptance and completion of the peer reviews and performance of peer reviewers.
Plan of administration (POA)	A form completed annually by entities requesting to administer the program whereby the entity agrees to administer the program in compliance with the standards and other guidance established by the PRB.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
Preparation engagement	An engagement performed in accordance with SSARS in which a practitioner is engaged to prepare financial statements in accordance with a specified financial reporting framework but is not engaged to perform a compilation, review, or audit of those financial statements.
PRIMA	An online system that is accessed to carry out the program administrative functions.
Report Acceptance Body (RAB)	A group of individuals appointed by the committee who are delegated the report acceptance function on behalf of the committee.
Review	A SSARS engagement in which the accountant obtains limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.
Reviewer feedback form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer resume	A document within PRIMA required to be updated annually by all active peer reviewers, that is used by AEs to determine whether individuals meet the qualifications for service as reviewers as set forth in the standards.
Significant deficiency	One or more matters in a system review that the reviewer has concluded create a situation in which the reviewed firm's system of quality control does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in all material respects. Significant deficiencies should be documented in a peer review report with a rating of <i>fail</i> .

<u>Term</u>	<u>Definition</u>
State board of accountancy	An independent state governmental agency that licenses and regulates CPAs, each jurisdiction may use a different name for this agency.
State CPA society	Professional organization for CPAs providing a wide range of member benefits.
Summary review memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in an FFC form.
System of quality control	Policies and procedures designed and implemented to provide a firm with reasonable assurance that: <ol style="list-style-type: none"> <li>The firm and its personnel comply with professional standards and applicable legal and regulatory requirements and</li> <li>Reports issued by the firm are appropriate in the circumstances.</li> </ol>
System review	A type of review that includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including quality control standards established by the AICPA, in all material respects.
Technical reviewer	Individual(s) at the AE whose role is to provide technical assistance to the RAB and the peer review committee in carrying out their responsibilities.
Territory	A territory of the United States is a specific area under the jurisdiction of the United States and, for purposes of this report, includes Guam, the District of Columbia, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

**Agenda Item 1.7B****Firms Dropped from the AICPA Peer Review Program for Noncooperation  
between January 1, 2025 and March 31, 2025**

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of April 9, 2025 are denoted by an '\*' following the firm name.

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900256000953	Justin Carr, CPA	AK
900255273718	Charles E O'Hare, Jr. PA	AL
900010090587	Lamar & Associates, CPA, P. C.	AL
900008170186	Thompson, Walker & Associates, LLC	AL
900005170695	Bell Foster Johnson & Watkins, LLP	AR
900008858273	Lawson Accounting Group PLLC	AR
900005334673	Schumacher Tax & Accounting P.C.	AR
900001088729	Albert S. Kayal	AZ
900010155925	Jobe and Company CPAs, PC	AZ
900010090379	Ahlstrom & Baker	CA
900008967969	Bellotti & Murray CPAs	CA
900000061630	Bernotas Accountancy Corporation	CA
900007784176	Buster Donelson, CPA	CA
900005716994	Cheung & Chu, CPA	CA
900008525004	Chiang & Youngberg, LLP*	CA
900001133531	Christopher C. Ogbodo	CA
900011577689	DentaLedgers Inc.*	CA
900010141605	Diebert & Associates*	CA
900011564251	Edward A. Fryer	CA
900011535513	Eric Alden, AC	CA
900256000140	Faldu CPA & Associates	CA
900004588594	Fong, Ko & Associates LLP*	CA
900000441253	Francis J Keenan CPA PC	CA
900006090645	Frederick D Mataya CPA	CA
900010080209	Gallagher Gatewood, A Professional Accountancy Corporation	CA
900001098369	Gayle Gould	CA
900008353361	Hudson & Company, Inc.*	CA
900010094133	J. M. Leibowitz & Associates, LLP	CA
900003949855	Jinsung Hahn, CPA & Associates Inc.	CA
900007395546	John P Zukoski CPA, APC	CA
900256001076	Margolis & Villegas Accountancy Corporation	CA
900000025650	Mejia Accountancy	CA
900010141500	O'Dell Cross, A Professional Corporation	CA
900011455169	Paul Aulakh Accountancy Corp.	CA

Firm Number	Firm Name	State
900010090854	Peri & Company, CPAs	CA
900255182566	Prime Accountancy Associates, Inc.	CA
900010121775	Roeser Accountancy Corporation	CA
900007362856	Skowron & Bunning LLP	CA
900255348328	Snow Bittleston Hartman Fong & Associates, Inc	CA
900010101241	Norma J. Robb	CO
900081124362	J Preston Merritt	CT
900006190605	D'Amato & Laspada, LLC*	DE
900010092722	The Godwin Firm, PA	DE
900010104081	Larry J. Herring CPA, P. A.	FL
900255350974	Rosalind Robinson, CPA, MSM, LLC	FL
900005918136	Barry H. Franklin, CPA, LLC	GA
900255347723	Francisco Cruz, CPA, PC	GA
900010136421	Geer & Associates, PC	GA
900255352232	LEK Partners LLC	GA
900256000886	Simpson & Simpson Accounting, LLC	GA
900003615571	Springer & Company, CPAs PC	GA
900005327616	Thomas Bowen CPA, LLC	GA
900255273828	Vance CPA, LLC*	GA
900010081902	Pulliam & Associates, Chartered*	ID
900255350552	Fraze and Company, LLC dba Fraze & Company, CPA's*	IL
900010143009	M.A. Schindler & Associates, LTD	IL
900003780895	Mrjenovich & Bertucci, Ltd.*	IL
900004731820	Ringold Financial Management Services, Inc.*	IL
900255348508	SLD & Associates Ltd.	IL
900010147925	Thomas A. Bauer & Associates, P.C., CPA's	IL
900256001338	Tri County Management Assurance Services, P.C.	IL
900007602340	Thomas & Reed, LLC	IN
900255351380	Brooks & Associates CPA's Inc*	MA
900007802124	Bryan J. Coleman, CPA	MA
900255079876	Gorton & Company PC	MA
900004294018	Lapier, Dillon & Associates, P.C.*	MA
900255349235	Michael J Smith CPA	MA
900010154984	Raphael Okoye, CPA	MA
900004619163	Faye & Kessler	MI
900255270969	Gigi Rimer Draper	MO
900010153724	Rebecca F. Hennessey	MS
900010112846	Alan F. Burke, CPA, PA*	NC
900004774509	DeVito & Co., LLC	NJ
900010124247	Jeffrey & Company	NJ

Firm Number	Firm Name	State
900010153662	Louis C. Mai CPA & Associates	NJ
900010105224	Muller, Longo & Company	NJ
900010098018	Stephen B. Teller*	NJ
900012004075	William Barrett, CPA	NM
900255349215	Mun & Associates LLC	NV
900010053436	Pangborn & Co., Ltd.*	NV
900010110312	A Gary Aaronson CPA PLLC	NY
900010118339	Allan S. Joseph, CPA	NY
900255189554	Bharat R. Magdalia CPA, P.C.	NY
900005800604	Certified Public Accounts, Firm of Stewart & Rijal, LLC*	NY
900004548543	Colella CPA Co., P.C.	NY
900008120467	Frederick A Wightman CPA PC	NY
900010147146	J.M. Brescia, CPA, P.C.	NY
900002128351	Hahn Garvey & Thomas Ltd	OH
900010062866	Schultz, Bertin & Co.	OH
900006647916	Dwight Bomer CPA	OK
900010106500	Michael A. Talley CPA, Inc.	OK
900006210713	Robert T. Helm, CPA	OK
900010070890	Towe, Bennett & Miles, P. C.	OK
900010099319	Barbetti McHale, LLC*	PA
900011332714	Bennett J. Sady & Co, PC	PA
900010153728	Christopher P. Merrick CPA	PA
900010097070	DeMarco, Wachter & Co.	PA
900006524605	Richard B. Snodgrass & Co.	PA
900256000670	Alvarado Tax LLC*	PR
900010124134	FSC and Company, CPA, PSC*	PR
900010125882	López Recio & Associates, LLC*	PR
900010114737	Steven C. Mercadante	RI
900001094910	David M. Fulton, CPA	SC
900255349432	Humphreys Consulting & Tax LLC	SC
900003595596	Joan M. Hodges, CPA PA	SC
900010106873	Randall Lawrence Raber, CPA, PA	SC
900004113043	Roger K. Elliott, CPA, PC	SC
900010082929	Patrick W. Hickie CPA	TN
900011702052	W. David Buckner, CPA	TN
900005436758	Andrew A Mathew, CPA PC*	TX
900256000873	Anthony O. Tegbe, CPA	TX
900010009013	Bryant & Welborn, L. L. P.	TX
900256000659	Craig A Wooten CPA*	TX
900010137595	Kosanda & Company PLLC	TX

<b>Firm Number</b>	<b>Firm Name</b>	<b>State</b>
900000793103	Robert R. Sims & Associates, P. C.	TX
900010154614	Swalm & Associates, P.C.	TX
900255350912	TPS Thayer, LLC	TX
900010096370	Fenton & Associates dba Fenton Advisors	UT
900255351099	KB Management LLC DBA Naylor & Warner CPAs	UT
900004329806	Matthew Regen, CPA PC*	UT
900255348352	Wasatch CPA Services, LLC	UT
900010083526	Dawson & Gerbic, LLP	WA
900010090040	Trainer, Wright & Paterno CPAs	WV

## **Firms Terminated from the AICPA Peer Review Program Noncooperation or Noncompliance between January 1, 2025 and March 31, 2025**

The AICPA Peer Review Board terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate or comply with the requirements of the program. Firm terminations are also published at <https://www.aicpa-cima.com/resources/download/peer-review-firm-terminations>.

### **Failure to complete a corrective action:**

The firms did not complete corrective actions or implementation plans designed to remediate findings or deficiencies identified in the firms' most recent peer review.

KL CPA & Associates, LLC – Fort Lee, NJ  
Thomas VanHatten, CPA/CFF, CFE – Marcy, NY  
William S. Myers – Orange Park, FL

### **Consecutive non-pass reports in system reviews:**

The firms failed to design a system of quality control, and/or sufficiently comply with such a system, that would provide 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.

Clay Tablet Accounting LLC – Anchorage, AK  
J. Gliksman, CPA PC – Brooklyn, NY

### **Consecutive non-pass reports in engagement reviews:**

The firm continually failed 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.

Moats & Hebebrand CPAs – Tehachapi, CA

## Agenda Item 1.7C

### Compliance Update - Firm Noncooperation and Noncompliance

#### Why is this on the Agenda?

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

#### Hearings, Drops and Terminations

##### Firm Hearing Referrals

Referrals are firm noncooperation or noncompliance cases for which the administering entity (AE) has submitted documentation to AICPA staff to proceed with a termination hearing.

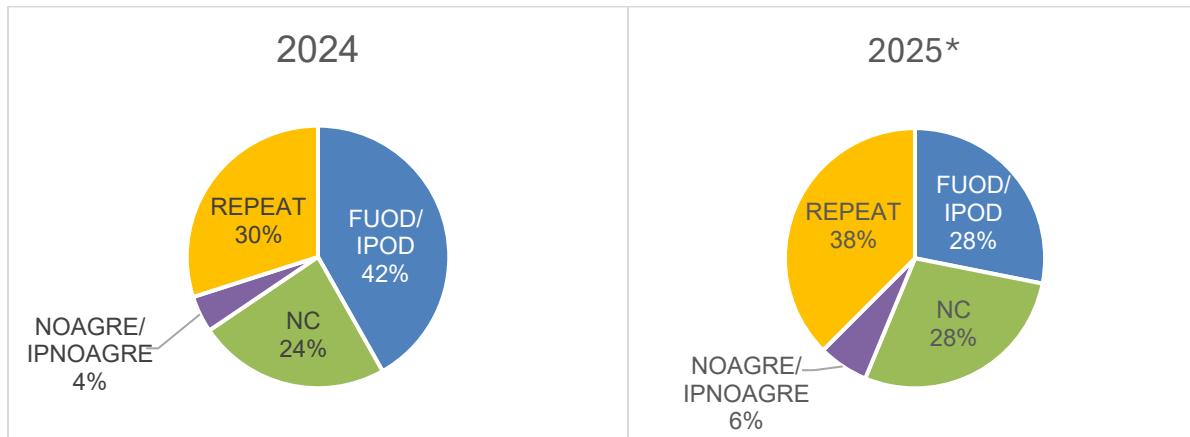
Termination hearings align closely with the Enhancing Audit Quality (EAQ) initiatives. The table below shows overall hearing referral volume through March 31, 2025:



\*as of March 31, 2025

The number of firm referrals received in the first quarter of 2025 appears to indicate that volume similar to prior years can be expected.

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



\*as of March 31, 2025

<u>Legend:</u>	
FUOD/IPOD	Failure to complete corrective action(s) or implementation plan
NC	Noncooperation or noncompliance (includes failure to undergo/complete peer review, failure to improve after consecutive corrective actions, material omission from scope, etc.)
NOAGRE/IPNOAGRE	Failure to agree to corrective action or implementation plan, including those subsequently revised or added
REPEAT	Failure to receive a pass report rating after consecutive non-pass peer reviews

In 2025, the impacts of investments made in automated delivery of the warning required by guidance, continued education and monitoring have resulted in a continuing increase in REPEAT referrals. This aligns with EAQ initiatives and the overall objective of the program.

#### Firm Enrollment Drops

A firm's enrollment may be dropped from the program 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).

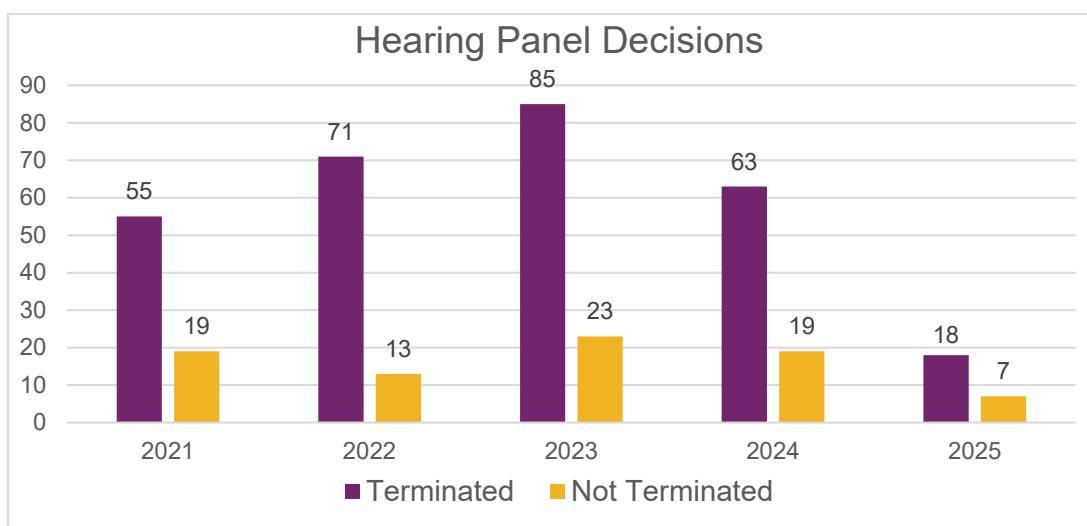
Although warning letters are sent, staff does not perform mediation outreach to firms that may be dropped. Firms whose enrollment will be dropped from the program are sent to PRB members for approval via negative clearance. Once approved, dropped firms are reported in a monthly communication to state boards of accountancy Executive Directors and State Society CEOs and maintained on a listing for AEs. Dropped firms with AICPA members are reported in PRB open session materials. Firms may appeal an enrollment drop from the PRP and mediation is attempted for firms filing an appeal. Two drop appeals were received in 2025 through March 31, 2025.

### Firm Enrollment Terminations

A firm's enrollment may be terminated for other failures to cooperate or comply with the program (typically after the commencement of a review). A detailed list of reasons that may lead to 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. Firm terminations are reported in a monthly communication to state boards of accountancy Executive Directors and State Society CEOs and maintained on a listing for AEs. Terminated firms with AICPA members are reported in PRB open session materials and [published on aicpa.org](#).

This agenda item includes statistics of both firms with and firms without AICPA members.

A summary of firm hearing panel decisions over the past five years is shown below:



Terminations reported above represent hearing panel decisions to terminate a firm's enrollment in the program, including firms within their available appeal period, and firms that acknowledged 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. Situations that may warrant additional corrective actions include changes in a firm's practice or practice areas. Examples of additional corrective actions 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

Situations that may warrant no additional corrective actions include, but are not limited to, when a firm has undertaken aggressive remediation of its system of quality control and is able to evidence engagement quality improvement. 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.

This summary does not reflect:

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

#### Firm Reenrollments

If a firm's enrollment in the program 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

Reenrollment approvals by a hearing panel may be contingent upon 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 satisfaction of the required action must be completed (attached to the reenrollment case in PRIMA) at the time of reenrollment. During 2025, four reenrollment requests were considered, resulting in two denied and two approved, one with conditions.

## Updates to the AICPA Peer Review Program Question & Answers

### Why is this on the Agenda?

Staff has completed its annual update of the Peer Review Frequently Asked Questions document with proposed changes included below. For ease of use, only those questions and answers with proposed changes have been included for consideration.

Other minor clerical revisions (such as grammar, or formatting changes or changes to website links as a result of RAVE) were made as necessary.

The entire Peer Review Frequently Asked Questions document, which provides firms with answers to common peer review questions as they go through the process, can be accessed at the following webpage:

<https://www.aicpa-cima.com/resources/article/peer-review-program-faqs>

### Effective Date

Staff presented the proposed revisions to the ECTF on April 23, 2025, and incorporated all changes that came from that meeting. These revisions, subject to any changes requested by the PRB, or other observers, will be published subsequent to this meeting. Additional revisions can be requested at any time outside the annual update should the need arise.

### Board Consideration

Advise Staff if any additional changes are necessary (including the need for additional questions) or if any of the proposed revisions need to be modified.

## QUESTIONS & ANSWERS ABOUT THE AICPA PEER REVIEW PROGRAM

### **Does my firm have to enroll in a peer review program if the only engagements it performs are compilations?**

For purposes of complying with AICPA membership requirements, a firm that only performs compilation engagements under AR-C section 80 is required to enroll in a peer review program.

Independent of AICPA requirements, some SBOAs do not require firms performing compilations as their highest level of service to undergo peer review. Each firm should check with the SBOA as this may create a peer review exemption for a limited number of firms under certain circumstances who only perform compilations. However, this state rule is not applicable to AICPA member firms or other firms enrolled in the AICPA peer review program, or firms practicing in other states where the performance of compilations subjects a firm to peer review. All firms who are subject to the nationally recognized AICPA Standards for Performing and Reporting on Peer Reviews that perform compilations or only perform compilations are subject to peer review. In addition, for any firm required to be enrolled in the AICPA peer review program (or choose to be enrolled), whether they only perform compilations or perform compilations along with other engagements subject to peer review, compilations are in the scope for selection.

### **What is an Engagement Review?**

The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects.

Enrolled firms are eligible to have Engagement Reviews ~~under the following circumstances: when the highest level of service they perform~~ does not require a System Review.

- ~~Performed under the SSARSs/SSAEs or is another attestation engagement under PCAOB standards~~

### **Does the peer review process look at all engagements subject to peer review?**

No, the peer review process does not look at all engagements subject to peer review. The objective of the process is achieved through procedures tailored to the size of the firm and the nature of its practice.

While all engagements falling within the peer review year would be subject to selection, the engagements selected are based upon specific requirements dependent upon whether the firm is undergoing an engagement or system review.

For a system review, a reasonable cross-section of the firm's accounting and auditing engagements is selected. The cross-section selections place greater emphasis on those portions of the practice with higher combined assessed levels of inherent and control risk. The selections are to obtain reasonable assurance, not absolute, that the firm is complying with its quality control policies and procedures and applicable professional standards.

For an engagement review, selections are made based upon levels of service performed; standards establish a minimum requirement of two engagements along with other specific

requirements on partners and preparation engagements established within PRC 220 paragraph .13 (and noted in the above FAQ question).

Regardless of the type of review performed, there is no expectation that all engagements will be selected and reviewed.

**What is Facilitated State Board Access (FSBA) and how might it affect access to information about my firm's peer review?**

FSBA is a process the AICPA created to help keep up with the evolving changes in the business and regulatory environments and to address the demand for greater peer review transparency. This process is intended to create a nationally uniform system through which CPA firms can satisfy state board or licensing body peer review information submission requirements, increase transparency and retain control over their peer review results. The AICPA and CPA state societies are working together to allow this process to become the primary means by which all SBOAs obtain peer review results. Over time, this process will help to make submission of your firm's peer review information easier. Depending on your state's requirements, laws and regulations, your firm may have the option to opt out of this process. Bear in mind that your firm may not be permitted to opt out when participation in FSBA is a licensing requirement in the state where your main office is located. Your firm may also need to comply with specific FSBA requirements in other licensing jurisdictions where it practices. Contact your AE for information regarding FSBA requirements and the submission process for your SBOA.

**How much will my peer review cost?**

The direct cost of a System Review will vary depending on firm size/region, number of engagements/partners/offices and nature of your firm's accounting and auditing practice. Firms with audits in various specialized, complex or high-risk industries, such as banking, governmental and employee benefit plans will normally pay more than a firm with the same number of audits that are all in one industry or in lower risk areas. There may be other factors that influence the cost of a System Review including the design of and compliance with the firm's quality control system.

There are also the indirect costs of getting ready for a review that vary based on the condition of your firm's existing system of quality control. Many firms are concerned about these non-chargeable hours. However, if the system of quality control is suitable for your firm's practice, the preparation cost should be minimal. If, on the other hand, your firm finds the opposite is true, it should consider the time well spent since making needed changes should result in your firm providing better services to its clients, and, in most cases, providing those services more efficiently.

The estimated cost of an Engagement Review will vary based on the size of the practice and the number of owners responsible for the issuance of review, compilation and attestation engagement reports as well as preparation engagements.

The cost also varies based on the type of peer review and peer review team selected to perform the review. In addition to the review costs that will be incurred every three years, firms may also pay an annual administrative fee to the AE to cover the costs of running the program and, in some states, in the review year, fees for scheduling the review and evaluating the results of the review. For additional cost information, contact your AE.

Finally, all firms, other than sole practitioners who undergo an Engagement Review, that are enrolled in the Program and perform engagements requiring the firm to undergo a System Review

are required to pay a ~~national peer review administrative~~~~peer review operations~~ fee to the AICPA for each year ~~in which they perform such engagements~~~~they are enrolled~~. For firms that perform “must-select engagements”, there are additional fees. The fee varies based on the number of CPAs employed by a firm and will be used to support the Program’s new and ongoing initiatives to drive audit quality.

**When do the quality management standards take effect and how does that impact a firm’s quality control document?**

The effective date for designing and implementing a quality management system that complies with the AICPA’s new (QM) standards is Dec. 15, 2025. These standards enhance a firm’s system of quality control by adding a risk-based approach, incorporating a risk assessment process that drives firms to focus on quality management tailored to their circumstances.

In terms of developing a system of quality management, your firm will likely start with your system of quality control document and modify accordingly, based on the additional requirements outlined in the QM standards. A mapping document is available that summarizes the changes between Statement on Quality Management Standards (SQMS) No. 1, *A Firm’s System of Quality Management*, and Statement on Quality Control Standards (SQCS) No. 8, *A Firm’s System of Quality Control*. Your firm can download the mapping document here upon implementation: <https://www.aicpa-cima.com/resources/download/crosswalk-sqms-1-sqcs-8>

When beginning implementation, firms can download the mapping document: mapping to SQMS.

~~My firm received an FFC for pervasive issues with complying with the risk assessment standards (AU-C 315 and 330) on my last peer review. Can I expect similar treatment on my current peer review?~~

For peer reviews commencing after September 30, 2021, the guidance in the Supplemental Guidance section of the old Peer Review Program Manual (PRP Section 3100) no longer applies and existing guidance in Section 210 of the clarified peer review standards will be followed by your peer reviewer as it relates to the evaluation of noncompliance with the risk assessment standards (AU-C section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, or 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained).

~~The April 2022 Special Reviewer alert also provides additional guidance regarding assessing noncompliance with the risk assessment standards.~~

~~Depending on the facts and circumstances of the peer review (such as the nature and pervasiveness of any identified noncompliance), deficiencies or significant deficiencies may be warranted when noncompliance with the risk assessment standards has been identified. In short, these instances of noncompliance will be evaluated and assessed similarly to any other identified instances of noncompliance identified during the peer review.~~

**How do I know whether the letter I received from the administering entity is an implementation plan or a corrective action?**

~~“The Committee accepted the aforementioned documents with the understanding that the firm will...”~~

~~The letter communicating the implementation plan(s) will contain the following language:~~

*“...the action(s) outlined in the following implementation plan are required of your firm...”*

After the prescribed action(s) or plan the letters differ as follows:

Corrective Action wording

*“Your firm's agreement demonstrates its commitment to the objectives of the <AICPstate> Peer Review Program.*

*Please acknowledge your agreement through the Peer Review Integrated Management Application (PRIMA) system. Upon receipt of the acknowledgement and satisfactory completion of any outstanding corrective actions within PRIMA, you will receive notification that your firm's peer review has been completed.”*

Implementation Plan wording

*“Your firm's agreement to complete this implementation plan demonstrates its commitment to the objectives of the <AICPA/State> Peer Review Program. Please acknowledge your agreement within PRIMA.”*

Corrective actions are included in your acceptance letter whereas implementation plans are included in a separate letter.

An acceptance letter includes language that refers to the fact that the Committee accepted your per review with the understanding that corrective actions would be completed in PRIMA.

An implementation plan letter would refer to the fact that the implementation plan(s) are due to issue(s) identified on Findings for Further Consideration (FFC) Form(s). There would also be language that the implementation plan letters will be completed in PRIMA.

**Allowable Implementation Plans: System Reviews (PRC 420 Exhibit C)**

Finding	Allowable Implementation Plan
---------	-------------------------------

<p>Nonconforming engagements and</p> <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> <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>
<p>Repeat findings without nonconforming engagements</p>	<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> <li><u>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 FFC form or to evaluate the appropriateness of alternative actions.</u></li> </ul>
<p>Failure to possess applicable firm licenses</p>	<ul style="list-style-type: none"> <li>Require the firm to submit proof of its valid firm licenses.</li> </ul>

Deficiency or Significant Deficiency	Suggested Actions to Be Performed as Soon as Reasonably Possible
--------------------------------------	--

Deficiency or significant deficiency related to engagement performance	<ul style="list-style-type: none"> <li>Require members of the firm to take specified types and amounts of CPE.</li> <li>Allow firm members responsible for the applicable nonconforming engagements to pass the related AICPA advanced certificate exam, if applicable, in lieu of CPE. This option is applicable only for firms that have nonconforming engagements in certain industries that were identified in the peer review and for which a related AICPA advanced certificate exists.</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> <li>Require the firm to hire an outside party approved by the RAB to review the firm's completion of its intended remedial actions as outlined in its letter of response or to evaluate the appropriateness of alternative actions. <del>Though not required, this is commonly performed by the team captain of the peer review.</del></li> <li>Require the firm to join an AICPA audit quality center applicable to the nonconforming engagements.</li> </ul>
Deficiency or significant deficiency related to design of or noncompliance with another element of the quality control system	<ul style="list-style-type: none"> <li><u>Require members of the firm to take specified types and amounts of CPE.</u></li> <li><u>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 letter of response or to evaluate the appropriateness of alternative actions.</u></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> <li>Require the firm to hire an outside party approved by the RAB to perform a pre-issuance review of certain types or portions of engagements.</li> <li>Require the relevant members of the firm to submit proof of their valid individual licenses.</li> </ul>

#### Suggested Corrective Actions: System Reviews (PRC 420 Exhibit D)

##### If I retire from my firm, can I still serve as a peer reviewer?

Yes, under recent guidance introduced by PRSU No. 2, reviewers who retire from a firm and remain actively licensed to practice public accounting may continue to perform peer reviews as a team member for 36 months after their retirement date. This guidance was introduced to assist with succession planning and to mentor less experienced peer reviewers. To take advantage of this opportunity, email [prptechical@aicpa.org](mailto:prptechical@aicpa.org) with your name and retirement date. Staff will link you to a firm for retired reviewers so that you appear in the reviewer search.

## PRB Observers

Sharon Romere-Nix	Laura Harrison
Reza Mahbod	Mary Beth Meckel
Ivory Bare	Darlene Boles
Richard Hill	J Franco
Bryan Decker	Chika Okoro
Stacey Lockwood	Tim Peters
Stephen Young	Gary Miyashiro
Jennifer Winters	Bryan Decker
Mark Harris	Jose Vazquez
Paul Pierson	Donna Oklok
Tom Kirwin	Christine Wells
Jennifer Gum	Jon Hatfield
Laura Ross	Morgan Aronson
Jiayi Bao	Sherry Kidd
Paul Burns	Daniel Duncan
Lisa Brown	Tiffany Hooper
Jennifer Gum	Christopher Dentel
Alex Bowers	Whitney Miller
Karen Guerra	Tara Loghing
Kathy Creel	Sarah Aloisio
Gavin Burnham	Suzanne Heidenreich
Maria Laboy	John Rolleri
Chuck Jordan	Sheila Duggan
Paul Brown	Abby Dawson
Heather Lindquist	Michael Delaney
Brett Olsen	Jana Broussard
Gloria Snyder	Jill Turner
Raegen Nuffer	Barbara Lewis
William Bailey	Sabine Anderson
Monica Farrell	Robert Koch
Amanda Koehler	Kevin Humphries
Adelina Burke	
Jennifer Winters	
Peggy Jury	
Thomas Cordell	
Ashley Sellers	
Julie McNeal	
Linda Gabor	
Albert (Bert) Denny	
Thomas Bowns	
Faye Hayhurst	
Jackson Boes	
Heather Trower	
Christina Ondrako	
Marilee Lau	
Kary Arnold	
Marissa Brooks	



Peer Review  
Program



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Peer Review  
Program

## **ANNUAL REPORT ON OVERSIGHT**

**Issued  
April 23, 2025**

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## Introduction

### **Purpose of this report**

The Annual Report on Oversight (report) provides a general overview and information on the results of the AICPA Peer Review Program (program) oversight procedures. This report concludes whether the objectives of the AICPA Peer Review Board's (PRB) oversight program were met.

### **Scope and use of this report**

This report contains data pertaining to the program and should be reviewed in its entirety to understand the full context. Information presented in this report pertains to peer reviews accepted during calendar years 2022–2024, which covers a full three-year peer review cycle. Oversight procedures included in this report are performed on a calendar-year basis.

## Letter to the AICPA Peer Review Board

To the members of the AICPA Peer Review Board:

This report includes oversight procedures performed in 2024. Information presented in this report pertains to peer reviews accepted<sup>1</sup> during the calendar years 2022–2024, which covers a full three-year peer review cycle. In planning and performing our procedures, we considered the objectives of the oversight program, which state there should be reasonable assurance that (1) administering entities (AEs) are complying with the administrative procedures established by the PRB; (2) the reviews are being conducted and reported upon in accordance with the AICPA *Standards for Performing and Reporting on Peer Reviews* (standards); (3) the results of the reviews are being evaluated on a consistent basis by all AE peer review committees; and (4) the information disseminated by AEs is accurate and timely.

Our responsibility is to oversee the activities of AEs that elect and are approved to administer the program, including the establishment and results of each AE's oversight processes. The COVID-19 pandemic impacted oversight procedures in 2022. Certain procedures were not performed in 2022 and others continued with a reduced scope. These impacts are described throughout this report.

Oversight procedures performed by the AEs in accordance with the *AICPA Peer Review Program Oversight Handbook* included the following:

- *Oversight of peer reviews and peer reviewers.* Oversight of various reviews, selected based on reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2024, 177 oversights were performed at the AE level. See pages 10–11, “Oversight of peer reviews and peer reviewers.”
- *Benchmarks.* AEs monitor and regularly report on compliance with AE benchmarks, which are qualitative, objective, and measurable criteria to enhance overall quality and effectiveness of program administration. See pages 11–12, “Evolution of peer review administration.”

The Oversight Task Force (OTF) utilizes subgroups, known as focus groups, to monitor and perform procedures in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook*. These focus groups report to the full OTF.

### AE Oversight Focus Group

The AE Oversight Focus Group monitors the results of AE oversights performed by OTF members which occur on a rotating basis. These oversights include testing the administrative and report acceptance procedures established by the PRB. OTF members oversighted 14 AEs in 2022, 10 AEs in 2023, and 9 AEs in 2024. See pages 5–6 “Oversights of the Administering Entities” for further information.

### Report Acceptance Body (RAB) Observation Focus Group

The RAB Observation Focus Group reviews and approves RAB observation reports, including any responses received from the AEs. Periodically, the focus group will review the process, including applicable checklists. RAB observations, which are performed by OTF members and

<sup>1</sup> All peer reviews accepted by a Report Acceptance Body (RAB) during the period, regardless of when the peer review was performed or the peer review year-end.

AICPA staff, focus on whether the report acceptance process is being conducted in accordance with standards and guidance. In 2024, RAB observations were performed on 53 RAB meetings and 199 peer reviews were selected during these observations. See pages 6–7 “RAB Observations” for a detailed description of the process.

### **Enhanced Oversight Focus Group**

Enhanced oversights are performed by approved subject matter experts (SMEs) on must-select engagements and include the review of financial statements and working papers for such engagements. The Enhanced Oversight Focus Group reviews and evaluates the results of enhanced oversights and the oversight reports with comments, then provides input and feedback to AICPA staff and SMEs. The focus group also evaluates the reviewer performance feedback issued by AE peer review committees as a result of these oversights and recommends that the Reviewer Performance Focus Group consider issuing feedback when necessary. See pages 7–10 “Enhanced Oversight” for a detailed description of the process.

### **Evolution Focus Group**

The Evolution Focus Group developed the AE benchmark criteria approved by the PRB. AEs submit three benchmark summary forms during the year, each covering a four-month period. The focus group reviews the results of the benchmark summary forms submitted by the AEs, evaluates AE performance, and provides feedback to AEs as necessary. The focus group also considers whether modifications to the benchmarks are needed.

### **Plan of Administration (POA) Focus Group**

The POA Focus Group reviews and annually approves the plans submitted by the AEs agreeing to administer the program in compliance with standards and guidance. Information is submitted in two parts. The first part is due each November and typically includes various acknowledgments, policies, and procedures. The second part is due each April and reports on compliance with oversight requirements. Final approval of the POA is evaluated after the completion of the second submission.

### **Reviewer Performance Focus Group**

The Reviewer Performance Focus Group reviews the reviewer performance monitoring report prepared by AICPA staff. This report summarizes AICPA staff’s procedures to evaluate and monitor peer reviewers and AEs for compliance with standards. The focus group evaluates the results to determine if further action should be taken when performance continues to be unsatisfactory or not in compliance with standards.

### **Conclusion**

Based on the results of the oversight procedures performed in 2024, the OTF concluded the objectives of the PRB oversight program were met.

Respectfully submitted,

*Kim D. Meyer*

Kim D. Meyer, Chair  
Oversight Task Force  
AICPA Peer Review Board

## AICPA Peer Review Program

The AICPA Peer Review Program is an important part of the AICPA's Enhancing Audit Quality (EAQ) initiative. Data gathered from the program is used to identify where quality challenges may arise and evaluate whether the EAQ initiatives result in the desired outcomes.

There are approximately 17,700 firms currently enrolled in the program within the United States and its territories, that have a peer review performed once every three years. In recent years, the AICPA has noted a decrease in the number of firms enrolled in the program. This is attributed to firm mergers and firms no longer performing accounting and auditing engagements that would subject them to a peer review. There are also approximately 1,500 firms enrolled in the program that indicated they do not currently perform any engagements subject to peer review. Between 2022–2024, approximately 6,700 peer reviews were performed annually by 800 individuals acting as captains for system or engagement reviews. Refer to Appendix 2 for an additional overview of the program and information about the AEs.

### Results of AICPA Peer Review Program

#### *Overall results*

Between 2022–2024, approximately 19,600 peer reviews were accepted in the program. During this three-year period, more peer reviews were accepted than the number of firms currently enrolled as peer review due date extensions related to the COVID-19 pandemic caused some firms to have more than one peer review accepted. Additionally, some firms resigned from the program after their peer review was accepted. Exhibit 1 shows a summary of these reviews by type of peer review and report issued. The overall results of the reviews accepted during the three-year period by report type were:

	System Reviews	Engagement Reviews
Pass	82%	85%
Pass with deficiency(ies)	12%	10%
Fail	6%	5%

A list of recent examples of matters noted in peer review is available on the [AICPA's website](#). Although this list is not all-inclusive and is not representative of all peer review results, it contains examples of noncompliance with professional standards (both material and immaterial) that were most frequently identified during the peer review process.

Exhibit 2 summarizes the number and type of reasons by quality control element as defined by the Statements on Quality Control Standards (SQCS), for report deficiencies (that is, pass with deficiency[ies] or fail) on system reviews accepted between 2022–2024 in the program.

#### *Nonconforming engagements identified*

The standards state that a nonconforming engagement is an engagement not performed or reported on in accordance with the requirements of applicable professional standards in all material respects. Materiality refers to misstatements, including omissions, where there is substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user. Exhibit 3 shows the total number of individual engagements reviewed for both system and engagement reviews, along with those identified as nonconforming.

The percentage of nonconforming engagements identified each year between 2022–2024 (for system and engagement reviews combined) were:

Year	% of nonconforming engagements
2022	13%
2023	12%
2024	12%

The percentage of nonconforming audit engagements each year were:

Year	% of nonconforming audits
2022	23%
2023	19%
2024	18%

#### *Corrective actions and implementation plans*

During the report acceptance process, an AE's peer review committee determines the need for, and type of, corrective actions or implementation plans (both herein after referred to as follow-up actions) by considering the nature and significance of findings, deficiencies, or significant deficiencies. It also considers whether the reviewed firm's actions taken or planned to remediate nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible.

Corrective actions are remedial in nature and are intended to strengthen the performance of the firm. The firm acknowledges that it will perform and complete the required corrective action plan as a condition of its peer review acceptance. The firm's peer review is not complete until the AE is satisfied that the corrective actions were sufficiently performed.

In addition to corrective actions, there may be instances in which an implementation plan is required to be completed by the firm as a result of findings. There can be multiple corrective actions and implementation plans required on an individual review. For implementation plans, the firm is required to acknowledge that it will perform and complete the implementation plan as a condition of cooperation with the AE and the PRB. Agreeing to and completing such a plan is *not* tied to the acceptance of the peer review. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to fair procedures that could result in the termination of the firm's enrollment in the program.

See Exhibit 4 for a summary of follow-up actions required.

#### **Oversight process**

The PRB is responsible for oversight of all AEs. In turn, each AE is responsible for overseeing peer reviews and peer reviewers for the jurisdictions it administers. See Exhibit 5 for a list of approved AEs. This responsibility includes having written oversight policies and procedures.

All states and jurisdictions that require peer review accept the program as satisfying their peer review licensing requirements. Most state boards of accountancy (SBOAs) actively monitor peer

review results and have the ability to oversight AEs' administration of the program. This report does not describe or report on that process.

## **Objectives of PRB oversight process**

The PRB appointed the OTF to oversee the administration of the oversight program and make recommendations regarding oversight procedures. The main objectives of the OTF are to provide reasonable assurance that:

- AEs comply with the administrative procedures established by the PRB,
- Reviews are conducted and reported upon in accordance with the standards,
- Results of the reviews are evaluated on a consistent basis by all AE peer review committees, and
- Information disseminated by AEs is accurate and timely.

The oversight program also establishes a communications link with AEs and builds a relationship that enables the PRB to:

- Obtain feedback from AEs' peer review committees and staff,
- Provide consultation on matters applicable to specific AEs, and
- Develop guidance on a national basis, when appropriate.

## **OTF oversight procedures**

The following program oversight procedures were performed:

### ***Oversights of the Administering Entities***

#### **Description**

Each AE is overseen by a member of the OTF on a rotating basis. No member of the OTF is permitted to perform the oversight of the AE in the state that his or her main office is located, where he or she serves as a committee member or technical reviewer, may have a conflict of interest (for example, performing the oversight of the AE that administers the OTF member's firm's peer review), or where he or she performed the most recently completed oversight.

#### **Oversight procedures**

During these oversights, the OTF member will:

- Meet with the AE's peer review committee during its consideration of peer review documents,
- Evaluate a sample of peer review documents and applicable working papers,
- Interview the administrator(s), technical reviewer(s), CPA on staff and peer review committee chair, and
- Evaluate the various policies and procedures for administering the program.

As part of the oversight, the AE completes an information sheet that documents policies and procedures in the areas of administration, technical review, peer review committee, report acceptance, and oversight processes in administering the program. The OTF member evaluates the information sheet, results of the prior oversight, comments from RAB observations, and compliance with benchmarks to develop a risk assessment. A comprehensive oversight work

program that contains the various procedures performed during the oversight is completed with the OTF member's comments. At the end of the oversight, the OTF member discusses any comments identified during the oversight with the AE's peer review committee and CPA on staff. The OTF member then issues an AICPA Oversight Report (oversight report) to the AE that discusses the purpose of the oversight and objectives of the oversight program considered in performing those procedures. The oversight report also contains the OTF member's conclusion about whether the AE has complied with the program's administrative procedures, standards and other guidance, in all material respects.

In addition to the oversight report, the OTF member issues an AICPA Oversight Letter of Procedures and Observations (letter) that details the oversight procedures performed and observations noted by the OTF member. The letter also includes recommendations to enhance the quality of the AE's administration of the program. The AE is then required to respond, in writing, to any findings included in the oversight report and letter or, at a minimum, acknowledge the oversight if there are no findings reported. The oversight documents, which include the oversight report, letter, and the AE's response, are presented to the OTF for acceptance. The AE may be required to complete corrective actions as a condition of acceptance. The acceptance letter would reflect corrective actions, if any. A copy of the acceptance letter, the report, letter, and the AE's response are available on the [AICPA's website](#).

## **Results**

For 2022–2024, a member of the OTF performed an oversight for the AEs listed in Exhibit 6. See Exhibit 7 for a summary of comments from the oversights performed.

### ***RAB observations***

#### **Description**

The primary objectives of RAB observations are to determine whether:

- Reviews are conducted and reported on in accordance with the standards,
- Results of reviews are evaluated on a consistent basis within an AE and in all jurisdictions,
- Administrative procedures established by the PRB are being followed, and
- Administrators, technical reviewers, peer review committee/RAB members and the CPA on staff are complying with applicable benchmarks monitored through RAB observations.

RAB observations allow for real-time feedback to RABs and AEs, which helps improve overall quality and consistency of the RAB process. The process for RAB observations is similar to the process used during the AE oversights. Prior to the meeting, the RAB observer receives the materials that will be presented to the RAB, selects a sample of reviews of firms enrolled in the program, and reviews the materials. During the meeting, the RAB observer offers comments at the close of discussions on issues or items noted during his or her review of the materials. All significant items that were noted by the RAB observer, but not the RAB, are included as comments in the RAB observation report, which is reviewed and approved by the OTF. The final report is sent to the AE's peer review committee chair and CPA on staff. Peer review committees may respond after the final report is issued by the OTF.

## Results

For 2022–2024, most AEs had at least two RAB observations each year. RAB observations were performed by OTF members or AICPA staff. Recurring comments generated by RAB observations are summarized in Exhibit 8. Individual peer reviews selected during an observation incorporate an element of risk and are not reflective of the entire population. RAB observation results for 2022–2024 are as follows:

	2022	2023	2024
RAB meetings observed	79	56	53
Peer reviews selected during observations	290	198	199
Peer reviewers	199	146	154
Based on observers' comments:			
Acceptance delayed or deferred	23	17	19
Feedback forms issued to reviewers	0	1	0

The number of reviews delayed or deferred as a result of the RAB observers' comments increased from 7.9% in 2022 to 8.6% in 2023 and 9.5% in 2024.

## Enhanced oversights

### Description

Enhanced oversights are performed by subject matter experts (SMEs). SMEs include current or former members of the applicable Audit Quality Center executive committee and expert panels, current or former PRB members, individuals from firms that perform a large number of engagements in a must-select category, individuals recommended by the Audit Quality Center executive committees and expert panel members, and other individuals approved by the OTF. Enhanced oversights are one element of the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative.

The enhanced oversights identify areas that need improvement and provide meaningful data to inform other EAQ activities. As a result of these oversights, the PRB has approved multiple initiatives to improve reviewer performance on must-select engagements, such as additional training requirements for reviewers. The results of the enhanced oversight findings are shared with other teams at the AICPA to further the goal of improving audit quality.

### Enhanced oversight samples

One objective of the enhanced oversight program is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether engagements are properly identified as nonconforming. Ordinarily this objective is achieved through the selection of two samples.

- *Random sample* – Selected from all peer reviews that include at least one must-select engagement. Each peer review included in the population has an equal chance of being selected for oversight.
- *Risk-based sample* – Selected based on certain criteria established by the OTF.

The oversight samples are selected from peer reviews with must-select engagements performed during the calendar year.

Beginning in 2021, peer reviewers generally were limited to being selected for oversight, no more than once per year. These oversights neither replace nor reduce the minimum number of oversights required by AEs.

### **Enhanced oversight scope**

Enhanced oversights focus exclusively on must-select engagements. Prior to 2021, when *Government Auditing Standards* engagements with single audits were selected, the oversight focused only on the single audit portion of the audit. Beginning in 2021, the entire engagement was reviewed as part of these oversights. Most oversights are performed on employee benefit plan, single audit, and *Government Auditing Standards* engagements as these are the most common must-select engagements. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight.

### **Enhanced oversight process**

After the peer review working papers and report are submitted to the AE, AICPA staff notifies the peer reviewer and the firm of the oversight.

The SME reviews the same engagement financial statements and working papers and compares his or her results to those of the peer reviewer. The SME issues a report, with comments, if applicable, detailing any material items not identified by the peer reviewer that cause the engagement to be considered nonconforming. If the report includes comments, the peer reviewer has an opportunity to provide a letter of response explaining whether he or she agrees with the oversight report and any additional procedures that he or she will perform.

The enhanced oversight report and the peer reviewer's letter of response (if applicable) are provided to the AE for consideration during the peer review report acceptance process. If the peer reviewer disagrees with the results of the oversight, the AE will follow the disagreement guidance in the standards.

AICPA staff monitors the effects of the oversights on the peer review results (report rating change from "pass" to "pass with deficiency" or "pass with deficiency" to "fail"), and the type of reviewer performance feedback (feedback form or performance deficiency letter) issued to the peer reviewer, if any.

### **OTF review of enhanced oversight reports**

The OTF reviews and approves the draft enhanced oversight reports prepared by the SMEs, for consistency and to verify that the items identified by the SMEs are material departures from professional standards.

### **Feedback issued from the enhanced oversight process**

The OTF monitors the types of feedback issued when a nonconforming engagement was not originally identified by the peer reviewer or when the peer reviewer identified the engagement as nonconforming but did not identify additional material items. If an AE does not issue feedback, the OTF considers if any further actions are necessary, including whether to issue feedback as a performance finding or performance deficiency, or a performance deficiency letter to the peer reviewer.

- *Performance finding* – Issued when a peer reviewer does not identify a nonconforming engagement but demonstrates sufficient knowledge and experience required to review the engagement.

- *Performance deficiency* – Issued when a peer reviewer does not identify a nonconforming engagement and does not demonstrate sufficient knowledge and experience required to review the engagement.
- *Performance deficiency letter* – Issued when a peer reviewer has a pattern of performance findings, or more than one performance deficiency is noted.

## Results

The table below summarizes the annual combined results for the random and risk-based samples.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2015	190	104	55%	42	40%
2016	108	38	35%	18	47%
2017	87	43	49%	27	63%
2018	185	108	58%	68	63%
2019	79	46	58%	37	80%
2020	*	*	*	*	*
2021	34	14	41%	7	50%
2022	105	45	43%	28	62%
2023	67	23	34%	12	52%
2024**	75	20	27%	12	60%

\* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020 and resumed in September 2021.

\*\* As of the date of this report, the 2024 overall enhanced oversight sample is 77% complete.

The following table summarizes the annual results for the random sample.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2015	85	47	55%	26	55%
2016	41	18	44%	9	50%
2017	54	21	39%	13	62%
2018	95	47	49%	33	70%
2019	77	44	57%	35	80%
2020	*	*	*	*	*
2021	*	*	*	*	*
2022	81	36	44%	26	72%
2023	62	23	37%	12	52%
2024**	53	16	30%	10	63%

\* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020. Oversight resumed in September 2021; however, no random oversights were performed.

\*\* As of the date of this report, the 2024 random enhanced oversight sample is 76% complete.

The PRB's focus on oversight and reviewer education has led to improvements in peer reviewer performance, which resulted in improved firm performance and higher audit quality.

Exhibit 9 lists items identified by SMEs that were not identified by the peer reviewer that, either individually or in the aggregate, led to a nonconforming engagement.

### ***Oversight by the AEs' peer review committees***

The AEs' peer review committees are responsible for monitoring and evaluating peer reviews of those firms whose main offices are in the jurisdiction(s) the AE administers. Peer review committees may designate a task force to be responsible for monitoring its oversight program.

In conjunction with AE staff, the peer review committee establishes oversight policies and procedures that at least meet the minimum requirements established by the PRB to provide reasonable assurance that:

- Reviews are administered in compliance with the administrative procedures established by the PRB,
- Reviews are conducted and reported on in accordance with the standards,
- Results of reviews are evaluated on a consistent basis,
- Open reviews are monitored on a timely and consistent basis, and
- Information disseminated by the AE is accurate and timely.

AEs are required to submit their oversight policies and procedures to the OTF on an annual basis. The following oversight procedures are performed as part of the AE oversight program:

### ***Oversight of peer reviews and peer reviewers***

#### **Description**

Throughout the year, the AE selects various peer reviews for oversight. The selections for oversight are made by the peer review committee chair or designated task force of peer review committee members, based on input from AE staff, technical reviewers, and peer review committee members and can be on a random or targeted basis. The oversight may consist of completing a full working paper review after the review has been performed but prior to presenting the peer review documents to the peer review committee. The oversight may also consist of having a peer review committee member or designee perform certain procedures, either while the peer review team is performing the review or after the review. It is recommended that the oversight be performed prior to presenting the peer review documents to the peer review committee, as this allows the peer review committee to consider all the facts before accepting the review. However, a RAB may review the peer review documents and decide an oversight should be performed before they can accept the peer review.

As part of its oversight process, the peer review committee considers various factors and criteria when selecting peer reviews for oversight, such as the following.

- *Firm based* – Selection considers various factors, such as the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement review), and whether the firm conducts engagements in high-risk industries.
- *Reviewer based* – Selection considers various factors, including random selection, an unusually high percentage of pass reports compared to non-pass reports, conducting a significant number of reviews for firms with audits in high-risk industries, or performing a

high volume of reviews. Oversight of a reviewer can also occur due to previously noted performance deficiencies or a history of performance deficiencies, such as issuing an inappropriate peer review report, not considering significant matters or failure to select an appropriate number and cross-section of engagements.

- *Minimum requirements* – At a minimum, typically each AE is required to conduct oversight on two percent of all reviews accepted in a 12-month period (ordinarily the previous calendar year), and within the two percent selected, there must be at least two system and two engagement reviews.
- *Exception* – AEs that administer fewer than 25 engagement reviews annually are required to perform a minimum of one engagement review oversight. Waivers may be requested in hardship situations, such as a natural disaster or other catastrophic event.

## Results

For 2024, AEs conducted oversight on 177 reviews. There were 102 system and 75 engagement reviews overseen. See exhibit 10 for a summary of oversights by AEs.

### ***Evolution of peer review administration***

#### **Description**

The evolution of peer review administration is another important part of the AICPA's EAQ initiative, with the objective to ultimately improve audit performance by increasing the consistency, efficiency, and effectiveness of the program administration.

Each of the state CPA societies and all AEs are integral to the success of the program, which is enormous in both scope and size across the country. Their commitment to meeting the needs of practitioners, members, and regulators is tremendous. At the same time, the need for an evolution of peer review administration is overwhelmingly validated by stakeholder feedback.

#### **Benchmark model**

As part of evolution and the AICPA's EAQ initiative, the PRB approved AE benchmarks to enhance overall quality and effectiveness of program administration. Benchmarks are divided into four categories based on the individual(s) with primary responsibility: administrators, technical reviewers, peer review committee/RAB members, and the CPA on staff. The benchmarks include qualitative, objective measurable criteria, which may be modified over time due to advances in technology and other factors. The OTF continues to evaluate the benchmark measurements and make modifications, as needed.

AEs are subject to fair procedures when there is a pattern of consistent noncompliance with the benchmarks. When this occurs, the OTF will monitor the AE to determine if their remediation plan is successful.

## Results

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. See Exhibit 11 for a summary of results for 2024.

The following shows the results of the program between 2022–2024 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review.

#### **System Reviews**

	2022		2023		2024		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,682	81	2,208	80	2,430	83	7,320	82
<i>Pass with deficiency(ies)</i>	419	13	344	13	339	12	1,102	12
<i>Fail</i>	200	6	195	7	162	5	557	6
<b><i>Subtotal</i></b>	<b>3,301</b>	<b>100</b>	<b>2,747</b>	<b>100</b>	<b>2,931</b>	<b>100</b>	<b>8,979</b>	<b>100</b>

#### **Engagement Reviews**

	2022		2023		2024		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	3,180	84	2,881	85	2,932	86	8,993	85
<i>Pass with deficiency(ies)</i>	436	11	326	10	331	10	1,093	10
<i>Fail</i>	182	5	179	5	155	4	516	5
<b><i>Subtotal</i></b>	<b>3,798</b>	<b>100</b>	<b>3,386</b>	<b>100</b>	<b>3,418</b>	<b>100</b>	<b>10,602</b>	<b>100</b>

A system review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including QC section 10, *A Firm's Systems of Quality Control*, in all material respects. QC section 10 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm ("the tone at the top"), relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, and monitoring.

The following table lists the reasons for report deficiencies (that is, pass with deficiency[ies] or fail reports) from system reviews in the program accepted between 2022–2024 summarized by each element of quality control as defined by QC section 10. Since pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in Exhibit 1, *"Results by type of peer review and report issued."*

REASON	2022	2023	2024
Leadership responsibilities for quality within the firm ("the tone at the top")	89	88	60
Relevant ethical requirements	26	36	29
Acceptance and continuance of client relationships and specific engagements	64	52	64
Human resources	288	245	219
Engagement performance	465	392	370
Monitoring	277	246	227
<b>TOTALS</b>	<b>1,209</b>	<b>1,059</b>	<b>969</b>

The following shows the total number of engagements reviewed, for both system and engagement reviews, and the number identified as not performed or reported on in conformity with applicable professional standards in all material respects (nonconforming) from peer reviews accepted between 2022–2024 in the program.

Engagement Type	2022			2023			2024		
	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%
Audits:									
Single Audits	1,238	402	32%	1,272	385	30%	1,294	429	33%
Government Auditing Standards - All Other	1,592	357	22%	1,460	260	18%	1,578	288	18%
ERISA	2,085	462	22%	1,926	423	22%	1,821	374	21%
FDICIA	53	17	32%	62	3	5%	56	4	7%
Other	4,252	857	20%	4,102	631	15%	4,347	586	13%
Reviews	4,934	579	12%	4,316	515	12%	4,464	488	11%
Compilations & Preparations:									
With Disclosures	2,975	242	8%	2,512	172	7%	2,623	138	5%
Omit Disclosures	8,030	551	7%	6,864	391	6%	7,181	431	6%
Forecasts & Projections	9	1	11%	8	1	13%	13	0	0%
SOC® Reports	214	15	7%	236	37	16%	216	41	19%
Agreed Upon Procedures	1,290	95	7%	935	94	10%	1,041	103	10%
Other SSAEs	181	18	10%	147	34	23%	168	9	5%
<b>Totals</b>	<b>26,853</b>	<b>3,596</b>	<b>13%</b>	<b>23,840</b>	<b>2,946</b>	<b>12%</b>	<b>24,802</b>	<b>2,891</b>	<b>12%</b>

The AEs' peer review committees are authorized by the standards to decide on the need for and nature of any additional follow-up actions required as a condition of cooperation or acceptance of the firm's peer review. Follow-up actions include both corrective actions and implementation plans and offer education and remediation guidance to firms. These provide a mechanism for the peer review committee to monitor firms' remedial actions in response to deficiencies and findings. A review can have multiple corrective actions and/or implementation plans. For 2022–2024 reviews, the following represents the type of corrective actions and/or implementation plans required.

Type of follow-up action	2022	2023	2024
Agree to take/submit proof of certain CPE	2,280	1,901	1,813
Submit to review of remediation of nonconforming engagements	292	250	272
Agree to pre-issuance reviews	423	362	332
Agree to post-issuance reviews	488	475	457
Agree to hire outside party to review completion of intended remedial actions	115	73	90
Agree to hire an outside party to review the firm's internal monitoring or inspection report	159	104	95
Submit to outside party revisit	44	2	0
Elect to have accelerated review	1	1	2
Submit evidence of proper licensure	79	76	60
Firm represented in writing they no longer perform engagements in the industry or level of service	63	69	56
Agree to hire outside party to perform inspection	24	25	35
Outside party to review Quality Control Document	24	33	26
Submit proof of purchase of manuals	10	11	6
Agree to join an Audit Quality Center	24	23	24
Other	69	62	57
<b>TOTALS</b>	<b>4,095</b>	<b>3,467</b>	<b>3,325</b>

<b>Administering Entity</b>	<b>Licensing jurisdiction(s)</b>
California Society of CPAs	California, Arizona, Alaska
Coastal Peer Review, Inc.	Maryland, North Carolina
Colorado Society of CPAs	Colorado, New Mexico, Washington
Connecticut Society of CPAs	Connecticut
Florida Institute of CPAs	Florida
Georgia Society of CPAs	Georgia
Society of Louisiana CPAs	Louisiana
Michigan Association of CPAs	Michigan
Minnesota Society of CPAs	Minnesota, North Dakota
Missouri Society of CPAs	Missouri
National Peer Review Committee	All jurisdictions
Nevada Society of CPAs	Nevada, Idaho, Montana, Nebraska, Utah, Wyoming
New England Peer Review, Inc.	Maine, Massachusetts <sup>2</sup> , New Hampshire <sup>2</sup> , Rhode Island, Vermont
New Jersey Society of CPAs	New Jersey
The Ohio Society of CPAs	Ohio
Oklahoma Society of CPAs	Oklahoma, Kansas, South Dakota
Oregon Society of CPAs	Oregon, Guam, Hawaii, Northern Mariana Islands
Partners in Peer Review	Alabama, Arkansas, Mississippi
Peer Review Alliance	Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, Wisconsin
Pennsylvania Institute of CPAs	Pennsylvania, Delaware, New York, Virgin Islands
Puerto Rico Society of CPAs	Puerto Rico
Tennessee Society of CPAs	Tennessee
Texas Society of CPAs	Texas
Virginia Society of CPAs	Virginia, District of Columbia

<sup>2</sup> Effective May 2024. Previously administered by the Massachusetts Society of CPAs.

For the years 2022 - 2024, an OTF member performed an oversight of each of the following AEs. The most recent oversight results are available on the [AICPA's website](#).

2022	2023	2024
California	Coastal Peer Review, Inc.	California
Florida	Colorado	Georgia
Georgia	Connecticut	Massachusetts
Michigan	Louisiana	Michigan
Missouri	Minnesota	Missouri
National Peer Review Committee	Oklahoma	National Peer Review Committee
Nevada	Peer Review Alliance	Nevada
New England Peer Review, Inc.	Puerto Rico	New England Peer Review, Inc.
New Jersey	Texas	New Jersey
Ohio	Virginia	
Oregon		
Partners in Peer Review		
Pennsylvania		
Tennessee		

The following represents a summary of comments by the OTF for the 2022, 2023, and 2024 AE oversights. The comments are not indicative of every AE and may have been a single occurrence that has since been corrected.

#### Administrative procedures

- Appropriate signed versions of confidentiality agreements were not obtained based on the individual's role (e.g., administrator, technical reviewer, CPA on staff or committee member), did not adhere to the current templates, or were not obtained timely.
- AE did not timely notify AICPA staff to disable computer system access of technical reviewers after their resignation.
- Open reviews, including those with overdue corrective actions or implementation plans did not appear to be actively monitored for completion.
- Prior review documents for some peer reviews were not included in the materials for the RAB as required.
- The AE's website contained several instances of outdated information.
- A hearing referral decision letter regarding a firm's consecutive non-pass peer review report was sent before the committee determined whether to refer the firm.

#### Technical reviewer procedures

- Technical reviewer did not initially identify or sufficiently address issues noted by the OTF member.
- During the year, over 10% of peer reviews presented were deferred by the RAB, at times due to matters not initially addressed by the technical reviewer.
- Reviews were not consistently presented to the RAB within 120 days of receipt of working papers from the reviewer.
- Engagement reviews meeting the criteria to be accepted by the technical reviewer were not consistently accepted within 60 days of receipt of working papers from the reviewer.
- Technical reviewer did not recommend reviewer performance feedback when significant revisions to the peer review documentation were requested prior to presentation to the RAB.
- Technical reviewer did not complete a required initial technical reviewer training course prior to serving as a technical reviewer.

#### CPA on staff procedures

- No individuals with current experience in a must-select category included in a review were scheduled to participate in the RAB meeting.
- Information provided to the peer review committee to assess firm noncooperation was incomplete.
- Documentation of the RAB's decision of potential firm referrals for noncooperation related to consecutive non-pass reports was not consistently maintained resulting in instances where it was unclear how the RAB overcame the mandatory presumption to refer firms receiving three or more consecutive non-pass reports.
- Documentation of the peer review committee/RAB's evaluation of potential firm referrals related to consecutive non-pass reports was incomplete and did not include the specific assessment considerations required by standards.
- Individuals involved in the administration of the program were simultaneously involved in enforcement related work.

- A state board of accountancy employee participating in an administrative site visit performed by a Peer Review Oversight Committee (PROC) was allowed access to confidential information.
- A PROC member observing a RAB meeting was improperly provided confidential information when they had a conflict of interest.
- Evaluations for technical reviewers were not completed annually as required.
- Although certain training was taken timely, the CPA on staff did not complete all required training within 90 days of assuming the role. The relevant training was subsequently completed.

#### Peer review committee/RAB procedures

- The RAB did not initially identify issues noted by the OTF member.
- Post-issuance review reports indicated continued significant issues in firm engagement quality; however, additional corrective actions were not issued due to the firm's next peer review being imminent.
- RABs did not issue reviewer performance feedback when appropriate.
- RAB members did not complete the required introductory RAB member training course.
- The administering entity's procedures for evaluating firms with consecutive non-passing reports were not consistently followed or did not align with program guidance.

The following are example comments generated from RAB observations performed by AICPA staff and OTF members for 2022, 2023, and 2024. These comments provide the AEs' peer review committee/RAB members, technical reviewers, and CPAs on staff with information that will increase consistency and improve the peer review process. The comments vary in degree of significance and are not applicable to all the respective parties.

- Firm representation letters were not tailored appropriately or not consistent with the standards.
- RAB agreed to a recommended implementation plan or corrective action that was not in accordance with guidance.
- Peer review report was not properly tailored or was not consistent with the standards.
- Technical issues and questions were not appropriately identified and/or addressed before presentation to the RAB.
- RAB did not include the minimum number of qualified members (e.g., team captain qualified for system reviews or RAB member with current must-select engagement experience) to present, discuss, and accept a peer review.
- RAB inappropriately applied peer review guidance related to noncompliance with risk assessment standards.
- Peer review documentation contained inconsistencies that made it unclear if the peer review report rating was appropriate.
- Finding or deficiency was not written systemically, did not clearly indicate whether it was related to design or compliance issues, or did not reference the relevant elements of quality control.
- Finding or deficiency was improperly identified as a repeat.
- The nature and significance of reviewer's current and prior performance issues were not communicated to the RAB to consider feedback.
- Engagement summary statistics did not reflect the correct number or types of engagements reviewed.
- RAB or PROC members had conflicts of interest with peer reviews presented for acceptance that were not previously identified.

The following are example material departures from professional standards identified by the SMEs in the 2023 and 2024 samples that were not identified by the peer reviewers. The SMEs identified these departures, individually or in the aggregate, as instances in which an engagement was not performed or reported on in accordance with the requirements of applicable professional standards in all material respects.

*Employee Benefit Plan engagements*

- Failure to present the auditor's opinion in accordance with standards.
- Failure to perform walkthroughs or other procedures to determine whether significant controls were implemented for all significant audit areas.
- Failure to include schedule of delinquent contributions when late deposits were identified.
- Failure to appropriately include sufficient documentation such that an experienced auditor can understand the nature, timing, and extent of procedures performed; results of procedures performed; audit evidence obtained; conclusions reached; and any professional judgments used.

*Single audit and Government Auditing Standards engagements*

- Failure to appropriately document or perform a risk assessment including not assessing risk at the assertion level, not supporting inherent risk assessments, not properly linking audit procedures performed to the risk assessment, and not documenting understanding of controls including IT.
- Failure to appropriately document independence matters related to non-attest services including management's SKE, significant threats to independence, and safeguards applied to reduce significant threats to an acceptable level.
- Failure to sufficiently test or document testing of all direct and material compliance requirements.
- Failure to sufficiently test or document testing of controls over compliance for all direct and material compliance requirements.
- Failure to adequately justify or determine sample size to sufficiently test control and compliance attributes.
- Inappropriately assessed control risk at moderate or high for all direct and material compliance requirements when it is required that the auditor plan the audit to achieve a low level of control risk.
- Failure to document controls over the preparation of the Schedule of Expenditures of Federal Awards.
- Insufficient documentation of auditor analysis and judgment of which applicable compliance requirements were determined not to be direct and material.
- Failure to sufficiently document an understanding of the five components of internal control to assess risks of noncompliance with each direct and material compliance requirement.
- Failure to update the auditor's report for SAS 134.

The following shows the number of oversights performed by each AE for 2024.

Administering Entity	2024 Type of review/oversights		
	System	Engagement	Total
California	12	9	21
Coastal Peer Review	3	3	6
Colorado	3	3	6
Connecticut	2	2	4
Florida	5	3	8
Georgia	2	2	4
Louisiana	3	2	5
Michigan	2	2	4
Minnesota	2	2	4
Missouri	2	2	4
National Peer Review Committee	18	1	19
Nevada	2	3	5
New England Peer Review	3	3	6
New Jersey	2	3	5
Ohio	4	3	7
Oklahoma	2	2	4
Oregon	3	2	5
Partners in Peer Review	3	4	7
Peer Review Alliance	6	8	14
Pennsylvania	12	4	16
Puerto Rico	4	0	4
Tennessee	3	2	5
Texas	2	8	10
Virginia	2	2	4
<b>Total</b>	<b>102</b>	<b>75</b>	<b>177</b>

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. The following shows the number of AEs not in compliance during at least one of the benchmark reporting periods in 2024.

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)	2024
<b>Administrators</b>			
Admin 1	Perform tasks associated with cases and letters in PRIMA within 14 calendar days of receipt. Over this reporting period, an AE should have fewer than 10% not performed within this timeframe.	3	
Admin 2	Provide RAB materials to RAB members at least seven calendar days before RAB meetings.	1	
<b>Technical Reviewers</b>			
TR 1	Meet all qualifications established in guidance, including ethical and training requirements.	3	
TR 2	Perform the technical review in accordance with guidance.	3	
TR 3	Maintain objectivity and skepticism to mitigate familiarity threats and implement appropriate safeguards while performing the technical review.	0	
TR 4	Complete technical reviews to meet the 120-day requirement for initial presentation of reviews. Over this reporting period, an AE should have fewer than 10% of reviews not presented within this timeframe.	4	
TR 5	Complete technical reviews to meet the 60-day requirement for engagement reviews with certain criteria. Over this reporting period, an AE should have fewer than 10% of reviews not accepted within this timeframe.	0	
TR 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.	6	
TR 7	Evaluate reviewer performance history and if it has an impact on the current review summarize it for the RAB.	0	
TR 8	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.	1	

Benchmark reference	Benchmark	2024	AEs not in compliance during one or more reporting periods (#)
TR 9	Be available to the RAB regarding their technical reviews being presented to answer questions to avoid deferrals or delays.	1	
<b>Committee/RAB</b>			
Comm/RAB 1	Meet all qualifications established in guidance, including ethical and training requirements.	0	
Comm/RAB 2	Follow peer review guidance in the evaluation and acceptance of peer reviews.	1	
Comm/RAB 3	Maintain objectivity and skepticism to mitigate familiarity threats and implement appropriate safeguards while considering the results of peer reviews.	1	
Comm/RAB 4	Issue reviewer performance feedback forms and performance deficiency letters when appropriate.	0	
Comm/RAB 5	Waive or replace corrective actions and implementation plans in accordance with guidance.	1	
Comm/RAB 6	Evaluate firms receiving consecutive non-pass reports to determine if they are complying with the requirements of the program. These evaluations should – <ul style="list-style-type: none"> <li>• Be performed at the appropriate time,</li> <li>• Include the previous peer review documents, and</li> <li>• Include each consideration in the relevant guidance.</li> </ul>	14	
Comm/RAB 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.	3	
<b>CPA on staff</b>			
CPA 1	Submit benchmark forms signed by CEO and CPA on staff to OTF by due date.	1	
CPA 2	Monitor committee and RAB members' qualifications in accordance with guidance.	1	
CPA 3	RAB composition includes individuals with current experience in must-select engagements.	0	
CPA 4	A minimum of three RAB members to evaluate each item related to a peer review that requires RAB consideration.	0	

Benchmark reference	Benchmark	2024	AEs not in compliance during one or more reporting periods (#)
CPA 5	Monitor and address conflicts of interest in accordance with guidance to ensure that individuals recuse appropriately.	0	
CPA 6	Maintain documentation of committee/RAB's evaluation of potential firm referrals related to consecutive non-pass reports.	0	
CPA 7	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	1	
CPA 8	Scheduling error overrides are appropriate and approved in accordance with guidance.	1	
CPA 9	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.	0	
CPA 10	Respond to requests from OTF or AICPA staff by due date.	0	
CPA 11	Submit complete Plan of Administration signed by the CEO and CPA on staff including all AE oversight requirements by April 1.	4	
CPA 12	Submit complete Plan of Administration signed by the CEO and CPA on staff by November 1.	1	
CPA 13	Meet all qualifications of the CPA on staff, including ethical and training requirements.	1	
CPA 14	Obtain appropriate signed versions of confidentiality agreements annually, based on the individual's role, including AE staff, technical reviewers, committee/RAB members, and Peer Review Oversight Committee (PROC) members (as applicable).	1	

A system of internal inspection was first used regularly in the early 1960s, when a number of large firms used this method to monitor their accounting and auditing practices and to make certain that their different offices maintained consistent standards. Firm-on-firm peer review emerged in the 1970s. No real uniformity to the process existed until 1977, when the AICPA's Governing Council (council) established the Division for CPA Firms to provide a system of self-regulation for its member firms. Two voluntary membership sections within the Division for CPA Firms were created—the SEC Practice Section (SECPS) and the Private Companies Practice Section (PCPS).

One of the most important membership requirements common to both sections was that once every three years, member firms were required to have a peer review of their accounting and auditing practices to monitor adherence to professional standards. The requirements also mandated that the results of peer review information be made available in a public file. Each section formed an executive committee to administer its policies, procedures, and activities as well as a peer review committee to create standards for performing, reporting, and administering peer reviews.

AICPA members voted overwhelmingly to adopt mandatory peer review, effective in January 1988, and the AICPA Quality Review Program was created. Firms could enroll in the newly created AICPA Quality Review Program or become a member of the Division for CPA Firms and undergo an SECPS or PCPS peer review. Firms enrolling in the AICPA Quality Review Program that had audit clients would undergo on-site peer reviews to evaluate the firm's system of quality control, which included a review of selected accounting and auditing engagements. Firms without audit clients that only performed engagements under the attestation standards or accounting and review services standards would undergo off-site peer reviews, which also included a review of selected engagements to determine if they were compliant with professional standards.

From its inception, the peer review program has been designed to be remedial in nature so that deficiencies identified within firms through this process can be effectively addressed. For firms that perform audits and certain other engagements, the peer review is accomplished through procedures that provide the peer reviewer with a reasonable basis for expressing an opinion on whether the reviewed firm's system of quality control for its accounting and auditing practice has been appropriately designed and whether the firm is complying with that system.

In 1990, a new amendment to the AICPA bylaws mandated that AICPA members who practice public accounting with firms that audit one or more SEC clients must be members of the SECPS. In 1994, council approved a combination of the PCPS Peer Review Program, and the AICPA Quality Review Program under the Program governed by the PRB, which became effective in 1995. Thereafter, because of this vote, the PCPS no longer had a peer review program.

The Sarbanes-Oxley Act of 2002 established the Public Company Accounting Oversight Board (PCAOB) as a private sector regulatory entity to replace the accounting profession's self-regulatory structure as it relates to public company audits. One of the PCAOB's primary activities is the operation of an inspection program that periodically evaluates registered firms' SEC issuer audit practices.

As a result, effective January 1, 2004, the SECPS was restructured and renamed the AICPA Center for Public Company Audit Firms (CPCAF). The CPCAF Peer Review Program (CPCAF PRP) became the successor to the SECPS Peer Review Program (SECPS PRP), with the objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with and inspected by the

PCAOB. Because many SBOAs and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAF PRP provided the mechanism (along with the PCAOB inspection process) to allow member firms to meet their SBOA licensing and other state and federal governmental agency peer review requirements.

Because both programs (AICPA and CPCAF PRPs) were only peer reviewing non-SEC issuer practices, the PRB determined that the programs could be merged and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved the revised standards effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the programs, at which time the CPCAF PRP was discontinued, and the program became the single program for all AICPA firms subject to peer review. Upon the dissolution of the CPCAF PRP, the activities of the former program were succeeded by the National Peer Review Committee (NPRC), a committee of the AICPA PRB.

Since peer review became a mandatory AICPA membership requirement in 1988, 53 states and territories have adopted peer review licensure requirements. Many licensees are also required to submit certain peer review documents to their SBOA as a condition of licensure. To help firms comply with state peer review document submission requirements, the AICPA created facilitated state board access (FSBA). FSBA allows firms to give permission to the AICPA or their AEs to provide access to the firms' documents (listed in the following paragraph) to SBOAs through a state-board-only-access website. Some jurisdictions now require their licensees to participate in FSBA, whereas others recognize it as an acceptable process to meet the peer review document submission requirements.

Documents included in FSBA are:<sup>3</sup>

- Peer review reports
- Letters of response (if applicable)
- Acceptance letters
- Letters signed by the reviewed firm indicating that the peer review documents have been accepted, with the understanding that the reviewed firm agrees to take certain actions (if applicable)
- Letters notifying the reviewed firm that required actions have been completed to the satisfaction of the peer review committee (if applicable)

Beginning in January 2020, in conjunction with peer review results described above, firms have been able to give permission to the AICPA or their AE to make other documents and objective information about their enrollment and current peer review available to SBOAs through FSBA. Objective peer review information includes the following, as applicable:

- The most current peer review program enrollment or reenrollment letter (if dated on or after January 1, 2020)
- Firm representation to the AE that it has not performed engagements subject to peer review in the last 12 months
- Identification of the due date of the current peer review and due date on any open corrective actions
- Peer review or corrective action extension letter

<sup>3</sup> As of February 2015, a firm's current and prior peer review documents are available via FSBA. The documents are available if the state participated in FSBA for both review periods, and the firm did not opt out of FSBA for either review.

- Letter acknowledging the peer review was scheduled
- Estimated dates of the peer review commencement and presentation to a RAB

AICPA bylaws require that members engaged in the practice of public accounting be with a firm that is enrolled in an approved practice-monitoring program or, if practicing in firms that are not eligible to enroll, the members themselves are enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice monitoring standards, and the firm or individual issues reports purporting to be in accordance with AICPA professional standards.

Firms enrolled in the program are required to have a peer review of their accounting and auditing practice once every three years, not subject to PCAOB permanent inspection, covering a one-year period. The peer review is conducted by an independent evaluator known as a *peer reviewer*. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role. An *accounting and auditing practice*, as defined by the standards, is "all engagements covered by Statements on Auditing Standards (SAs); Statements on Standards for Accounting and Review Services (SSARSs); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office (GAO); and engagements performed under PCAOB standards."

The following summarizes the different peer review types, objectives and reporting requirements as defined under the standards. There are two types of peer reviews: system reviews and engagement reviews.

**System reviews:** System reviews are for firms that perform engagements under the SAs or *Government Auditing Standards*, examinations under the SSAEs, or engagements under PCAOB standards. In addition, agreed-upon procedures, reviews, compilations, and preparation engagements are also included in the scope of the peer review. The peer reviewer's objective is to determine whether the firm's system of quality control for its auditing and accounting practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control (Redrafted)* (QC sec. 10)<sup>4</sup>, in all material respects. The peer review report rating may be *pass* (firm's system of quality control is adequately designed and firm has complied with its system of quality control); *pass with deficiency(ies)* (firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of deficiency(ies) described in the report); or *fail* (firm's system of quality control is not adequately designed to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects).

**Engagement reviews:** Engagement reviews are available only to firms that do not perform engagements under the SAs, *Government Auditing Standards*, examinations under the SSAEs, or audit or examination engagements performed under PCAOB standards not subject to PCAOB permanent inspection. The peer reviewer's objective is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. The peer review report may be a rating of *pass* when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A rating of *pass with deficiency(ies)* is

<sup>4</sup> QC section 10 can be found in AICPA *Professional Standards*.

issued when the reviewer concludes that at least one, but not all, the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *fail* is issued when the reviewer concludes that all engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects.

### **AEs**

Each state CPA society elects the level of involvement that it desires in the administration of the program. The three options are (1) self-administer; (2) arrange for another state CPA society or group of state societies to administer the program for enrolled firms whose main offices are located in that state; or (3) ask the AICPA to request another state CPA society to administer the program for enrolled firms whose main offices are located in that state. The PRB approved 24 state CPA societies, groups of state societies, or specific-purpose committees, known as AEs, to administer the Program in 2024. Those AEs agree to administer the program in compliance with the standards and related guidance materials issued by the PRB. Each AE is required to establish a peer review committee that is responsible for administration, acceptance, and oversight of the Program.

To receive approval to administer the program, AEs must agree to perform oversight procedures annually. The results of their oversight procedures are submitted as part of the annual Plan of Administration (POA). The annual POA is the AE's request to administer the program and is reviewed and approved by the OTF.

<u>Term</u>	<u>Definition</u>
Accounting and auditing practice	For peer review purposes this includes engagements under Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARSSs), Statements on Standards for Attestation Engagements (SSAEs), <i>Government Auditing Standards</i> (the Yellow Book) issued by the U.S. Government Accountability Office, or PCAOB standards. Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection.
AICPA Peer Review Board (PRB)	The AICPA senior technical committee that governs the Peer Review Program (program).
AICPA Peer Review Program Oversight Handbook	The handbook that includes the objectives and requirements of the AICPA PRB and the administering entity (AE) oversight process for the program.
Administering entity (AE)	A state CPA society, group of state CPA societies, the National Peer Review Committee, or other entity annually approved by the PRB to administer the program.
Agreed-upon procedures (AUP) engagement	An engagement in which a practitioner is engaged to issue, or does issue, a practitioner's report of findings based on specific agreed-upon procedures applied to subject matter for use by specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner's findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. Because the needs of specified parties may vary widely, the nature, timing, and extent of the agreed-upon procedures may vary, as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures because they best understand their own needs. In such an engagement, the practitioner does not perform an examination or a review and does not provide an opinion or conclusion. Instead, the report on agreed-upon procedures is in the form of procedures and findings.
Attest engagement	An engagement that requires independence, as set forth in the AICPA Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARSSs) and Statements on Standards for Attestation Engagements (SSAEs).

<u>Term</u>	<u>Definition</u>
Audit	An engagement which provides financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework.
Compilation	An engagement in which an accountant applies accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with SSARS without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.
Corrective action	Remedial actions prescribed by the committee, RAB, or PRB that should be agreed to and completed by reviewed firms or peer reviewers.
CPA on staff	The CPA responsible for managing the program at the AE.
Deficiency (engagement review)	One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards in all material respects. Deficiencies should be documented in a peer review report with a rating of <i>pass with deficiencies</i> or <i>fail</i> .
Deficiency (system review)	When evaluating the reviewed firm's system of quality control taken as a whole, one or more matters that the team captain has concluded could create a situation in which the reviewed firm would not have reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in one or more important respects. Deficiencies should be documented in a peer review report with a rating of <i>pass with deficiencies</i> .
Engagement review	A type of peer review for firms that do not perform engagements under Statements on Auditing Standards (SASs), <i>Government Auditing Standards</i> , examinations under SSAEs, or audit or examination engagements under PCAOB standards not subject to PCAOB permanent inspection. It focuses on work performed and reports and financial statements issued on particular engagements (SSAE agreed upon procedures, SSAE and SSARSs reviews, compilations, or preparation engagements, and other attestation engagements under PCAOB standards).

<u>Term</u>	<u>Definition</u>
Enhancing Audit Quality initiative	The Enhancing Audit Quality (EAQ) initiative is the AICPA's commitment to providing the resources and tools, as well as standards, monitoring and enforcement, necessary to move the profession further on its journey toward greater audit quality.
Facilitated State Board Access (FSBA)	Developed by the AICPA to assist firms in complying with state peer review document submission requirements. Firms give permission to provide the results of their peer reviews to SBOAs via the secure FSBA website. Several SBOAs allow firms to voluntarily meet their state peer review document submission requirements using FSBA and many SBOAs require firms to use FSBA.
	FSBA was enhanced in January 2020 to also provide other documents and objective information about a firm's enrollment in the program and current peer review when a firm gives permission.
Financial statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended.
Finding (engagement review)	One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Finding (system review)	One or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with the system such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Firm	A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.
Follow-up action	A corrective action or implementation plan issued to a firm in response to a finding, deficiency, or significant deficiency.

<u>Term</u>	<u>Definition</u>
Hearing	When a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial corrective actions are not adequate, the PRB may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the program should be terminated or whether some other action should be taken.
Implementation plan	Actions required of a reviewed firm in response to a finding included on an FFC form.
Licensing jurisdiction	For purposes of this report, licensing jurisdiction means any state or commonwealth of the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands.
Matter	<p>One or more “no” answers to questions in peer review checklists identified during a system review or an engagement review.</p> <ul style="list-style-type: none"> <li>• <i>Engagement reviews.</i> One or more “no” answers to questions in peer review checklists that were not resolved to the review captain’s satisfaction. These are documented as matters for further consideration (MFCs) on an MFC form.</li> <li>• <i>System reviews.</i> One or more “no” answers to questions in peer review checklists that a reviewer concludes warrant further consideration in the evaluation of a firm’s system of quality control. A matter should be documented as a matter for further consideration (MFC) on an MFC form.</li> </ul>
Must-select engagement	<p>An engagement that must be included in the sample of engagements selected for review. The types of engagements included are:</p> <ul style="list-style-type: none"> <li>• Engagements under <i>Government Auditing Standards</i>, including compliance audits subject to the Single Audit Act</li> <li>• Audits of Employee Benefit Plans under ERISA</li> <li>• Audits under FDICIA</li> <li>• Examinations of Service Organizations</li> </ul>
Oversight Task Force (OTF)	The standing task force of the PRB responsible for establishing oversight policies and procedures to ensure that AEs are complying with the administrative procedures established by the PRB, reviews are being conducted and reported on in accordance with standards, and the results of the reviews are being evaluated on a consistent basis in all jurisdictions.

<u>Term</u>	<u>Definition</u>
Peer review committee (committee)	A group of individuals appointed by an AE to oversee the administration, acceptance and completion of the peer reviews and performance of peer reviewers.
Plan of administration (POA)	A form completed annually by entities requesting to administer the program whereby the entity agrees to administer the program in compliance with the standards and other guidance established by the PRB.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
Preparation engagement	An engagement performed in accordance with SSARS in which a practitioner is engaged to prepare financial statements in accordance with a specified financial reporting framework but is not engaged to perform a compilation, review, or audit of those financial statements.
PRIMA	An online system that is accessed to carry out the program administrative functions.
Report Acceptance Body (RAB)	A group of individuals appointed by the committee who are delegated the report acceptance function on behalf of the committee.
Review	A SSARS engagement in which the accountant obtains limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.
Reviewer feedback form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer resume	A document within PRIMA required to be updated annually by all active peer reviewers, that is used by AEs to determine whether individuals meet the qualifications for service as reviewers as set forth in the standards.
Significant deficiency	One or more matters in a system review that the reviewer has concluded create a situation in which the reviewed firm's system of quality control does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in all material respects. Significant deficiencies should be documented in a peer review report with a rating of <i>fail</i> .

<u>Term</u>	<u>Definition</u>
State board of accountancy	An independent state governmental agency that licenses and regulates CPAs, each jurisdiction may use a different name for this agency.
State CPA society	Professional organization for CPAs providing a wide range of member benefits.
Summary review memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in an FFC form.
System of quality control	Policies and procedures designed and implemented to provide a firm with reasonable assurance that: <ol style="list-style-type: none"> <li>The firm and its personnel comply with professional standards and applicable legal and regulatory requirements and</li> <li>Reports issued by the firm are appropriate in the circumstances.</li> </ol>
System review	A type of review that includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including quality control standards established by the AICPA, in all material respects.
Technical reviewer	Individual(s) at the AE whose role is to provide technical assistance to the RAB and the peer review committee in carrying out their responsibilities.
Territory	A territory of the United States is a specific area under the jurisdiction of the United States and, for purposes of this report, includes Guam, the District of Columbia, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

# Enhancing Audit Quality

2024 highlights and progress

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# Introduction

In a year marked by continued workforce evolution, persistent economic uncertainties, changes in the political landscape, and accelerating advancements in artificial intelligence, one constant remains – the need for adaptability and resilience in the profession. From navigating shifting regulatory landscapes and evolving financial reporting standards to integrating new technologies that reshape how we plan and perform our work, our profession continues to evolve to meet the expectations of businesses, investors, and stakeholders. The rapid expansion of AI-driven tools and data analytics presents both opportunities and challenges, underscoring the importance of professional judgment, ethical responsibility, and ongoing education to ensure that innovation strengthens, rather than compromises, audit quality.

AICPA's [Enhancing Audit Quality \(EAQ\) initiative](#), launched in 2014, underscores our unwavering commitment to upholding the highest levels of audit quality. Through authoritative standards, practical guidance, continuous education, and engagement with our members, AICPA aims to equip practitioners with the knowledge and tools necessary to maintain excellence in audit and assurance services. By fostering a culture of learning and embracing best practices, we help ensure that firms of all sizes can adapt to evolving expectations and developments.

In 2024, the EAQ initiative's impact was significant, with a focus on addressing the evolving needs of audit and assurance professionals. Notable achievements include:

- With the approaching deadline for firms' implementation of a [system of quality management \(QM\)](#) the Audit & Attest Standards Team, members of the [Auditing Standards Board \(ASB\)](#), and members of the Peer Review and EAQ teams developed implementation resources, provided guidance and support, and made presentations to practitioners across the country, all in an effort to prepare them for the changes required by the QM standards.
- With the pace of technological change not slowing, and the need to understand and harness the potential of artificial intelligence (AI), the [Assurance Services Executive Committee](#) established an AI working group to examine use cases for AI and to develop practice guidance addressing the impact of a client's use of AI. CPA.com developed the ["Generative AI Toolkit"](#) which lays out a roadmap for practitioners to understand and leverage the transformative impact of GenAI.

- Quickly responding to areas where practitioners would benefit from expanded knowledge and discussion, we produced a new risk assessment resource, "[The Crucial Connection – Why You Should Care About Your Client's System of Internal Control](#)," highlighting how a focus on internal controls under [Statement on Auditing Standards \(SAS\) No. 145, Understanding the Entity and Its Environment and Assessing Risks of Material Misstatement](#), fosters increased efficiency and effectiveness in audit engagements.
- To address the significant amount of single audit work being conducted related to the ongoing high level of federal funding disbursed, the AICPA's [Governmental Audit Quality Center](#) focused efforts on the Office of Management and Budget (OMB) Compliance Supplement, reviewing and providing feedback on drafts of new federal program sections and revisions to nearly 100 existing federal programs sections resulting in corrections and improvements prior to the release of the 2024 version of the supplement.
- To provide practitioners with the most up-to-date information related to audit, accounting and assurance, AICPA created the [AICPA A&A Focus Series](#), a live, monthly webcast. A&A Focus brings together experts in accounting, audit and assurance to educate attendees on the latest news, hot topics, standards developments and more. A&A Focus has been recognized as one of *Accounting Today's* "2025 Top New Products".

As we look ahead, our focus remains on quality, integrity, and innovation. The dedication and expertise of practitioners will continue to support confidence in our profession as we meet the evolving needs of the capital markets. By prioritizing information sharing, best practices and education, embracing emerging technologies, and maintaining our steadfast commitment to audit quality, we will continue to serve as trusted advisers in an increasingly complex financial landscape.

Sincerely,



**Susan S. Coffey, CPA, CGMA**

Chief Executive Officer, Public Accounting Association of International Certified Professional Accountants



## Overview

Through the EAQ initiative, AICPA promotes high-quality auditing and assurance, with a focus on subject matter that has created challenges for practitioners. The initiative, which began in 2014, aligns the activities of AICPA to support and enhance the quality of private company assurance<sup>1</sup> work.

## Our approach

The EAQ initiative takes a data-driven approach to audit quality.

- First, we gather auditor performance data from the AICPA Peer Review Program and other sources.
- Then, we analyze that data, along with the planned actions of standard setters and other prevailing environmental trends to identify areas where quality challenges may arise.
- Each year, working in concert with volunteers from AICPA senior technical committees, we use our analysis to identify areas of focus for the upcoming year.

- Once the areas of focus are identified, our goal is to help auditors avoid or correct quality challenges by enhancing guidance, clarifying requirements in the standards, developing education and resources, and emphasizing the focus areas during the peer review process.

## 2024 Areas of Focus

In 2024, we followed our identification process to identify the following areas of focus:

- Risk assessment
- Quality management
- Technology-enabled auditing
- Single audit
- SOC 2<sup>®</sup> engagements

<sup>1</sup> For purposes of this report, "private company assurance" refers to assurance for non-SEC registrants, including but not limited to not-for-profit organizations, employee benefit plans, and governmental entities.

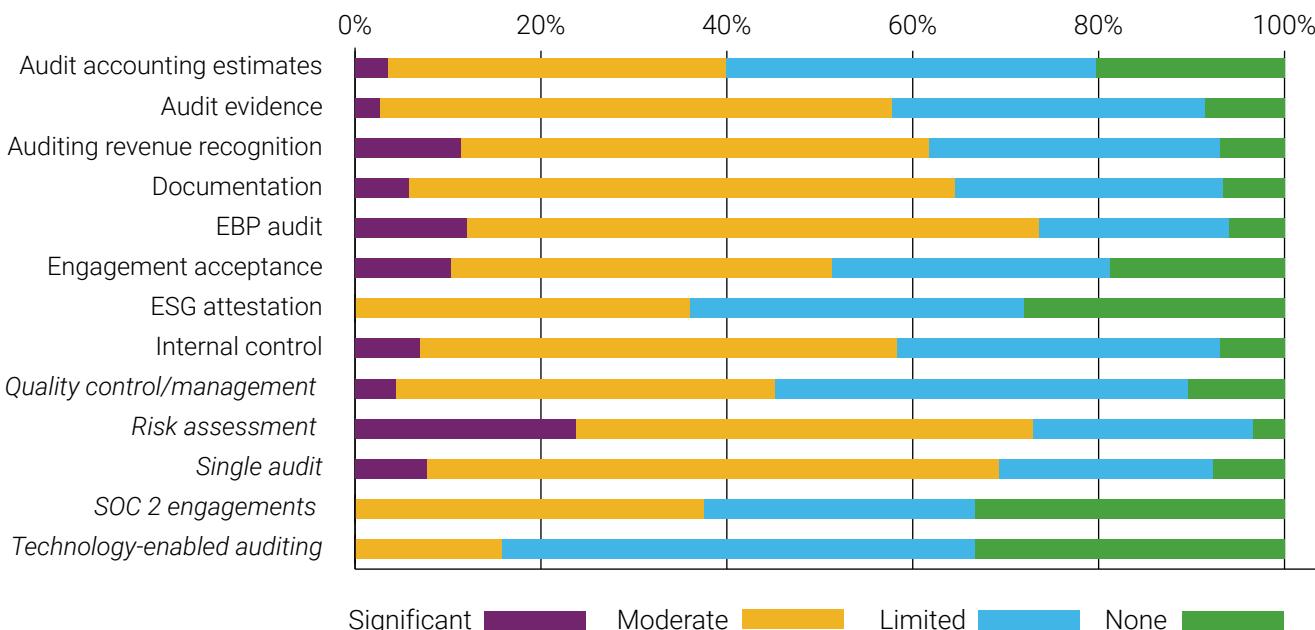
## Seeing results

Since the EAQ initiative was created, peer reviewers have become substantially more effective at detecting nonconforming engagements (see graphic, "Quality Improvement by Area of Focus"). A nonconforming engagement is an audit where a failure to comply with material audit requirements existed. A nonconforming engagement does not represent audits where peer reviewers fail to detect a material misstatement. Improved detection rates indicate we are identifying the areas in which auditors struggle, putting us in a position to get firms the assistance, resources, and remediation they need to improve.

We know from experience that when a firm is subject to remediation, the remediation often has the desired effect. For example, when a firm receives a non-pass peer review report and is required to undergo pre-issuance review, the firm's subsequent peer review report rating significantly improves.

To continue enhancing the benefits the peer review program can create, in 2024 the staff overseeing the AICPA Peer Review Program, the Peer Review Board, and the AICPA Auditing Standards Board surveyed peer reviewers who perform reviews about topics of mutual interest, including ways to improve the peer review experience. Overall, peer reviewers shared the view that the benefits of a peer review exceed its cost and that peer reviews often identify opportunities to improve engagement quality that are shared with peer review clients.

## Quality improvement by areas of focus



Areas of focus presented in italics represent 2024 Area of Focus.

Participants in the peer review survey indicated that peer reviews prompted reviewed firms to make a number of improvements, many in areas which are, or have previously been, areas of focus, including:

- Improved use of software and information technology, including going paperless
- More efficient documentation practices
- Reduced unnecessary testing in lower-risk audit areas
- Improved use of practice aids
- Improved risk assessment practices
- Improved audit sampling

In a separate 2024 peer reviewer survey, reviewers were asked, "Consider the firms you peer reviewed in 2022 and again in 2024. Compared to 2022, to what degree have you seen quality improvement in the following EAQ areas of focus?" Approximately 150 peer reviewers responded, and the results appear in the graphic "Quality improvement by areas of focus." These results are a promising sign that the EAQ continues to have the desired effect and that the longer AICPA focuses on an area, the more quality improves.

## Top accomplishments

Consistent with the EAQ model, we developed targeted learning, communications, and resources in our areas of focus to aid practitioners. Specific to our 2024 areas of focus, the following are a few of AICPA's top accomplishments:

- **Risk assessment:** Continued to support the needs of practitioners through dedicated risk assessment webcasts, tools, and other education resources. Highlighted and addressed many of the revised requirements of SAS No. 145, *Understanding the Entity and Its Environment and Assessing Risks of Material Misstatement*,<sup>2</sup> including more focused presentations and resources on scalability, information technology general controls, and the increased professional judgment required by the newly implemented standard.
- **Quality management:** Continued AICPA's outreach efforts to assist practitioners with implementation of the [Quality Management Standards](#) and worked to develop additional tools, resources, and education opportunities for our members.
- **Technology-enabled auditing:** Made additional efforts to support the profession as the use of technology continued to increase, including numerous articles, webcasts, and presentations highlighting how technology was changing the landscape and how it could be used to perform more effective and efficient engagements. Our [Dynamic Audit Solution \(DAS\)](#) continued to mature, assisting practitioners in the performance of their engagements.
- **Single audit:** Carried out important advocacy work on matters relating to single audits. Educated thousands of members on important single audit developments including changes to the Uniform Guidance regulation that auditors must follow to perform single audits. Undertook a project to overhaul the AICPA Audit Guide [Government Auditing Standards and Single Audits](#) to more clearly explain the requirements for single audits with a longer-term goal of improving quality.
- **SOC 2® engagements:** Supported by the [Assurance Services Executive Committee](#), the AICPA's SOC 2® working group focused their efforts on identifying practitioner concerns arising from rapid expansion of the available opportunities to serve clients by providing SOC services and on how to address some of the many competitive challenges that the profession was experiencing in this space.

More details and accomplishments are discussed in the rest of this report.

<sup>2</sup> The Statements on Auditing Standards are codified in the AU-C sections in AICPA *Professional Standards*.

# 2024 EAQ areas of focus

## Risk assessment

### Why risk assessment?

Deficiencies in the auditor's risk assessment procedures are a common issue identified by practice monitoring programs in the United States and worldwide. For several years, peer review has identified AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, as one of the leading sources of matters for further consideration.

The requirements of SAS No. 145 have now been in place for a full year, initially becoming effective for audits of financial statements for periods ending on or after December 15, 2023. SAS No. 145 was created to improve audit quality by enhancing and clarifying aspects of the risk assessment process, including the identification and assessment of the risks of material misstatement. To that aim, among other enhancements, SAS No. 145 addresses the entity's system of internal control and control risk, places additional emphasis on information technology, and revises the definition of significant risk so that auditors will be focused on where the risks lie on a spectrum of inherent risk. Since 2018, risk assessment has remained an EAQ area of focus and with the changes brought on by SAS No. 145, we expect it to remain for the near term.

Although the changes to the risk assessment process may have introduced new challenges, we have been focused on providing the profession with information and guidance on the revised and new components of risk assessment while remaining aware of the remaining areas of concern.

### What we did in 2024

During the past year and building on the foundation we set prior to the effective date of SAS No. 145, AICPA continued to meet the need for implementation support for the enhancements in the risk assessment process, in the form of learning, tools, and other resources. Our resources continued to be designed to assist auditors in areas where there was misunderstanding or we had identified misapplication of the risk assessment standards.

To assist auditors in performing quality risk assessments, the authoritative AICPA Audit Guide, [Risk Assessment in a Financial Statement Audit](#), provides easy-to-understand "scalability scenarios" to show how auditors can tailor their audit processes. The ability to scale risk assessment procedures was a priority for the Auditing Standards Board in creating the standard and we worked to draw attention to the opportunities for efficiencies scalability present in the standard including through dedicated sessions at several AICPA conferences, including the AICPA & CIMA ENGAGE 2024 conference, the AICPA Not-for-Profit conference and the AICPA Employee Benefit Plans conference.

Additional information sharing and educational webcasts were also presented throughout the year. We created and continue to host the new webcast "[The Crucial Connection - Why You Should Care About Your Client's System of Internal Control](#)," focusing on why a client's system of internal control is important to achieving an effective and efficient audit and identifying the auditor's responsibilities. We continued to present the webcast "[Risk Assessment Under SAS No. 145](#)," led by representatives from the Auditing Standards Board, to assist firms in understanding SAS No. 145. We also offered and continue to offer practitioners the self-study course "[Applying and Scaling Audit Risk Assessment Procedures Under SAS No. 145](#)," familiarizing auditors with the key changes of SAS No. 145 and helping to address challenges. Further, this self-study program is used as a part of our peer review remediation program to ensure missed opportunities or other issues are understood and addressed.

The AICPA's [Center for Plain English Accounting \(CPEA\)](#) continued to offer its "[Reimagining Risk Assessment](#)" training series to its member firms. The course breaks through barriers in traditional risk assessment education by incorporating not only professional standards and compliance but also firm methodology with practical methodology-based examples. The course further allows reviewing and making improvements to the participating firms' current risk assessment process. Given the positive feedback received on the course, the CPEA introduced a follow-up course – "[Implementing Reimagining Risk Assessment](#)" – which focuses on the change management element of a firm's journey to more efficient and effective risk assessment procedures.

With many firms specifically requesting risk assessment related information and educational discussions, the CPEA conducted more than 20 A&A related training sessions on the topic. To further support the need for risk assessment related information, members of the CPEA team spoke at numerous AICPA and partner conferences during the year.

The CPEA continued a series of insight reports to assist its broader membership. In addition to three informational discussion papers published in 2023, the CPEA produced and released two additional reports based on the Reimagining Risk Assessment series.

- [Insight Series from Reimagining Risk Assessment – Part IV, Moving Beyond Beat Up The Balance Sheet – ROMM Identification](#)
- [Insight Series for Reimagining Risk Assessment: Identified Controls for Significant Risks – Part V](#)

For auditors performing engagements in the employee benefit plan area, the AICPA [Employee Benefit Plan Audit Quality Center \(EBPAQC\)](#) continued to present ["Applying SAS No. 145 in employee benefit plan audits, Part 2,"](#) a valuable, tailored webcast designed to assist auditors in understanding how SAS No. 145 may affect their risk assessment procedures in their benefit plan audits.

AICPA also published several articles related to risk assessment in the Journal of Accountancy:

- ["Audit smarter by reassessing audit risk"](#)
- ["Scaling SAS 145 for less-complex entities"](#)

As a part of AICPA's monthly [AICPA A&A Focus Series](#), we hosted several segments focusing on risk assessment.

- ["Lease challenges, SAS 145, and fraud"](#)
- ["A deep dive into SAS 145"](#)
- ["Leveraging control testing in an audit"](#)



## Quality management

### Why quality management?

This suite of standards, comprising three AICPA Statements on Quality Management Standards, one AICPA Statement on Auditing Standards, one AICPA Statement on Standards for Accounting and Review Services, and one AICPA Statement on Standards for Attestation Engagements, contains the requirements relating to quality management for firms offering audit and attestation services. The system of quality management enhances a firm's system of quality control by adding a risk-based approach; incorporating a risk assessment process that drives firms to focus on quality management tailored to their circumstances; revising the components of the system of quality control and including two new components; enhancing the monitoring and remediation process; and more.

With the effective date for designing and implementing a quality management system that complies with the quality management standards approaching quickly on December 15, 2025, and an evaluation of the system of quality management to be completed within one year, we have been working hard to educate and prepare the profession.

### What we did in 2024

Although our focus on raising awareness continued, we began to add implementation support to our overall efforts. To support a firm's implementation journey, AICPA continued to grow awareness around applying the standards, creating learning and communication resources including:

- An overhauled quality management hub on our website, [A Journey to Quality Management](#), streamlining information and ensuring that practitioners can locate and obtain necessary resources quickly. Historical information has been relocated to focus on implementation concerns but remains available.
- A QM practice aid, *Establishing and Maintaining a System of Quality Management for a CPA Firm's Accounting and Auditing Practice*, and example risk assessment template to help firms progress toward their system of quality management. The practice aid is available in two versions: [one for sole practitioners](#) and [one for small- and medium-sized firms](#). The interactive risk assessment template provides a streamlined approach to the new required risk assessment process.

- A deep-dive webcast, including a focused discussion on getting a system established, "[New Quality Management Standards: A Practical Approach to Risk Assessment and Response](#)," which continues in 2025, and our [self-study course](#) based on the information contained in the webcast provides a flexible learning option.
- A new [four-part series](#), developed and launching in 2025, providing additional guidance and practical tips for continuing the implementation process.
- A growing selection of [articles](#) for the *Journal of Accountancy*, supplementing our 2023 articles:
  - "[How the new QM standards may affect peer review](#)"
  - "[Resources to implement the QM standard](#)"
  - "[New SSAE caps standards related to quality management](#)"
  - "[Engagement quality reviews: What auditors should know](#)"
- A podcast "[Quality management: Details of a standard-setting journey](#)," hosted by the staff of the *Journal of Accountancy*, and featuring the chair of the Auditing Standards Board.

In addition, members from the Auditing Standards Board's Quality Management Implementation Task Force, as well as EAQ staff, presented to various state societies and conferences, including a four-hour, pre-conference workshop, an additional dedicated session, and a roundtable with experts in quality management implementation during AICPA & CIMA ENGAGE 2024. An additional ENGAGE+ session, available to conference attendees, focusing on quality management, was held in November 2024.

The AICPA Peer Review Board approved a standards update designed to better align peer review standards with new quality management standards and to clarify and improve existing technical guidance. The omnibus technical enhancements in [Peer Review Standards Update \(PRSU\) No. 2, Reviewing a Firm's System of Quality Management and Omnibus Technical Enhancements](#), are effective for peer reviews commencing on or after December 1, 2024. QM-related revisions in PRSU No. 2 are effective for peer reviews with years ending on or after December 31, 2025.

The CPEA addressed implementation questions and approaches in its 2024 webcasts and issued a report titled "[Implementing the New Quality Management Standards: FAQs](#)."

## Technology-enabled auditing

### Why technology-enabled auditing?

Technology continues to evolve, and AICPA is committed to evolving along with the rapid advancement, supporting practitioners in the journey to increase efficiency and effectiveness using technology. AICPA and CIMA continue to inform practitioners, providing the latest information on emerging technology, tools, and resources. Embracing technology provides practitioners to increase the value they provide to their firms and clients.

### What we did in 2024

AICPA has several senior executive committee taskforces focused on technology. The Auditing Standards Board has a technology working group that is focused on helping practitioners understand how professional standards allow for the use of technology. The Practice Aid, [Use of Automated Tools and Techniques in the Auditor's Risk Assessment](#), remained available, serving as an invaluable document in considering the use of technology when applying SAS No. 145 in practitioners' audits; and we continued to present and respond to questions during the related webcast, "[Use of technology in an audit of financial statements – Risk Assessment](#)." The video "[Use of Technology in an Audit of Financial Statements](#)" offers an overview of the new practice aid.

Additionally, we produced the following *Journal of Accountancy* articles and podcasts:

- [Using technology to boost audit quality](#)
- [Managing change in audit technology transformation](#)
- [What AI can do for auditors](#)
- [The key to reducing errors with AI: Technology acceptance](#)
- [How auditors can demystify transformative technology](#)

We presented a two-part session, "Using Tech in an Audit," during AICPA & CIMA ENGAGE 2024, walking participants through example uses of technology in all stages of the audit, from client acceptance through releasing the audit report.

The [Assurance Services Executive Committee](#) (ASEC) formed an advisory group to look at the impact of artificial intelligence (including generative AI) on financial statement audits and related assurance services and to determine the highest priorities for the profession to address in the near future. Based on the advisory group's recommendation, the ASEC established an AI working group to build out use cases on how AI is used in the financial reporting process and to develop practice guidance addressing the impact of a client's use of AI on the financial statement audit. A new working group was also formed to address the impact in SOC 1® and SOC 2® engagements when the client uses AI in a process or system that is examined. As part of its multipart generative AI strategic initiative, including the [generative AI toolkit](#) released in 2023, CPA.com held a symposium on generative AI in January 2024 providing broad guidance and information while capturing best practices and identified areas of concern.

AICPA staff also worked with CPA Canada on a [series of thought leadership papers](#) on the evolution of AI and the accountant's role in responsibly using AI including:

- *Navigating the AI Revolution: Key Updates for Today's CPA*
- *Closing the AI trust gap: The pivotal role of CPAs in AI governance and risk management*
- *Closing the AI trust gap: The role of CPAs in AI assurance - Coming mid- 2025*

Further, a AICPA staff worked with the [Center for Audit Quality](#) to develop content for a thought leadership paper, "[Auditing in the Age of Generative AI](#)," focused on the use of generative AI by public companies.

In December 2024, AICPA & CIMA and CPA.com hosted the Digital CPA Conference, which included sessions on current and emerging technologies in the audit space. Discussions focused on the impact of AI and other emerging technologies on the future of auditing, highlighting the profession's commitment to embracing technological advancements.

## Single audit

### Why single audit?

The complexity of single audit engagements remains challenging for auditors, and there continues to be increased demand for qualified practitioners needed to perform single audit engagements. There is also an increased interest on the part of the federal government to evaluate the quality of these audits. The Financial Management Risk Reduction Act (FMRRA) became law in December 2024 and requires a government-wide analysis of single audit quality 3 years after enactment of the law (i.e., by December 2027).

### What we did in 2024

The AICPA's [Governmental Audit Quality Center \(GAQC\)](#) continued to carry out its advocacy efforts with federal agencies on various single audit matters and it interacted with Congress as the FMRRA was being developed. GAQC also coordinated spring and fall single audit roundtable meetings, each drawing approximately 100 federal, state, and CPA firm participants. These meetings included discussions of matters of mutual interest to key single audit stakeholders with the goal of improving single audits overall.

The GAQC team and its executive committee were also active in efforts around the annual Office of Management and Budget (OMB) *Compliance Supplement*, which is a key auditor tool for performing single audits. The team reviewed and provided feedback on drafts of new federal program sections and revisions to nearly 100 existing federal programs sections. These efforts benefit auditors performing single audits, as many problem areas noted by the GAQC were corrected by OMB and the federal agencies prior to the release of the 2024 *Compliance Supplement*.

The regulation that auditors follow to perform single audits, referred to as the Uniform Guidance, was substantively revised and became effective in 2024. The GAQC spent considerable time educating members about the new rules and certain challenging transition provisions through webcasts, alerts, and other resources. The GAQC offered single, audit-related webcasts during the year drawing over 6,000 participants.

Finally, while conforming changes have been made annually to the AICPA Audit Guide, *Government Auditing Standards and Single Audits*, it has been over 15 years since the content has been reevaluated. This guide is a key publication used in the performance of single audits. The GAQC established a task force that determined the guide could be improved to more clearly explain the requirements for single audits and to align more closely to current practice. This is a major project expected to be completed in 2025. The long-term goal is to help improve the understanding of how to perform a single audit and to improve the consistency and quality of these audits.

## SOC 2® engagements

### Why SOC 2® engagements?

Increasing awareness of the importance of IT security at third-party service providers has led to a significant increase in the demand for SOC 2® engagements, resulting in a growing market opportunity for CPAs. For years now, SOC 2® has been considered the gold standard for managing the risks of doing business with third parties. In a SOC 2® engagement, a licensed, independent CPA examines a service organization's controls in accordance with AICPA's attestation standards. This engagement culminates in a SOC 2® report, providing valuable insights that can add credibility and trust to the information users need to manage the risks associated with third-party service providers.

### What we did in 2024

AICPA's SOC 2® working group has been focused on taking a fresh look at the evolution of the market for SOC services and how to address some of the many competitive challenges that the profession is currently experiencing in this space. During 2024, our teams:

- Published a [brochure on trends in SOC reporting](#), presenting the results of the 2023 SOC survey, which was distributed to the G400 and Major Firms Group to collect insights on the market for SOC and third-party assessments.
- Updated the AICPA Guide [SOC for Supply Chain: Reporting on an Examination of Controls Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy in a Production, Manufacturing, or Distribution System](#) and the AICPA Guide [Reporting on an Entity's Cybersecurity Risk Management Program and Controls](#) to apply conforming changes.
- Published the [SOC for Service Organizations Toolkit](#). The toolkit provides resources for CPA firms that do not currently provide SOC for service organizations examinations (SOC 1®, SOC 2®, and SOC 3® examinations) but are interested in entering this space. These resources include information about the services themselves as well as various factors the firm should consider before starting a SOC practice.
- Developed the webcast "[SOC Mastery for CPA Firms: Your Roadmap to Starting a SOC Practice](#)" to promote the toolkit.
- Coordinated with the peer review team to update the SOC 2® peer review checklist, resulting in a more comprehensive checklist with the goal of promoting quality in SOC 2® reporting.
- Developed and coordinated a new SOC and third-party risk track at AICPA & CIMA ENGAGE 2024 held in June.

# Other activities

In January 2024, AICPA debuted its monthly accounting and audit specific [AICPA A&A Focus Series](#). Awarded recognition as one of [Accounting Today's 2025 top new products](#), this one-hour webcast brings together experts in accounting, audit and assurance to inform and educate practitioners on the latest news, hot topics, standards developments, and more. With an attendance surpassing 5,000 each month, the series has welcomed practitioners, educators, and experts to discuss topics at the heart of the "work on the desk" for AICPA members. From welcoming the Chairs of the Financial Accounting Standards Board the Private Company Council and the Chairs of the AICPA's Accounting Standards Board and Accounting and Review Services Committee, to small firm practitioners and business and industry experts, A&A Focus provides valuable information to our members in a fast-paced and interactive format.

Additionally:

- AICPA, in collaboration with CPA.com and Caseware, advanced the adoption of the [Dynamic Audit Solution](#), a comprehensive, cloud-based audit platform. Built on the Caseware Cloud platform, DAS offers enhanced capabilities, including support for various industries such as technology, real estate, and depository institutions. DAS also introduced features like central planning to streamline workflows and improved tools for journal entry testing.
- The CPEA analyzed peer review results and identified issues relating to FASB Accounting Standards Codification (FASB ASC) Topic – FASB ASC 606, *Revenue from Contracts with Customers*, as a leading source of Matters for Further Consideration (MFC). The CPEA focused on the causes of these MFCs and corrective actions in its 2024 webcasts and training courses as well as issuing a series of reports covering other common sources of MFCs.
  - [2023 Peer Review MFCs: A New #1 – FASB ASC 606](#)
  - [2023 Peer Review MFCs: FASB ASC MFCs – Part II](#)
- We updated the [Accounting for and Auditing of Digital Assets](#) practice aid, which offers important, up-to-date nonauthoritative guidance on how to account for and audit digital assets. The practice aid combines professional insights from industry leaders and the AICPA's Digital Assets Working Group, a joint working group under the [Financial Reporting Executive Committee](#) and the [Assurance Services Executive Committee](#). In addition, we created an auditing webcast, "[Auditing Digital Assets, Part II](#)," based on select content in the digital assets practice aid specific to consideration of an entity's use of a service organization. A complementary webcast, "[Auditing digital assets: Client acceptance and continuance, risk assessment, and laws regulations and related parties](#)," provides a broader look at auditing digital assets.
- The EBPAQC developed [tools to address the audit areas with the highest deficiency rates](#) identified in the Department of Labor's (DOL) Employee Benefits Security Administration (EBSA) 2023 audit quality study. The DOL's EBSA study found a statistically significant decline in major deficiencies found (9%) and a decrease from 48% to 8% in audits that had multiple deficiencies. In addition, the EBPAQC developed [resources for plan sponsors](#) and auditors, as well as enhance authoritative audit guidance, including updates to the [AICPA Audit and Accounting Guide, Employee Benefit Plans](#), that address late remittances of employee deferrals, the most common audit deficiency identified by the DOL.
- AICPA created [Employee Benefit Plans \(EBP\) Fundamentals](#), an interactive learning course that provides individuals new to benefit plan auditing a comprehensive understanding of ERISA and related regulations, as well as the nature and operations of 401(k) plans they will be auditing.
- The CPEA updated its [EBP Audit Issues](#) training course, which is designed to help practitioners avoid audit deficiencies and enhance their firm's audit quality.

- The CPEA presented a benefit plan focused monthly webcast and published the following EBP-related reports in 2024:
  - [DOL Audit Quality Study: Lessons Learned and Takeaways](#)
  - [EBP Audits: Current Regulatory Considerations - Common Errors on the Form 5500](#)
- AICPA finalized a new reporting framework for issuers of stablecoins after receiving and addressing public comments through 2024. The [2025 Criteria for Stablecoin Reporting: Specific to Asset-Backed Fiat-Pegged Tokens](#) allows token issuers to compare and evaluate the amount of issued tokens and funds available that back those tokens, and share that valuable information. The document provides a suitable criteria that can be used by practitioners when conducting an attestation engagement to perform procedures and generate a report on the issuer's assertions about the availability of assets for redemption linked to asset-backed, fiat-pegged tokens.
- The CPEA continued assisting member firms implementing guidance regarding Current Expected Credit Losses (CECL), specifically the application of CECL to private companies, by covering the topic in its webcasts and training courses as well as issuing the following reports in 2024:
  - [Application of CECL to Trade A/R: Zero Expected Credit Losses?](#)
  - [FASB ASC 326 – CECL FAQs](#)
  - [FASB ASC 326 – CECL: FAQs-Part II](#)
- Entering busy season, the EAQ staff published the article [Three challenges that face audit and accounting firms in 2024](#) highlighting expected audit and accounting challenges firms could face in early 2024.
- AICPA updated a number of audit and accounting guides, including:
  - [AICPA Audit and Accounting Guide, Investment Companies](#)
  - [AICPA Audit and Accounting Guide, Not-for-Profit Entities](#)
  - [AICPA Guide, SOC for Supply Chain: Reporting on an Examination of Controls Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy in a Production, Manufacturing, or Distribution System](#)
  - [AICPA Audit and Accounting Guide, Credit Losses](#)
  - [AICPA Guide, Reporting on an Entity's Cybersecurity Risk Management Program and Controls](#)
  - [AICPA Guide, Government Auditing Standards and Single Audits](#)
  - [AICPA Audit and Accounting Guide, Life and Health Insurance Entities](#)
  - [AICPA Audit and Accounting Guide, State and Local Governments](#)
  - [AICPA Guide, Preparation, Compilation, and Review Engagements](#)
  - [AICPA Accounting Guide, Brokers and Dealers in Securities](#)
  - [AICPA Audit and Accounting Guide, Employee Benefit Plans](#)
  - [AICPA Accounting and Valuation Guide, Business Combinations](#)
  - [AICPA Audit and Accounting Guide, Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies](#)
  - [AICPA Audit and Accounting Guide, Investment Companies](#)
  - [AICPA Audit and Accounting Guide, Health Care Entities](#)

# 2025 EAQ areas of focus

**With input from internal and external stakeholders, the EAQ team has identified the following topics as its 2025 areas of focus.**

## Risk assessment

Risk assessment continues to be an area of opportunity for auditors in performing effective and efficient audits. With the effective date of SAS No. 145 now past, our focus in 2025 will remain assisting practitioners in fully realizing the increased efficiency and effectiveness the standard provides and understanding where practitioners are finding challenges. Capitalizing on practitioners' insights will allow AICPA to continue supporting the profession through additional tools, resources, and learning.

## Quality management

A firm's system of quality management must be operational by December 15, 2025; therefore, firms will need to have identified and understood their firm's individual risks and have implemented the appropriate risk responses. Additionally, Statement on Quality Management Standards No. 1, *A Firm's System of Quality Management*, requires firm leadership to evaluate whether the firm is meeting its quality objectives, with the first evaluation due within one year. AICPA will continue to focus on assisting firms in implementing the standards' requirements while also looking forward to the required steps in 2026 and beyond, providing guidance and assistance to practitioners.

## Technology-enabled auditing

AICPA is committed to assisting the profession in keeping up and advancing along with technology. We believe that a planned, supported, appropriate use of technology is one of the greatest areas of opportunity for auditors to provide valuable services to their clients. Leveraging technology to increase a firm's efficiency and effectiveness is at the heart of what we will continue to do. AICPA has several senior executive committee taskforces that are focused on helping practitioners increase their knowledge and use of technology.

## Single audit

The complexity of single audit engagements will continue to challenge auditors, and the need for single audits is expected to continue in full force. However, the number of qualified firms available to perform single audits has declined as some have dropped these audits from their practices. Future activities include preparing auditors for the eventual government-wide analysis of single audit quality and the issuance of new auditor guidance expected in the AICPA Audit Guide, *Government Auditing Standards and Single Audits*. We will continue our strong advocacy work and focus on supporting auditors with resources they need to perform high-quality single audits, as well as raise awareness with auditees about the importance of selecting a qualified auditor.

## Emerging attestation engagements

As new and evolving assurance services appear, where practitioners evaluate and report on subject matter other than historical financial statements, AICPA stands ready to assist. Practitioners have a tremendous opportunity with a broad scope of engagements driven by emerging business needs, regulatory changes, and stakeholder demands, including areas such as sustainability reporting, cybersecurity risk management, and AI governance. AICPA believes that a focus on providing the profession tools and resources for success is critical. The complexity of new frameworks, the lack of standardized criteria, and the evolving nature of risks require information, education, and guidance. AICPA will continue to provide assistance that helps ensure compliance with professional standards and enhances credibility. As these engagements grow, practitioners must stay informed and adapt to new requirements.



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