

NEW YORK STATE EDUCATION DEPARTMENT

Peer Review Oversight Committee
Meeting Agenda

NYS Education Department
89 Washington Ave, Room EB211, Albany, NY

NYS Education Department
80 Wolf Rd, Colonie, NY

May 11, 2026

10:00 a.m. Executive Session

12:00 p.m. Public Session

• Review and Approval of Minutes from the February 4, 2026 meeting	Pages 2 - 3
• Future PROC Meetings: <ul style="list-style-type: none">○ August 17, 2026, 9:00 a.m. - Video Conference○ November 16, 2026, 9:00 a.m. - Video Conference○ February 3, 2027, 9:00 a.m. - Video Conference	
• Annual Report - Draft	Pages 4 - 15
• AICPA Peer Review Board Open Meetings <ul style="list-style-type: none">○ February 11th○ May 5th○ Future Peer Review Board Open Meetings in 2026:<ul style="list-style-type: none">▪ September 16th, November 11th○ Future Peer Review Board Open Meetings in 2027:<ul style="list-style-type: none">▪ February 3rd, May 5th, September 1st, November 3rd	Pages 16 – 194 Pages 195 - 284
• AICPA PEEC and Peer Review	Pages 285 - 292
• PCAOB 2025 Annual Report	Pages 293 - 327
• Formal Correspondence - The Systemic Erosion of Independence in the Assurance Industry	Pages 328 - 336
• Updated RAB and PRC Schedule	NA
• New Business	NA

NEW YORK STATE EDUCATION DEPARTMENT

Peer Review Oversight Committee

NYS Education Department
89 Washington Ave, Room EB211, Albany, NY

Other Locations:

26 Kensington Avenue, Thornwood, NY 10594
45 Bryant Woods North, Amherst, NY 14228
100 Meridian Center, Suite 200, Rochester NY 14618
90 Linden Oaks, Suite 100, Rochester, NY 14625
22 Centershore Road S., Centerport, NY 11721
33 Lewis Road, Binghamton, NY 13905

February 4, 2026

The following members were present:

Andy Neyman, CPA, Chair
Grace G. Singer, CPA
Mike Nawrocki, CPA

Jesse Wheeler, CPA, Vice Chair
Jason Mayausky, CPA

The following members were absent:

David Pitcher, 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. Nawrocki, seconded by Ms. Singer, the Committee agreed to move to public session at 9:01 a.m.

Minutes: Based on a motion made by Mr. Wheeler, seconded by Mr. Nawrocki, the Committee approved the November 17, 2025 meeting minutes. Mr. Mayausky abstained.

Future Committee Meetings:

- May 11, 2026, 10:00 a.m. - 80 Wolf Rd, Albany
- August 17, 2026, 9:00 a.m. - Video Conference
- November 16, 2026, 9:00 a.m. - Video Conference
- February 3, 2027, 9:00 a.m. - Video Conference

AICPA Peer Review Board Open Meetings: November 11th – Ms. Winters stated that the November 11th meeting minutes are still not posted on the AICPA website but will continue checking.

Future AICPA Peer Review Committee Open Meetings: Ms. Winters and Mr. Cordell will attend the meetings in 2026: February 11th, May 5th, and September 16th. The November 11th meeting observation will be determined as the state offices are closed in observance of Veterans Day like they were in 2025.

New Business: NA

Public Session: On a motion by Ms. Singer and seconded by Mr. Wheeler, the Committee voted in favor of adjourning the public session at 9:08 a.m.

Executive Session: On a motion by Mr. Nawrocki and seconded by Mr. Mayausky, the Committee voted to enter executive session at 9:09 a.m.

On a motion by Mr. Nawrocki and seconded by Mr. Wheeler, the Committee unanimously agreed to close executive session and end the meeting at 10:07 a.m.

Respectfully submitted,

Jennifer Winters, CPA
Executive Secretary

DRAFT

2025

NEW YORK STATE

PEER REVIEW OVERSIGHT COMMITTEE

ANNUAL REPORT

DRAFT

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I. Message from the Committee

The timing of this year's report covers the time period January 1, 2025 to December 31, 2025. 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 2022, 2023 and 2024 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 2025. 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 2025, 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.

Commented [JW1]: Need to update the message from the committee

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 2025, Mr. Iles completed his ten years of service to the PROC. Mr. Neyman succeed Mr. Iles as Chair. Mr. Wheeler became the Vice Chair in 2025 following Ms. Singer. The following members were active at the end of 2025:

<u>Member Name:</u>	<u>Member Term:</u>
Jason J. Mayausky, CPA	Aug 1, 2025 – Jul 31, 2030 (First term)
Michael E. Nawrocki, CPA	Aug 1, 2025 – Jul 31, 2030 (First term)
Andrew Neyman, CPA Chair	May 1, 2023 – Apr 30, 2028 (First term)
David Pitcher, CPA	Dec 1, 2024 – Nov 30, 2029 (Second term)
Grace Singer, CPA	Feb 1, 2024 – Jan 31, 2029 (Second term)
Jesse Wheeler, CPA Vice Chair	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, compile 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, 2022 to Dec 31, 2022				Jan 1, 2023 to Dec 31, 2023				Jan 1, 2024 to Dec 31, 2024				Jan 1, 2025 to Dec 31, 2025			
	PICPA		NPRC		PICPA		NPRC		PICPA		NPRC		PICPA		NPRC	
System Reviews																
Pass	143	63%	19	76%	157	69%	20	87%	168	76%	28	97%	151	80%	17	65%
Pass with deficiencies	46	20%	2	8%	38	17%	2	9%	26	12%	1	3%	14	8%	6	23%
Fail	39	17%	4	16%	33	14%	1	4%	26	12%	0	0%	23	12%	3	12%
Subtotal – System	228		25		228		23		220		29		188		26	
Engagement Reviews																
Pass	137	85%			110	84%			113	84%			114	81%	1	100%
Pass with deficiencies	17	11%			12	9%			17	12%			17	12%		
Fail	7	4%			9	7%			5	4%			10	7%		
Subtotal – Engagement	161				131				135				141		1	
Total System & Engagement	414				382				384				356			

Commented [JW2]: For the PROC - First time we had an engagement review by the NPRC. Is it okay to leave the other boxes for PWD and Fail as merged, or leave individual boxes (4 boxes). Do we put a 0, n/a, or shade it like the other years for the PWD and fails?

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VII. Meetings, Accomplishments and Advocacy Efforts

Following are the meetings, accomplishments, and advocacy efforts in 2025.

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 2025:

- February 5th
- August 18th
- May 13th
- November 17th

b. In July 2025, the Executive Secretary, on behalf of the Chair, presented the 2024 PROC Annual Report to the State Board for Public Accountancy at their Board meeting. The 2024 PROC Annual Report was posted to the Department's website in the Mandatory Peer Review Program section.

c. The Committee reviewed the revised guidelines by the National Association of State Boards of Accountancy's Peer Review Compliance Committee, Deficient Reports and Monitoring Guidance. The Committee noted that most of the recommendations for monitoring are already in place, with the exception of discipline that is outside of the Board Office's purview.

d. Oversight of PICPA's Peer Review Committee (PRC) and Report Acceptance Body (RAB) meetings. To continue the Committee's monitoring of the sponsoring organization, it established guidelines for the members to consider when monitoring PRC and RAB meetings.

Committee members Neyman and Singer attended a RAB on September 9th and November 13th, respectively. Additionally, Ms. Singer and Mr. Wheeler attended the PRC meeting on January 16th and September 23rd, respectively.

Commented [JW3]: Need the committee to verify they did monitor the RAB / PRC on these dates.

The PROC members who attended these meetings unanimously agreed the program is run by dedicated professionals in accordance with the AICPA standards.

At its November meeting, the PROC reviewed PICPA's latest AICPA Annual Oversight Report dated February 2025.

e. Regulation and Guidance – In 2025, the Commissioner’s Regulation 70.10 – Mandatory Peer Review Program was modified to reflect the change from the system of quality control to the system of quality management. 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. 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 2025:

- February 12th
- May 14th
- September 10th
- November 11th

Committee members Iles and Nawrocki attended the AICPA Peer Review Conference in August 2025. At the Committee’s August meeting, they provided a recap of the conference.

g. 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 2025, the PROC has monitored 132 firms, including firms that have been carried over from the prior year. During this time, 84 of these firms had their peer reviews accepted as complete, while 48 firms are still being actively monitored.

h. The PROC has made a number of referrals to the Office of Professional Discipline due to significant noncompliance matters with the Mandatory Peer Review Program. During 2025 there were 31 referrals made to the Office of Professional Discipline by the PROC.

i. Facilitated State Board Access (FSBA). The staff noted that firms that were terminated from the peer review program were not showing as terminated in FSBA but were showing as “Not Enrolled”. The PROC also sought to conduct a completion testing to review the entire population of firms in FSBA to our firm registration records. However, the data in FSBA would not populate more than 500 firms. Therefore, Mr. Iles, Ms. Winters, and Mr. Cordell met with the AICPA peer review staff regarding these issues. The issue with the Facilitated State Board Access improperly noting a firm’s status when it was terminated from the program as “Not Enrolled” was corrected after several months. However, the AICPA was unable to provide the PROC with an entire listing of all firms.

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.

Commented [JW4]: What revisions need to be made to the recommendations?

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.

Commented [JW5]: What revisions need to be made to the conclusions?



Peer Review
Program

Peer Review Board Open Session Materials

February 11, 2026

Virtual meeting

**AICPA Peer Review Board
Open Session Agenda
Wednesday February 11, 2026
Teleconference**

Date: Wednesday February 11, 2026

Time: 1:00PM – 3:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board** – Mr. Kindem/Ms. Brenner
- 1.2 Discussion of Emerging Areas Framework and Questionnaire* - Ms. Brenner
- 1.3 Discussion of PRSU No. 3, *Modernization of Peer Review Administration Requirements** - Ms. Chesser
- 1.4 Discussion of Proposed Change Related to Ethics Enforcement and Peer Review* - Mr. Brackens
- 1.5 Task Force Updates*
 - Standards Task Force Report – Ms. Chesser
 - Oversight Task Force Report – Ms. Altier
 - Education and Communication Task Force Report – Ms. Tres
- 1.6 Other Reports*
 - Operations Director's Report – Ms. Thoresen
 - Report from State CPA Society CEOs – Ms. McPherson
 - Update on National Peer Review Committee – Ms. Gantnier
- 1.7 Other Business** - Ms. Brenner
- 1.8 For Informational Purposes*:
 - A. Report on Firms Whose Enrollment was Dropped or Terminated
 - B. Compliance Update - Firm Noncooperation and Noncompliance
 - C. Updates to the AICPA's Questions and Answers About the Peer Review Program
- 1.9 Future Open Session Meetings**
 - A. May 5, 2026 – Teleconference
 - B. September 16, 2026 – Teleconference
 - C. November 11, 2026 - Teleconference

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

Agenda Item 1.2

Discussion of Emerging Areas Framework and Questionnaire

Why is this on the Agenda?

As a follow-up to the discussion held at the November 2025 Peer Review Board (PRB) meeting, AICPA Peer Review staff (Staff) wanted to provide PRB members with an update on recent actions planned and taken as it relates to the emerging engagements and technology initiative.

In order to support the AICPA's efforts to improve quality in the performance of auditing and accounting procedures and reporting, the Planning Task Force (PTF) of the PRB approved the proposed emerging areas (EAs) and annual practice questionnaire for 2026. This proposal is an integral part of an AICPA-wide approach to mitigate risks that EAs could present to the AICPA's Peer Review program (program), the profession, and the public.

As discussed during several PRB meetings, the program's continuing commitment to raising audit and attest quality has led to this initiative, which intends to focus firms and Peer Reviewers on EAs to improve the consistency of quality across the profession. During the discussions, overall comments were supportive of the framework that would benefit individual firms on a regular basis and not just during the firm's Peer Review year. A program-wide approach of targeted resources, enhanced materials and training, and robust discretionary reviews will affect a measurable difference in quality.

The process involved in developing the list of potential EAs includes, but is not limited to:

- evaluation of recent and upcoming changes in standards;
- environmental scans of regulatory, legislative, and business reporting;
- information gathered from the AICPA Enhancing Audit Quality initiative, audit quality centers, practice centers, internal teams, and other stakeholders;
- risks externally voiced throughout the year, such as during consultations with Big Four Accounting Firm representatives; and
- careful analysis of current trends that have an expected impact on accounting and auditing (A&A) firms.

Once developed, the list is evaluated by the PTF; accordingly, a list of suggested EAs developed by Staff was presented to PTF for evaluation.

Initial Proposal Discussed With the Planning Task Force in January 2026

To provide timely identification of EAs and their impact to firms, the initial proposed EAs approved by PTF are as follows:

- Alternative practice structures
- Artificial Intelligence and robotic process automation tools in accounting and auditing

PRIMA will be programmed to send all enrolled A&A firms notification to submit answers to questions in PRIMA. Firms will then complete, through PRIMA, an annual practice questionnaire which will identify those impacted by an EA and suggest steps the firm could take, such as, but not limited to, reviewing the resources available about the EA. The first questionnaire will be distributed in June 2026, and annually thereafter. To ensure robust testing from the outset of the new questionnaire and to meet the June 2026 timing, finalized questions are requested by the PRIMA team by February 2026.

The annual practice questionnaire approved by PTF is as follows:

- Does your firm operate in an alternative practice structure (APS) with a nonattest entity?
 - Examples:
 - This IS an APS
 - The firm has two entities – an attest firm and a nonattest entity. There is private equity (PE) investment in the nonattest entity, which performs no attest work. The attest firm is owned 100% by CPAs and performs all of the attest work.
 - This MIGHT be an APS but can vary based on circumstances
 - The firm has two entities – an attest firm and a nonattest entity. The attest firm is 100% owned by CPAs and the nonattest entity is not CPA owned but there is no PE investment.
 - This is NOT an APS
 - There are two separate attest firms that are owned by the same partners and share staff.
 - Learn More: An APS is a form of organization in which a firm that provides attest services is closely aligned with another public or private organization that performs other professional services. (ET sec. 1.220.020). The majority of the financial interests in the attest firm is owned by CPAs and (b) all or substantially all of the revenues are paid to another entity in return for services and the lease of employees, equipment, and office space (ET se. 1.810.050).
- If part of a platform APS, what is the name of the platform? If you're not part of a platform, enter N/A for not applicable.
 - Learn More: A platform APS is when there is an organization that has invested in multiple nonattest entities with related attest firms but each of the attest firms operate independently and have separate Peer Reviews. Examples include Crete Professional Alliance, LLC, Ascend Partner Services LLC, and Springline Advisory, LLC.
- Which of the following technological solutions has your firm implemented in your accounting and auditing practice, including technological solutions developed by a third party? Select all that apply.
 - Data cleansing automation
 - General Ledger reconciliation via robotic process automation (RPA)
 - Automated trend and ratio analysis
 - Sample selection automation
 - Vouching and tracing automation
 - Contract and lease term extraction
 - Automated drafting of required communications
 - Financial statement and report drafting
 - Artificial Intelligence-driven research tools
 - Other [Open text box]
 - None
- If your firm has historically undergone engagement reviews, have you performed an audit engagement after the completion of your last Peer Review or intend to do so in the next 12 months? If your firm has historically undergone system reviews, enter N/A for not applicable.

See agenda item 1.2A for an overview of key internal and external resources that will assist firms involved in an EA in being prepared to perform and report in accordance with professional standards.

PRIMA Impact

The most significant change to PRIMA will be the annual practice questionnaire, which will include automated responses that provide firms with a link to resources for the EAs.

Communications Plan

Staff will raise awareness about EAs through the various communication channels including newsletters, Reviewer alert articles, training courses, social media, etc. Any revised program guidance will be communicated through regular program related communication channels, as necessary.

Task Force Consideration

Staff requests that PRB members provide feedback or commentary on the initial proposed EAs and annual practice questionnaire outlined above.

Comment per meeting - The questions will go live in June 2026.

Overview of Emerging Area Resources

An overview of the key internal and external resources that will assist firms involved in an Emerging Area (EA) in being prepared to perform and report in accordance with professional standards are included in the table below. Although the formal evaluation and determination of EAs will occur on an annual basis, Staff will monitor the environment on a continual basis and additional resources will be added as they are developed.

Highlighted Resources	CPE and Learning	News and Professional Insights
Alternative Practice Structures		
<ul style="list-style-type: none"> • Relevant AICPA Code of Professional Conduct references: <ul style="list-style-type: none"> ○ “Independence Rule” (ET sec. 1.200.001) ○ “Networks and Network Firms” interpretation (ET sec. 1.220.010) ○ “Alternative Practice Structures” interpretation (ET sec. 1.220.020) ○ “Firm Mergers and Acquisitions” interpretation (ET sec. 1.220.040) ○ “Client Affiliates” interpretation (ET sec. 1.224.010) ○ “Overview of Financial Interests” (1.240.010) ○ “Loans” (ET sec. 1.260.010) ○ “Nonattest Services” subtopic (1.295) ○ “Alternative Practice Structures” interpretation (1.810.050) ○ “Form of Organization and Name Rule” (ET sec. 1.800.001) • AICPA Ethics hub 	<ul style="list-style-type: none"> • Coming soon! Archive of the AICPA Peer Review webcast is available as reference material (free, no CPE) (2026, January) Peer Reviews of Firms with Alternative Practice Structures • AICPA Ethics (2025, February) Lunch & Learn: Alternative Practice Structures • AICPA Transforming Your Business Model hub • AICPA Mergers & Acquisitions hub 	<ul style="list-style-type: none"> • <i>Journal of Accountancy</i> article (2025, July) “How to develop your firm’s transformation strategy” • <i>Journal of Accountancy</i> article (2025, July) “Transform your business model” • <i>Journal of Accountancy</i> article (2025, August) “Building a better CPA firm: Getting governance right”

Artificial Intelligence and Robotic Process Automation		
<ul style="list-style-type: none"> View all available AICPA resources related to AI AICPA Artificial Intelligence hub 	<ul style="list-style-type: none"> Select AICPA AI CPE offerings: <ul style="list-style-type: none"> (2025) The Impact of AI and Machine Learning in Auditing (2026, June) Futuristic Audit Trends: The Future is Now Select AICPA RPA CPE offerings 	<ul style="list-style-type: none"> <i>Journal of Accountancy</i> article (2024, January) "Using technology to boost audit quality" <i>Journal of Accountancy</i> article (2024, April) "Managing change in audit technology transformation" Article (2025, June) "Key Considerations for Financial Statement Auditors Before Leveraging Artificial Intelligence in Their Audits" Article (2026, January) "Steps in Implementing Data Governance" Guide (2025) AI solution due diligence guide for accounting firms
Step-up Reviews		
<ul style="list-style-type: none"> AICPA (2023, November) Peer Reviews: System Review vs. Engagement Review 		

Agenda Item 1.3

Approval of Proposed PRSU No. 3, Modernizing Peer Review Administration Requirements

Why is this on the Agenda?

This agenda item and its attachments are intended to facilitate the Board's review of the 'final' proposed PRSU No. 3, *Modernizing Peer Review Administration Requirements* (Agenda Item 1.3A or "the proposal"). As discussed in November open session, the board concluded that it would delay a vote on the update to the standards to provide the Standards Task Force (STF) more time to consider the comment letters, concerns raised, and alternative suggestions made by respondents contained in Agenda Item 1.3B.

Accordingly, the STF developed revisions to the initial proposal as presented in Agenda Item 1.3A and recommends the Board approve for issuance with an effective date for peer reviews scheduled on or after February 28, 2026.

Explanation of Proposed Revisions

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

While no changes are proposed to the initially proposed update to the requirement in paragraph .35, the revisions do expand application material paragraph .A50 of PR-C section 100 so that it provides the board with the ability to respond more timely in circumstances it believes warrants safeguards or policies and procedures that address current and future risks to the program.

To clarify the intent of the application and other explanatory material, the proposal explains the background and basis for providing flexibility to the Board so that it can timely establish safeguards that address not only the current risks posed by alternative practice structures (APS), but to address emerging areas or other risks identified by the board. As stated in the proposal, such safeguards include but are not limited to the following:

- requiring AE consultation with the AICPA on certain reviews,
- requiring AEs to perform full oversights of certain reviews,
- requiring certain reviews to be temporarily administered by the NPRC, or
- requiring the peer review team to possess necessary knowledge and experience to perform certain reviews.

Accordingly, if one or more of the preceding safeguards are implemented, the board will (at least) annually assess whether it is appropriate to discontinue the safeguard.

Under the circumstances, rather than oversight or consultation which the STF believes would be more appropriate to address engagement-level risks, the system-level risks associated with reviews of APS firms are believed to warrant safeguards requiring temporary administration by the NPRC and for the review team to possess necessary knowledge and experience with respect to independence requirements applicable to APSs and network firms.

Specific to reviews of firms with APS, the proposed revisions were developed to address several concerns respondents expressed by:

- explicitly noting the board's intent for the change in administration of reviews with an APS to the NPRC as a temporary measure.

- clarifying that the peer reviewer does not have to be employed by or be an owner of a firm whose most recent review was administered by the NPRC.

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

While some concerns were raised regarding the requirement for a reviewer to have experience with PCAOB engagements in order to perform a peer review of a firm with a PCAOB practice, the STF believes the initially proposed change to the requirement in paragraph .08 of PR-C section 200 is commensurate with the underlying intent of the peer review standards which require a peer reviewer to have relevant knowledge and experience of a reviewed firm's practice in order to perform its peer review.

As initially proposed, paragraph .A13 allows for exceptions to be granted if a peer reviewer is not currently with a firm that has PCAOB engagements. While some respondents suggested the criteria to qualify for the exception should be explicitly described, the STF did not propose a revision to the language as there are a variety of ways a reviewer could obtain knowledge and experience that would enable them to perform an effective review. For instance, a reviewer may demonstrate such knowledge and experience if the reviewer's firm does not currently have, but previously had an issuer practice, or reviewers who have experience serving on Report Acceptance Bodies that consider reviews for acceptance involving firms with PCAOB engagements.

Other Minor Revisions Identified After Publishing PRSU No. 3

While not included in the initial proposal, the following revisions were identified and approved by the STF to correct certain errors that were not of such significance that would warrant public exposure:

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

Paragraph .30 is revised to correct a clerical error by removing the words "and auditing" in reference to the reviewed firm's practice because the audit level of service is not included in the scope of engagement reviews.

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

Paragraph .16 and paragraph .A19 are revised to correct clerical errors by removing the words "and auditing" in reference to the reviewed firm's practice because the audit level of service is not included in the scope of engagement reviews.

Feedback Received

The broader themes of feedback from respondents to the exposure draft expressed concerns over the following:

- For PR-C Section 100 paragraph .35 (and related application material):
 - Shifting administration to the National Peer Review Committee (NPRC) may not necessarily improve a firm's quality and would disproportionately impact smaller firms.
 - Other administering entities can administer alternative practice structure (APS) reviews with equal rigor. Removing them from the picture will limit the ability of these AEs to become proficient in administering these types of peer reviews.
 - Firms may struggle to identify reviewers with availability that are qualified to perform reviews of firms administered by the NPRC.

- No evidence was provided to support the assertion that firms with APS present elevated risks to quality.
 - APS is not a new phenomenon, just one that is becoming more prevalent.
- There is ambiguity regarding what constitutes “elevated risk,” the qualifications needed for reviewers, and the application of the standard to various APS firm types
- For PR-C Section 200 paragraph .08 (and related application material):
 - This requirement could unnecessarily restrict the pool of qualified reviewers for NPRC firms and make finding a qualified peer reviewer even more difficult.
 - Being from a firm with PCAOB engagements may not be the best determinant of being qualified to review a firm with PCAOB engagements.
 - There is ambiguity in how the exception process would work, for example how one would qualify for such an exception
- For the effective date, many respondents recommended that it be changed to December 31, 2026 as the current proposal provides insufficient time for firms to adjust, and could cause potential disruptions for those firms with impacted reviews already in the scheduling process

As previously noted, revisions have been developed by the STF after carefully considering comments expressing concerns about various aspects of the initial proposal. To help stakeholders better understand the basis for the STF’s recommendation to move forward with the revised proposal, the STF believes the following considerations of various risks are significant and compelling such that action by the Board to update the standards is warranted.

Alternative practice structures (APS)

With alternative practice structures, the STF believes there are several risks facing the profession, the peer review program, and to individual peer reviews being performed. The following potential risks have been considered by the STF in its decision to recommend the board move forward with a vote on the proposal:

- A conflict may exist between the CPAs’ motive (public trust) and the PE investor’s motive (profit), and the PE investor may place undue pressure on the attest firm’s partners or nonattest service entity’s (NSE’s) principals.
- Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.
- Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.
- Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.
- There may be undue influence and self-interest threats to the attest firm partners’ independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.
- The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

Why Now?

- The frequency of APS reviews is steadily increasing and the STF believes more immediate action is appropriate as a proactive measure considering the preceding risks. Therefore, rather than the initially proposed effective date that was based on the peer

review year-end, the STF is recommends proceeding with an effective date for reviews scheduled on or after February 28, 2026.

- Effective dates for changes in peer review administration requirements have historically been based on the date reviews are scheduled.
- These reviews are already happening and the temporary move will allow for consistency in the administration of these reviews while the PRB establishes training and other safeguards.

Applicability to APS System Reviews

- The revised proposal clarifies the change in administration to the NPRC is only applicable to system reviews.
- Firms that have had an APS for many years and those with an APS but no PE investor are still subject to this safeguard. These reviews would be administered by the NPRC for the temporary timeframe as insight can still assist staff with developing training and resources.
- Further, many firms and reviewers are identifying structures where they are unsure if it should be considered an APS. When in doubt, stakeholders are encouraged to contact the Ethics hotline and document conclusions reached, including the supporting explanations.

Concerns Regarding NPRC Administration

With respect to the NPRC's ability to administer certain peer reviews on a temporary or ongoing basis, the STF considered the following as some misconceptions were evident in the comment letters submitted.

- NPRC does not only administer reviews for large firms—In addition to the largest firms, reviews for firms of all sizes are currently administered.
 - For system reviews, the NPRC has a similar firm size distribution as compared to other administering entities (AEs) and is also comparable to the firm sizes for those that have an APS.
- Sufficient capacity for additional reviews
 - The NPRC has 12 technical reviewers; 4 of them are dedicated to working on APS reviews. The current volume of reviews is believed to be manageable to allow the NPRC to compare results across firms to efficiently gather information on how to guide other AEs when the temporary safeguard is discontinued.
 - The NPRC currently administers more APS reviews than other AEs which enables identifying issues with the APS process faster than other AEs that may administer 1 or 2.
 - The NPRC administrator staff is considered to have sufficient capacity to process the increase in peer reviews as a result of this temporary change.

Staff Resources and Real-Time Information Flow

- AICPA Staff have direct access to resources for administering these reviews through working closely with other AICPA teams like ethics and firm services.
- APS Task Forces – A peer review APS Task Force has been formed with Staff designated to participate in discussions with two other AICPA task forces.
- Real Time Updates
 - Other AEs look to AICPA Staff for guidance and the circumstances surrounding APS are constantly evolving such that formalized communications for real-time updates are not practicable.

- By limiting those involved to 4 Staff members at the NPRC, regular and ongoing communication can be conducted more efficiently and effectively.
- Staff is currently tracking what is seen from one firm within an APS platform to make sure that similar issues or items are addressed at other firms within that platform. Meetings will be held with each platform to further understand the relationships and processes for these firms.
- Staff is currently tracking whether similar merger related issues exist at some of these rapidly growing firms
- Staff is leveraging the APS Task Force to help consider the results.

Timeline To Discontinue NPRC Administration

- AICPA Staff continues to gather information from these reviews. An introductory level webcast was recently held on January 29, 2026.
- Moving forward, more training with updated information will be developed for the AICPA peer review conference with likely some conference cases discussing scenarios that have been encountered.
- AICPA Staff will also continue to work on trainings for technical reviewers and RABs anticipating that these reviews will be in a better position to be transitioned back to other AEs when all of these trainings are in place
- Duration of the proposed safeguard—It is expected for the safeguard to be evaluated annually with an estimate of 3 years or less.

Reviewer Qualifications

- While reviewer pool is a valid concern, the potential for reviewers that are unfamiliar with evaluating complex circumstances of a firm's practice is a greater risk to the program.
- The extant guidance is that a firm that is "required" to have a review administered by the NPRC and is required to have a team captain from a firm whose most recent review was administered by the NPRC. The primary reason for the proposed change to the guidance in PR-C section 200 is to account for a potential gap in a review team's experience with PCAOB engagements that could result by the modernization of administration requirements proposed in PR-C section 100 and the growing number of firms that elect to have their review administered by the NPRC.
- While there is the exception to the NPRC firm requirement included in the proposal, the intent is not to force firms to change reviewers for APS purposes so the proposal has been revised accordingly in paragraph .A50 of PR-C section 100. Thus, the current reviewer should be approved if he or she has the knowledge to perform the review.
 - If the reviewer is not familiar with the requirements, they're likely not going to know if the firm is doing enough, what questions to ask, or what to look for. If a reviewer took the time to read APS and network requirements and have been following developments from PEEC, it would be appropriate for the reviewer to indicate on their resume they have the knowledge and experience to perform a review of a firm with an APS.
 - In contrast, it is believed that if a reviewer is not willing to note on their resume that they understand the independence requirements, they do not demonstrate the ability to perform the review.

Reviewer Qualifications for Firms with PCAOB Practice

- When the 2009 Standards were written and the NPRC was created, the NPRC was comprised of mainly firms that had an SEC practice.
- Over the last 15 years, the make-up of the NPRC has changed significantly. The NPRC administers firms of all sizes and all complexities.
- As currently written (if the proposed change to paragraph 100.35 is solely approved), the standards would allow for a sole practitioner that elects NPRC as its AE to be a team captain on a review of a firm with a significant PCAOB practice.
 - The intent with the proposed change is to avoid what would be essentially an automatic approval of that reviewer because they meet the base criteria of NPRC administration. Rather, if the reviewer does not also have PCAOB experience, the reviewer will need to explain their qualifications to perform the review and to evaluate the impact of any PCAOB inspection reports, expanded reports, or PCAOB and SEC sanctions on the peer review.

Board Consideration

With respect to Agenda Item 1.3A, the STF requests the Board:

- Consider and discuss the content of the revised proposal of PRSU No. 3, with the recommendation to approve the final update to the standards for issuance with an **effective date for reviews scheduled on or after February 28, 2026.**
 - Clerical errors revising certain paragraphs pertaining to engagement reviews in section 220 and section 320 are effective on publishing.



Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

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

**As Approved by the Peer Review Board
on February 11, 2026**

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Executive Summary

Introduction

This memorandum provides a summary of Peer Review Standards Update (PRSU) No. 3, *Modernizing Peer Review Administration Requirements*, which amends the AICPA Standards for Performing and Reporting on Peer Reviews (standards) issued by the AICPA Peer Review Board (board).

Overview

The AICPA Peer Review Program (program) monitors the quality of reviewed firms' accounting and auditing engagements through an evaluation of select engagements (when eligible for an engagement review) or by evaluation of firms' systems of quality management under which those engagements are performed (when system reviews are required or elected). Participation in the program is mandatory for AICPA membership, as explained in paragraph .03 of PR-C section 100, *Concepts Common to All Peer Reviews*,¹ and peer reviews are now required for licensure in nearly all state licensing jurisdictions.

As part of its efforts to maintain standards that are easy to read, understand, and apply, the board periodically (at least annually) conducts an environmental scan, which includes economic and regulatory considerations, to determine if revisions are necessary for the standards to remain relevant and appropriate to meet the current needs of the program and applicable stakeholders. As a result, the board has revised certain requirements relating to the administration of peer reviews to account for risks to public interest associated with regulatory considerations and the evolving landscape of firm practice structures.

Regulatory Considerations

As the PCAOB maintains an increased focus on registered firms' systems of quality control according to QC section 1000, *A Firm's System of Quality Control*,² and given the increasing complexity of identified deficiencies and related disciplinary orders from the SEC and PCAOB, the board believes it is critical for peer review teams to have relevant experience to consider the implications of such matters in peer reviews. With an increasing number of firms electing the National Peer Review Committee (National PRC) as their administering entity (AE), the board recognized an increased potential for review teams that could have been approved under previous guidance while lacking familiarity with the current regulatory environment. Therefore, this PRSU revises the required qualifications in paragraph .08 of PR-C section 200 for team captains to perform a review for a firm that performed or "played a substantial role in" (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year.

Considering the requirement in paragraph .35a of PR-C section 100 that states firms are required to have their reviews administered by the National PRC if the firm performed or "played a substantial role in" (as defined by the PCAOB) an engagement under PCAOB standards with a period ending during the peer review year, and the requirement in paragraph .08 of PR-C section 200, *General Principles and Responsibilities for Reviewers*, that previously stated only that the team captain's firm's most recent peer review should have been administered by the National

¹ All PR-C sections can be found in AICPA *Professional Standards*.

² QC section 1000, *A Firm's System of Quality Control*, can be found in *PCAOB Standards and Related Rules*.

PRC (whether elected or required to do so), this PRSU revises the requirement to address the risk that the review team may not be familiar with PCAOB inspections and the potential impact on the peer review if the reviewing firm elected, but was not required, to have its review administered by the National PRC.

The board believes that firms should still be permitted to elect the National PRC as their AE; however, to address the preceding concerns related to the PCAOB environment and to account for the revisions to paragraph .35 of section 100 discussed in the “Alternative Practice Structures” section below, the revised requirement in paragraph .08 of section 200 will ensure that review teams have relevant and appropriate experience to evaluate PCAOB-related matters. Furthermore, paragraph .A13 of section 200 is introduced to allow for exceptions to this revised requirement when the review team submits a request to the National PRC with appropriate substantiation of qualifications that would enable the review team to effectively consider the implications of PCAOB inspections on the reviewed firm’s peer review.

Alternative Practice Structures

Private equity (PE) investors have firmly established themselves as pivotal players across a wide range of industries for more than 75 years. PE’s interest in the accounting profession began in the early 2000s but really took hold in the 2020s, notably with Towerbrook Capital Partners’ investment in Eisner Advisory Group in 2021. Alternative practice structures (APSs) were an accessible model for PE investors to enter the accounting profession because, although a CPA firm is prohibited from having a passive commercial investment, a closely aligned nonattest service entity (NSE) is not. Therefore, PE could invest in the profession, and a CPA firm could comply with the profession’s ethical requirements and state regulations.

PE investors provide capital, expertise, and resources to fuel growth and help accounting firms remain competitive in a rapidly changing market. The infusion of capital allows firms to focus on innovation, technology, talent retention, and improving professional services, all of which are essential to their long-term success. Notwithstanding the benefits that PE investors may offer firms, ensuring that the integrity of the attest function is not compromised under this type of APS is critical to protecting the public interest. PE’s involvement in the accounting profession has raised questions from various regulators, standard setters, CPA practitioners, and other stakeholders about potential conflicts. Thus, the board has considered the following specific concerns and potential risks related to a PE investment in a CPA firm:

- A conflict may exist between the CPAs’ motive (public trust) and the PE investor’s motive (profit), and the PE investor may place undue pressure on the attest firm’s partners or nonattest service entity’s (NSE’s) principals.
- Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.
- Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.
- Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.
- There may be undue influence and self-interest threats to the attest firm partners’ independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.
- The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

From time to time, the board has considered situations that may suggest reviews of a firm possessing certain engagements or characteristics should be subject to additional safeguards including, but not limited to, required consultations, oversight, specific review team experience, or having its review temporarily administered by the National PRC due to the complexity of issues that may warrant greater consistency by centralizing the administration of such firms' peer reviews.

Accordingly, this PRSU expands the requirement in paragraph .35 and introduces application and other explanatory material in paragraph .A50 of section 100 to allow the board to use discretion in determining appropriate safeguards designed to address the risks associated with emerging areas, certain practice structures, engagements, or other services that the board believes to present an elevated risk to quality and to the profession. In doing so, the board will at least annually conduct environmental scans and ongoing monitoring of rapidly evolving areas to assist with developing training or resources for stakeholders and to assess whether to maintain or discontinue any implemented safeguards.

Considering the risks associated with system reviews of firms with an APS, the board believes the following are the most appropriate safeguards under the circumstances so that the board can closely monitor these reviews to develop specific training or resources before returning the administration of such reviews to other AEs:

- Firms with an APS are required to have their reviews temporarily administered by the National PRC, and
- While the captain does not have to be employed by or be an owner of a firm whose most recent review was administered by the National PRC, the peer reviewer is required to have a thorough understanding (represented on the reviewer's resume) of independence requirements applicable to APS and network firms. are the most appropriate safeguards under the circumstances.

Summary of Proposed Changes

As previously described, this PRSU revises or expands the following requirements and application and other explanatory material:

- Paragraph .35 of section 100 expands the criteria used to determine whether the National PRC should administer a firm's peer review.
 - Accordingly, paragraph .A50 is introduced to indicate that the board will (at least annually) assess in meetings open to the public whether certain identified risks warrant additional safeguards or policies and procedures to mitigate such risks. In doing so, possible safeguards or policies and procedures that may be implemented by the board include, but are not limited to, the following:
 - Require AEs to routinely consult with the AICPA when administering certain peer reviews
 - Require AEs to perform full oversights of certain peer reviews
 - Require certain peer reviews to be temporarily administered by the National PRC
 - Require peer review teams to represent that it has the necessary knowledge and experience to perform certain peer reviews
 - Additionally, paragraph .A50 indicates that

- A firm closely aligned with a non-CPA-owned entity (an alternative practice structure) is required to have its review administered by the National PRC, and
 - The captain does not have to be employed by or be an owner of a firm whose most recent review was administered by the National PRC; however, a member of the review team is required to have a thorough understanding (represented on the reviewer's resume) of the independence requirements regarding alternative practice structures and network firms.
- Paragraph .08 of section 200 has been revised to require when a firm's peer review is administered by the National PRC because its practice includes PCAOB engagements, the team captain's firm's most recent peer review should also have been required to be administered by the National PRC for the same reason.
 - Accordingly, paragraph .A13 is introduced to describe when an exception to this requirement may be granted if the team captain submits a request in writing to the National PRC describing qualifications and experience that would enable the review team to effectively review the firm's engagements and the system of quality management.
- Paragraph .30 of section 220, and paragraph .16 and paragraph .A19 of section 320 are revised to correct clerical errors by removing the words "audit" or "auditing" in reference to the reviewed firm's practice because the audit level of service is not included in the scope of engagement reviews.

Effective Date

The revisions associated with the administration of peer reviews described in this PRSU are effective for system reviews scheduled on or after February 28, 2026. Clerical revisions pertaining to engagement reviews in section 220 and section 320 are effective upon publishing.

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2025–2026

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Tim Kindem
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Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements

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

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

[Paragraphs .01–.34 are unchanged.]

.35 Firms are required to have their reviews administered by the National PRC if they meet any of the following criteria: (Ref: par. .A49)

- a. The firm performed or “played a substantial role in” (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year.
- b. The firm is a provider of quality management materials (QMM) (or is affiliated with a provider of QMM) that are used by firms that it peer reviews.
- c. ***The firm’s practice structure is deemed by the board to present an elevated risk to quality and to the profession, or the firm’s practice includes certain engagements or services deemed to present such risk. (Ref: par. .A50)***

[Paragraphs .36–.53 are unchanged.]

Application and Other Explanatory Material

[Paragraphs .A1–.A49 are unchanged.]

.A50 The board may, at its discretion, identify emerging areas or circumstances that it believes to present elevated risk to the quality of engagements or to the broader peer review program and thus, to the profession. To identify areas that present such risk, the board will conduct (at least) annual environmental scans and ongoing monitoring to determine whether additional safeguards or policies and procedures are appropriate to mitigate risks associated with a firm or its accounting and auditing practice. In doing so, the board will discuss and consider in meetings open to the public whether it is appropriate to implement or discontinue safeguards or policies and procedures including, but not limited to the following:

- a. Require AEs to routinely consult with the AICPA when administering certain peer reviews***
- b. Require AEs to perform full overights of certain peer reviews***
- c. Require certain peer reviews to be temporarily administered by the National PRC***

d. Require peer review teams to represent that it has the necessary knowledge and experience to perform certain peer reviews

Effective for system reviews scheduled on or after February 28, 2026¹, ~~the board currently~~ requires a firm to have its review administered by the National PRC when the firm is closely aligned with a non-CPA-owned entity (an alternative practice structure). In these situations, the captain does not have to be employed by or be an owner of a firm whose most recent review was administered by the National PRC; however, the board also requires a member of the review team to have a thorough understanding (represented on the reviewer’s resume) of the independence requirements regarding alternative practice structures and network firms.

[Paragraphs .A50–.A58 are renumbered to .A51–.A59. The content is unchanged.]

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

[Paragraphs .01–.04 are unchanged.]

Requirements

Reviewer Qualifications

[Paragraphs .01–.07 are unchanged.]

.08 In order to be qualified as captain for a peer review of a firm whose review is required to be administered by the National Peer Review Committee (PRC) *because the firm performed or “played a substantial role in” (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year as described in paragraph .35a of section 100*, a captain should currently be employed by or be an owner of a firm whose most recent review was *also required to be* administered by the National PRC *for the same reason*. (Ref: par. .A12–.A14~~13~~)

[Paragraphs .09–.38 are unchanged.]

Application and Other Explanatory Material

Reviewer Qualifications (Ref: par. .05–.08)

[Paragraphs .A1–.A11 are unchanged.]

¹ As approved through issuance of Peer Review Standards Update (PRSU) No. 3, *Modernizing Peer Review Administration Requirements*.

.A12 If a firm elects, but is not required, to have its peer review administered by the National PRC, the captain does not have to be employed by or be an owner of a firm whose most recent review was administered by the National PRC.

.A13 *If a firm is required to have its peer review administered by the National PRC according to paragraph .35a of section 100 and the team captain's firm's most recent peer review was not required to be administered by the National PRC for the same reason, an exception to the requirement in paragraph .08 may be granted when the team captain submits a request in writing to the National PRC that describes the experience and qualifications that enable the review team to effectively review the firm's engagements and its system of quality management.*

.A14~~13~~ For other requirements for a captain in a system review, see section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, and for other requirements of a captain in an engagement review, see section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews*.

[Paragraphs .A14–.A46 are renumbered to .A15–.A47. The content is unchanged.]

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

[Paragraphs .01–.29 are unchanged.]

.30 The review captain should request management of the firm to provide written representations for the peer review year that are dated as of the date of the peer review report stating the following: (Ref: par. .A20)

- a. Management has fulfilled its responsibility for the design, implementation, and operating effectiveness of a system of quality management for our accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- b. Management acknowledges its responsibility for complying with the rules and regulations of state boards of accountancy and other regulations.
- c. Management has disclosed to the review captain all known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards 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.

- d. Management has discussed significant issues from reports and communications from regulatory, monitoring, and enforcement bodies with the team captain, if applicable.
- e. Management has fulfilled its responsibility to remediate nonconforming engagements, as stated by the firm in the letter of response, if applicable.
- f. Management understands the intended uses and limitations of the quality management materials it has developed or adopted. Management has tailored and augmented the materials as appropriate such that the quality management materials encompass guidance that is sufficient to assist it in conforming with professional standards (including the Statements on Quality Management Standards) applicable to its accounting and auditing practice.
- g. Management has responded fully and truthfully to the review captain's inquiries.
- h. Management has provided the review captain with all relevant information including all engagements with periods ending during (or, for financial forecasts or projections and agreed-upon procedures engagements, report dates in) the year under review.
- i. Management has disclosed to the review captain that the firm did not perform any engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) standards that are not subject to PCAOB permanent inspection.
- j. Management acknowledges that failure to properly include the engagements listed in (i) could be deemed a failure to cooperate and 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, or enforcement body.
- k. Management has provided the review captain communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting 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.
- l. Management has disclosed that there are no known limitations or restrictions 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, or management should include a summary of the limitations or restrictions 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.

[Paragraphs .31–.A33 are unchanged.]

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

[Paragraphs .01–.15 are unchanged.]

Written Representations

.16 The firm should provide to the review captain written representations on firm letterhead for the peer review year, dated as of the date of the peer review report, that state the following: (Ref: par. .A16–.A18)

- a. Management has fulfilled its responsibility for the design, implementation, and operating effectiveness of a system of quality management for our accounting practice that provides us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. (Ref: par. .A19)
- b. Management acknowledges its responsibility for complying with the rules and regulations of state boards of accountancy and other regulations.
- c. Management has disclosed to the review captain all known instances of noncompliance or suspected noncompliance with the rules and regulations of state boards of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements through the issuance dates of the reviewed engagements in each state in which the firm practices for the year under review.
- d. Management has discussed significant issues from reports and communications from regulatory, monitoring, and enforcement bodies with the team captain, if applicable.
- e. Management has fulfilled its responsibility to remediate nonconforming engagements as stated by the firm on the relevant form, if applicable.
- f. Management understands the intended uses and limitations of the quality management materials it has developed or adopted. Management has tailored and augmented the materials as appropriate such that the quality management materials encompass guidance that is sufficient to assist it in conforming with professional standards (including the Statements on Quality Management Standards) applicable to its accounting and auditing practice.
- g. Management has responded fully and truthfully to the review captain’s inquiries.
- h. Management has provided the review captain with all relevant information including all engagements with periods ending during (or, for financial forecasts or projections and agreed-upon procedures engagements, report dates in) the year under review.

- i. Management has disclosed to the review captain that the firm did not perform any engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the SSAEs, or audits or examinations under the Public Company Accounting Oversight Board (PCAOB) standards that are not subject to PCAOB permanent inspection.
- j. Management acknowledges that failure to properly include these engagements on the list could be deemed as failure to cooperate and 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, or enforcement body.
- k. Management has provided to the review captain communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting 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.
- l. Management has disclosed that there are no known limitations or restrictions 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, or management has included a summary of the limitations or restrictions 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.

[Paragraphs .17–.A18 are unchanged.]

.A19 Representation by management regarding its responsibility for designing, implementing, and operating its system of quality management for its accounting and auditing practice may be tailored when any indication exists that management misunderstands those responsibilities or changes in circumstances make it appropriate to tailor the representation. For example, when a reviewer becomes aware that the reviewed firm has not designed, implemented, or operated a system of quality management, it may be appropriate to tailor this representation to state, “Management acknowledges and understands its responsibility for designing, implementing, and operating 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.”

[Paragraphs .A20–.A21 are unchanged.]



October 23, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email submission: attention Brad Coffey
PR_expdraft@aicpa.org

Re: Comments on Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures

Dear Mr. Coffey:

Glenn Burdette Attest Corporation appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure, Glenn Burdette Attest Corporation supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

Glenn Burdette Attest Corporation believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure, simply by its alternative practice structure presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being an alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.



Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct some data gathering to determine the financial impact to the firms that would need to change their peer reviewing program. Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. "A conflict may exist between the CPAs' motive and the PE investor's motive, and the PE investor may place undue pressure on the attest firm's partners or nonattest service entity's (NSE's) principals."

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee's proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.



Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners' independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.



Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive.

Conclusion

Glenn Burdette Attest Corporation supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

A handwritten signature in black ink, appearing to read 'Al E. Eschenbach', is written over a light grey horizontal line.

Al E. Eschenbach, Principal
Glenn Burdette Attest Corporation



October 16, 2025

Mr. Brad Coffey
Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Subject: Response to Exposure Draft – Proposed Peer Review Standards Update No. 3

Dear Mr. Coffey:

Thank you for the opportunity to comment on the Exposure Draft of Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements. We appreciate the AICPA's continued commitment to strengthening the peer review process and adapting to the evolving structure of firms within the profession.

Our Firm's peer review is administered by the National Peer Review Committee (NPRC). We have played an active role in the NPRC, with one of our team captains recently completing a five-year term and another just beginning a new term.

Our firm has performed audits of issuers for many years. Recently we made a business decision to exit the public practice space as we no longer found this to be profitable for the firm. Several partners in the firm are proficient with PCAOB standards and have experience with the PCAOB permanent inspection process. Our Firm will remain registered with the PCAOB and will be implementing QC 1000 by the revised deferred deadline of December 15, 2026.

We offer the following comments based on our experience and perspective.

There are several firms that currently perform large firm reviews that for various reasons have decided to exit the public company practice space. We are concerned the proposed standard will significantly reduce the pool of qualified team captains and reviewers of large firms and reduce the quality of large firm reviews. Many of these reviewers are highly qualified, highly experienced peer reviewers. The proposed standard will likely push additional large firm reviews to national firms that may not have the capacity to perform them. Alternatively, these reviews may end up with smaller firms that, although they perform a very limited amount of public company work, they are neither highly familiar with PCAOB standards or with the complexity of performing large firm reviews, thereby reducing the quality of the review.

Our Firm has built a strong peer review practice over the past 30 years, including reviews of large firms performing engagements subject to PCAOB permanent inspection. Among others, we currently review 10 Top 100 firms, and 3 Top 25 firms. Many of these firms are subject to permanent PCAOB inspection. The Firm's peer review practice, designated as an industry line in our firm with four qualified team captains, continues to grow rapidly. We believe our experience substantially benefits the AICPA peer review program by providing well qualified team captains that understand the process and conduct peer reviews in a highly professional manner. We often interact with AICPA peer review technical team members, and believe those relationships enhance our ability to perform high quality peer reviews. In addition, peer

review enhances the professional skills of many of our partners and professional staff through review of engagements performed by other high-quality firms. Should the proposed standard eliminate our qualification to perform these reviews, it would negatively impact our Firm.

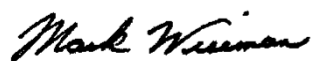
We agree with the standard proposal that reviewers of firms subject to PCAOB permanent inspection should possess the experience and skills to determine the application of PCAOB inspection findings to the firm's quality control system. However, we do not agree that simply being a partner in a firm that also performs PCAOB audits is the best determinant of those qualifications for the following reasons:

- Many smaller firms that may conduct a small number of public company engagements, are not truly best qualified to handle the peer reviews of other much larger firms, and yet peer reviews might move to them because other more capable firms are no longer "qualified."
- Simply being a partner in a firm that conducts PCAOB audits does not ensure that this partner is involved with or has experience related to those engagements.
- Firms that conduct no PCAOB audits may still be involved in providing consulting, outsourced internal audit, or SOX testing for companies that are subject to PCAOB audits, and thus have insight into the PCAOB audit process.
- The PCAOB inspection process and its focus has tended to shift in recent years, sometimes highly focused on matters that some observers may think add little to the value of the audit process. Would this provision be a step towards increasing the PCAOB's influence on the profession?

The proposed standard grants an exception for firms such as ours that are no longer subject to permanent PCAOB inspection. The exception may be granted when the review team submits a request to the NPRC with appropriate substantiation of qualifications that would enable the review team to effectively consider the implications of PCAOB inspections on the reviewed firm's peer review. While we very much appreciate this provision, the lack of specificity raises several significant concerns. For example, what would constitute acceptable substantiation? Will it be based on continuing professional education (CPE), prior experience, or other criteria? Will qualifications expire? If so, what is the timeframe, and will reviewers need to requalify periodically regardless of the proof submitted? We believe a much better solution would be the elimination of the requirement that the captain be a member of a firm that conducts PCAOB audits, and replace this with a CPE requirement, which would be overseen by the NPRC, which would be applicable to the peer review captains themselves, and would address the concerns of the NPRC. We believe that this would allow highly skilled firms to continue to conduct quality peer reviews.

We appreciate the Peer Review Board's efforts to modernize and strengthen the peer review framework. These proposed changes are timely and necessary, and we welcome the opportunity to contribute to their refinement. We urge the Board to prioritize clarity, consistency, and transparency in the final standards and related guidance.

Sincerely,



Mark Wiseman, Partner
mwiseman@becpas.com
 540-345-0936



CliftonLarsonAllen LLP
220 South Sixth Street, Suite 300
Minneapolis, MN 55402-1436

phone 612-376-4500 fax 612-376-4850
claconnect.com

October 3, 2025

Brad Coffey
AICPA Peer Review Board

Via email: PRexpdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dear Mr. Coffey:

On behalf of the professionals at CliftonLarsonAllen LLP (CLA), we appreciate the opportunity to comment on the topics covered in the Exposure Draft of Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration*, dated September 10, 2025.

We understand that the purpose of the proposed update is to revise the standards to account for risks to public interests associated with regulatory considerations and the evolving landscape from firm practice structures.

Our views on the specific topics requested are attached.

Thank you for the opportunity to provide our comments.

Sincerely,

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Enclosure

Request for comment	CLA Comments
1. Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:	
a. Do you agree with the proposed change? If not, please explain your reasoning.	We agree with the proposed change.
b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.	We believe the revised requirement is sufficiently clear and understandable.
c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.	We believe the application guidance and other explanatory material is sufficient.
2. Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:	
a. Do you agree with the proposed change? If not, please explain your reasoning.	We agree with the proposed change.
b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.	<p>We believe the following should be added to the proposed revised paragraph .08 of PR-C section 200:</p> <p style="padding-left: 40px;">...a captain should currently be employed by or be an owner of a firm whose most recent review was also required to be administered by the National PRC for the same reason, <i>unless an exception is granted.</i></p>
c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.	We believe the application guidance should include factors the National PRC may consider when evaluating the team captain's experience and qualifications. The application guidance should also indicate when the request for exception should be submitted. The board should also consider whether the exception is required for every peer review performed by the team captain or if an exception may be granted for a period (e.g., three years).
3. Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If no, please explain your reasoning and note any concerns or anticipated challenges.	We agree with the proposed effect date.



October 20, 2025

To: Brad Coffey
Manager, AICPA Peer Review Program

From: Coastal Peer Review

Via email: PR_expdraft@aicpa.org

Re: Comment Letter on Proposed Peer Review Standards Update No. 3 – Modernizing Peer Review Administration Requirements

Coastal Peer Review appreciates the opportunity to comment on the *Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements*. We commend the Peer Review Board for its thoughtful work in addressing evolving firm practice structures and related risks.

Question 1 – Proposed Revision to Paragraph .35 of PR-C Section 100

We agree with the proposed change. We recognize that each alternative practice structure (APS) can be unique, and therefore the quality management responses will be unique. It is important that peer reviewers, technical reviewers and report acceptance committees be able to consistently administer the peer reviews of APS firms. Therefore, we believe that centralizing the administration of peer reviews for firms with an APS under the National PRC provides consistency, quality, and clarity in understanding and addressing those risks. The explanatory material in paragraph .A50 is sufficient to guide firms and reviewers.

We also note that if the evolution of APS becomes more consistent and understood, it is possible that the administration of peer reviews could possibly be opened back up to all AEs in the future. However, at this point centralizing administration for APS firms is appropriate.

Question 2 – Proposed Revision to Paragraph .08 of PR-C Section 200

We support the proposed revision. Given the heightened complexity of PCAOB-related engagements regardless of the level of involvement, it is important that review team captains, technical reviewers and RABs have relevant and comparable experience. We support the change requiring the team captains' firm peer review be NPRC administered (but not necessarily PCAOB inspected, since this depends on engagements performed in an inspection period).

This helps ensure the peer review process is robust and credible. We believe the flexibility provided through the exception process outlined in paragraph .A13 is a practical solution that balances consistency with professional judgment.

Question 3 – Proposed Effective Date

We agree with the proposed effective date for peer review years ending on or after December 31, 2025.

Overall, Coastal Peer Review supports the proposal. We believe the revisions strike an appropriate balance by addressing the risks posed by evolving firm practice structures while allowing for centralized oversight where needed. We also appreciate the Board's recognition that each firm and APS may present unique circumstances that must be considered carefully.

We thank the Peer Review Board for the opportunity to comment and for its continued efforts to strengthen the peer review program in support of the profession and the public interest.



October 23, 2025

AICPA Peer Review Board
 American Institute of Certified Public Accountants
 1211 Avenue of the Americas, 19th Floor
 New York, NY 10036

via email submission: attention Brad Coffey

PR_expdraft@aicpa.org

Re: Comments on Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures

Dear Mr. Coffey:

Glenn Burdette Attest Corporation appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure, Glenn Burdette Attest Corporation supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

Glenn Burdette Attest Corporation believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure, simply by its alternative practice structure presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being an alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.



Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct some data gathering to determine the financial impact to the firms that would need to change their peer reviewing program. Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. "A conflict may exist between the CPAs' motive and the PE investor's motive, and the PE investor may place undue pressure on the attest firm's partners or nonattest service entity's (NSE's) principals."

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee's proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.



Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners' independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.



Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive.

Conclusion

Glenn Burdette Attest Corporation supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Merlo', is written in a cursive style.

David Merlo, CEO/Managing Principal
Glenn Burdette Attest Corporation

October 23, 2025

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dugan & Lopatka provides the following comments to Proposed PRSU No. 3:

1. Regarding the proposed revision to paragraph .35 of PR-C section 100:

We recognize the unique risks associated with Alternative Practice Structures (APS). We note that the attest portion of the firm is carved out, and this is the primary focus of peer review. In addition, this raises the question of whether the National Peer Review Committee (NPRC) is truly the best fit for reviewing and evaluating peer reviews for smaller firms.

We believe that a collaborative approach between the Administering Entity (AE) and the AICPA peer review staff will provide the most effective outcome while addressing the issues noted, including independence. We believe that, with the addition of enhanced oversight in this area, the AE's will continue to offer the best solution for firms not subject to PCAOB, while not disrupting the current systems in place and negatively impacting many practitioners and administrators currently involved in performing and reviewing these peer reviews.

The proposed change would disproportionately impact smaller firms with APS practices who may face challenges in finding suitable peer reviewers. These firms might be forced to engage larger firms for their peer reviews, which not only incurs higher costs but also creates a mismatch in alignment, as larger firms are not truly "peers" to these smaller firms. Additionally, the pool of available peer reviewers has been shrinking over the years, and the proposed change could exacerbate this issue. In our observation, larger firms have little interest in conducting peer reviews for smaller firms.

We suggest allowing firms to continue working with their state AE, while requiring consultation with the AICPA regarding the impact of APS. This consultation could take place during the scheduling phase in Prima or as part of the planning process. This approach would preserve the expertise and guidance needed for APS-related concerns while minimizing disruption to smaller firms and their peer review process.

In addition, it is unclear what specific situations, or firm attributes fall under the scope of these requirements. For example, how should a peer reviewer approach an APS firm where a non-influential investor holds a 20% stake? Or what about a firm structured as an ESOP? The ambiguity surrounding these scenarios creates uncertainty, and clearer guidelines are needed to ensure consistency and accuracy in the peer review process.

AICPA Peer Review Board
 October 23, 2025
 Page two

2. Regarding the proposed revision to paragraph .08 of PR-C section 200:

While reviewing regulatory oversight, including PCAOB and SEC related matters, peer reviewers may occasionally encounter complex deficiencies or disciplinary actions. In such cases, current peer review standards already provide clear guidance, indicating that reviewers should consult with the AICPA or a technical reviewer if questions or uncertainties arise regarding the impact of these issues. This demonstrates that an effective system is already in place to address these rare circumstances.

An effective enhancement to the current process could be to implement a step in the summary review memorandum requiring consultation with the AICPA or technical reviewers whenever the firm has had any PCAOB or SEC communications since the last peer review. This addition ensures greater clarity and improves the review process overall.

The shortage of peer reviewers, particularly those operating in the NPRC space, is a pressing concern, and automatically disqualifying otherwise qualified individuals would worsen this issue. Forcing them to navigate a potentially burdensome “request for exception” process only adds complexity and exacerbates the problem. Compounding this challenge, many firms performing peer reviews are exiting PCAOB/SEC work, further diminishing the pool of available reviewers now and in the future. This critical reduction in resources has significant implications for ensuring the quality and effectiveness of peer reviews moving forward.

The proposed standard implies that a reviewer from a firm without PCAOB/SEC experience is inherently unqualified to conduct a peer review for a firm subject to PCAOB/SEC. However, the standard lacks clarity on what specific experience or qualifications would be deemed sufficient for a reviewer to be considered effective and eligible for an exception. This ambiguity leaves significant uncertainty about the criteria and thresholds required to meet the proposed standard’s expectations.

3. Do you agree with the proposed effective date for peer review years ending on or after December 31, 2025?

No. If this is approved, the proposed effective date allows for a very limited timeframe for implementation, which raises concerns about providing firms with adequate time to identify and secure new peer reviewers. To ensure a smoother transition and minimize disruptions, we recommend setting the effective date for peer review years ending on or after December 31, 2026.

Thank you for providing us with this opportunity to share our concerns.

Sincerely,

DUGAN & LOPATKA



Hugh Elliott, Principal and Vice Chair of the Peer
 Review Alliance Report Acceptance Committee

October 23, 2025

Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Re: Exposure Draft: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Via Email: PR_expdraft@aicpa.org

Eide Bailly LLP appreciates the opportunity to comment on Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*. We appreciate the Board's commitment to enhancing the consistency, quality, and oversight of the peer review process.

Overall Observations

The proposed changes related to both subject matter areas appear to be reflective of anticipated concerns rather than a reflection of specific peer reviewer performance matters. The proposed changes also suggest that the Board has concluded that administering entities other than the National Peer Review Committee are not capable of addressing these considerations and/or that, if there is evidence supporting that conclusion, the administering entity oversight processes available to the Board are not sufficient to address those concerns.

Specific Observations

Our comments on the specific proposed amendments are as follows:

Proposed PR-C Section 100 Paragraph .35c and related Application Material paragraph .A13

While we recognize the Board's intent for consistency amongst peer reviews of alternative practice structure (APS) firms, we respectfully disagree with the expansion of criteria for NPRC administration as proposed. The proposal outlines several challenges associated with performing a peer review of an APS firm; however, absent evidence of current peer reviewer performance matters related to these considerations or evidence that other administering entities are not capable or qualified to administer peer reviews of APS firms, we question whether the proposed new requirements are necessary at this time. Alternatively, we recommend that the Board consider a more targeted approach that focuses on education to other administering entities and peer reviewers and utilization of the oversight processes available to the Board.

Should the Board proceed with the proposed changes, we recommend the Board reconsider the language in proposed paragraph .35(c) or add application material to address the lack of clarity in the term “present an elevated risk to quality”. Also, it is unclear why the proposed requirement includes a reference to “the firm’s practice includes certain engagements or services deemed to present such risk”. This additional requirement, particularly as an “or” consideration, suggests that any firm, even if not in an alternative practice structure, will be required to have their peer review administered by NPRC based on a consideration of risk at the engagement level. It is not apparent to us why that criteria has been included in a new requirement proposed to address risks associated with an APS.

Lastly, proposed paragraph .A50 includes a specific peer review team member requirement. If the Board intends this to be a requirement, we believe it should be incorporated in paragraph .35 or an added separate requirement paragraph, rather than included as application material.

Proposed PRC Section 200 Paragraph .08 and related Application Material Paragraph .A13

While we agree with the importance of an understanding of the regulatory environment associated with PCAOB-related engagements, we respectfully disagree with the proposed requirement. We believe this criterion may unnecessarily restrict the pool of qualified reviewers and exclude highly competent professionals who possess the relevant experience reflected in the proposed changes irrespective of whether his/her current firm meets the proposed requirement. We acknowledge that proposed paragraph .A13 provides for an exception process; however, suggest an alternative approach to incorporate these considerations into the reviewer resume process, after which it can be considered during the team captain approval process. Additionally, this could be included as a consideration/criteria in the determination of peer reviews and team captains to be included in the administering entity oversight process.

Proposed Effective Date

We are concerned that the proposed effective date may not provide sufficient time for firms, team captains, and administering entities to fully understand, prepare for, and adapt to the proposed requirements, including but not limited to firms that may already have commenced planning for a peer review to be performed in 2026. The scope and complexity of the changes—particularly those affecting NPRC administration and reviewer qualifications—warrant a longer transition period to ensure effective adoption and minimize disruption. Accordingly, we recommend that the Board consider a later effective date or a phased implementation approach, allowing stakeholders adequate time to address anticipated challenges and ensure a smooth transition.

Conclusion

Overall, after careful consideration, we do not support the proposed update as currently drafted. While we appreciate the Board’s intent to modernize and strengthen the peer review program, we believe several aspects of the proposal may introduce unnecessary complexity, restrict the pool of qualified reviewers, and create administrative burdens without clear evidence of need. We encourage the Board to reconsider these changes and to engage further with stakeholders to develop more targeted, flexible, and evidence-based standards that better serve the profession and the public interest. Thank you for your consideration.

Sincerely,

Eide Bailly LLP

Eide Bailly LLP



October 23, 2025

AICPA Peer Review Board
 American Institute of Certified Public Accountants
 1211 Avenue of the Americas, 19th Floor
 New York, NY 10036

via email submission: attention Brad Coffey

PR_expdraft@aicpa.org

Re: Comments on Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures

Dear Mr. Coffey:

Glenn Burdette Attest Corporation appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure, Glenn Burdette Attest Corporation supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

Glenn Burdette Attest Corporation believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure, simply by its alternative practice structure presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being an alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.



Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct some data gathering to determine the financial impact to the firms that would need to change their peer reviewing program. Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. "A conflict may exist between the CPAs' motive and the PE investor's motive, and the PE investor may place undue pressure on the attest firm's partners or nonattest service entity's (NSE's) principals."

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee's proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.



Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners' independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.



Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive.

Conclusion

Glenn Burdette Attest Corporation supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

A handwritten signature in black ink that reads 'Erin Nagle'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Erin Nagle, Principal
Glenn Burdette Attest Corporation

Tim Kindem

From: Jamie Kilcoyne <Jamie.Kilcoyne@Coalfire.com>
Sent: Thursday, October 23, 2025 12:53 PM
To: PR_expdraft
Subject: Comments on Proposed Peer Review Standards Update No. 3

This message is from an EXTERNAL SENDER - be mindful of links and attachments.

Hello Brad - there appears to be an inconsistency in the exposure draft that it would be helpful to clarify. The ED says: "*Accordingly, this PRSU proposes an update to the requirement in paragraph .35 of section 100 to **allow the board to use discretion** in determining whether a review should be administered by the National PRC when certain practice structures, engagements, or other services present an elevated risk to quality and to the profession.*"

And then later, the ED says "*Accordingly, paragraph .A50 is introduced to indicate that a firm with an APS is currently **required** to have its review administered by the National PRC.*"

I have underlined the text above that appears inconsistent. It would be helpful to know if firms with an APS are automatically required to have their peer reviews administered by NPRC. Or, alternatively, if the board will be able to use its discretion so that firms with an APS that are low risk will not have to have their peer reviews administered by the NPRC.

Also, would there ever be a situation where a firm with an APS would have to have its peer review through NPRC on an annual cadence or any cadence other than every 3 years?

Thank you.

Jamie Kilcoyne CPA, CISA, CITP, CIA, CFE
Partner | Coalfire Controls

COALFIRE | [Coalfire.com](https://coalfire.com) 303.898.5195

How are we doing? feedback@coalfire.com

October 23, 2025

Mr. Brad Coffey
AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email: PR_expdraft@aicpa.org

Re: Response to PRSU No. 3 - Modernizing Peer Review Administration Requirements for Alternative Practice Structures

Dear Mr. Coffey:

On behalf of LMC Certified Public Accountants, I am writing to provide our firm's perspective on the Peer Review Standards Update No. 3, specifically addressing the proposed modifications to peer review administration requirements for firms operating under alternative practice structures.

While we commend the Board's proactive stance in addressing the evolving landscape of public accounting, we have significant concerns that the current proposal may create unintended consequences that outweigh its intended benefits. Our observations are informed by our position as a mid-size firm actively engaged in the profession's transformation while maintaining unwavering commitment to audit quality and professional excellence.

The Proposal Lacks Empirical Foundation

The most troubling aspect of this proposal is the absence of data-driven analysis supporting such sweeping changes. After more than two decades of alternative practice structures operating within our profession, we respectfully challenge the Board to identify specific instances where firm structure—rather than individual judgment or systemic control deficiencies—directly caused audit failure.

The Board's assertion that alternative practice structures inherently present "elevated risk to quality and the profession" represents a significant departure from evidence-based standard setting. This characterization not only lacks empirical support but also unfairly prejudices well-managed firms that have successfully balanced innovative funding models with exemplary professional standards.

We strongly urge the Board to commission comprehensive research before proceeding, specifically:

- A quantitative assessment of firms affected by the proposed peer review entity changes
- Economic impact modeling to understand the financial implications for affected practices
- Capacity analysis confirming the National peer review program can accommodate increased volume
- Comparative analysis of peer review outcomes between traditional and APS firms over the past decade

Without this foundational research, the proposal appears to be addressing theoretical concerns rather than documented deficiencies.

The Identified Risks Apply Universally, Not Uniquely to APS Firms

The Board has articulated six risk factors purportedly unique to alternative practice structures. Respectfully, each of these concerns exists across all firm structures:

1. **Conflicting stakeholder interests:** Every firm with external obligations—whether to lending institutions, retiring partners, or investors—faces potential conflicts between profitability and professional judgment. This tension is inherent to professional services, not unique to APS arrangements.
2. **Cost pressure implications:** The suggestion that APS firms are uniquely susceptible to quality degradation through cost management ignores the universal economic pressures facing all practices. Traditional partnerships face identical challenges balancing operational efficiency with service excellence.
3. **Independence complexity:** While APS structures introduce additional independence considerations, the Ethics Committee is already developing targeted guidance. This demonstrates our existing framework's adaptability without requiring wholesale administrative changes.
4. **Regulatory enforcement challenges:** Two decades of peer reviews have produced no evidence that APS firms present unique enforcement difficulties. This extended track record suggests current oversight mechanisms are functioning effectively.
5. **Compensation-related threats:** Multi-source compensation exists throughout the profession—profit distributions, performance bonuses, ancillary service participation. Current peer review procedures already evaluate these arrangements regardless of firm structure.
6. **Operating agreement risks:** Service agreements between affiliated entities already undergo peer review scrutiny. Existing procedures examine both document adequacy and implementation effectiveness without requiring different administrative oversight.

These theoretical concerns have failed to manifest as actual quality deficiencies over 20+ years of practical application. Creating a segregated peer review system based on unsubstantiated risks undermines the profession's commitment to evidence-based regulation.

A More Measured Alternative

If the Board remains convinced enhanced oversight is necessary, we propose a targeted approach: limit additional requirements exclusively to APS firms auditing public companies or SEC-regulated entities. This would address legitimate concerns about public market implications while avoiding unnecessary burden on firms serving private enterprises.

Implementation Timeline Requires Reconsideration

The proposed December 31, 2025 effective date is operationally unrealistic. Moving from proposal to implementation in four months, absent demonstrated emergency, will:

- Disrupt peer reviews already scheduled and budgeted
- Prevent adequate preparation and transition planning
- Create confusion during concurrent SQMS 1 implementation
- Impose significant unplanned costs without commensurate benefit

We strongly recommend extending implementation to December 31, 2026, allowing firms to properly adapt while maintaining quality control continuity.

Response to Specific Consultation Questions

Question 1 - Proposed revision to paragraph .35 of PR-C section 100:

- a. We disagree with the proposed change. The absence of supporting evidence, combined with unfair characterization of APS firms, argues decisively against this modification.
- b. While linguistically clear, the requirement's justification remains opaque.
- c. The explanatory material perpetuates unsupported assumptions about inherent APS risks, undermining its credibility.

Question 2 - Proposed revision to paragraph .08 of PR-C section 200:

- a. We do not object to requiring relevant APS experience for peer review team captains reviewing APS firms. This targeted requirement appears reasonable.
- b. The requirement is clearly articulated.
- c. The implementation guidance is sufficient.

Question 3 - Proposed effective date:

No. The compressed timeline suggests urgency without demonstrating necessity. December 31, 2026 would better serve the profession's interests while achieving the Board's objectives.

Conclusion

LMC Certified Public Accountants has always supported thoughtful evolution of professional standards based on documented needs and measurable outcomes. However, this proposal appears to substitute assumption for analysis, potentially damaging firms that have successfully navigated the complexity of modern practice structures while maintaining exceptional professional standards.

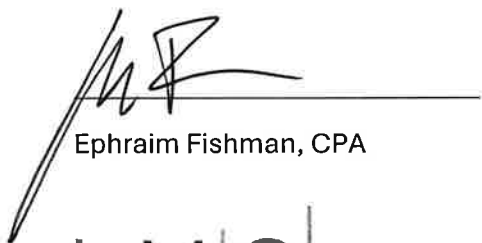
We respectfully urge the Board to:

1. Commission comprehensive research before proceeding
2. Base modifications on documented deficiencies rather than hypothetical risks
3. Consider targeted approaches addressing specific concerns
4. Extend implementation timelines to ensure smooth transition

The integrity of our profession depends on evidence-based standard setting. We ask the Board to apply this same rigor to its own proposals.

We appreciate your consideration of our perspective and remain available to discuss these concerns in greater detail.

Respectfully submitted,



Ephraim Fishman, CPA

L | M | C |

Certified Public Accountants

cc: AICPA Board of Directors

Ethics Division Professional Ethics Executive Committee



Oct. 16, 2025

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

The Minnesota Society of CPAs' Peer Review Executive Committee provides the following comments to Proposed PRSU No. 3:

1. Regarding the proposed revision to paragraph .35 of PR-C section 100:
 - a. Do you agree with the proposed change?

We acknowledge the risks around Alternative Practice Structures (APS) outlined in the proposed PRSU. We recognize potential benefits of uniform oversight of firms with APS to keep all firms with APS on a level playing field, by increasing scrutiny across firms. We also concede that non-NPRC RABs may not have expertise to assess the more nuanced aspects of an APS. However, we question whether the NPRC is well-positioned to effectively evaluate peer reviews of smaller firms, given its historical focus on larger, PCAOB-registered firms.

Currently, on reviews of firms with an APS which are administered by a local administering entity (AE), AICPA peer review staff are reaching out to the peer reviewer to provide guidance around evaluation of the impact of APS. This has been received positively by reviewers and is already acting to provide the desired consistency.

The proposed change has a disproportionate impact on small firms, since larger firms are generally already administered by the NPRC. In addition, we question whether there are enough captains from NPRC firms willing to take on the reviews of the smaller APS firms. It could be very difficult for some firms to find a reviewer that can match industries/must select and be willing to take on the work.

Further, there seems a presumption that reviewers from an NPRC firm are better equipped to review an APS firm than a firm that is not administered by NPRC. The language of proposed .A50 requires "a member of the review team to have a thorough understanding of the independence requirements regarding alternative practice structures and network firms"; such a review team member may or may not be from the team captain's firm. If a review team member with APS understanding is required, what is the advantage of an NPRC peer review firm vs. a non-NPRC review firm?

An alternative could be to retain local administration for the peer review itself but require AICPA consultation on the APS impact, with reporting to the NPRC or AICPA staff on that segment of the review.

- b. Is the revised requirement sufficiently clear and understandable?

Yes.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement?

It is not clear what type of experience would allow a reviewer to add to their resume that they “have a thorough understanding of the independence requirements regarding alternative practice structures and network firms.” Would the “thorough understanding” come from the reviewer’s own firm having an APS, or could it be obtained through a training course? If the former, the pool of reviewers is quite narrow. If the latter, then a reviewer from any size firm could qualify, and once again, the need for an NPRC review firm is unnecessary.

2. Regarding the proposed revision to paragraph .08 of PR-C section 200:
a. Do you agree with the proposed change?

The explanatory memorandum states that “the board recognizes an increased potential for review teams that can be approved under extant guidance while lacking familiarity with the current regulatory environment.” If a reviewer encounters a complex deficiency or disciplinary order from the SEC or PCAOB, current peer review standards would indicate they should consult – with the AICPA or technical reviewer – if they have questions or uncertainties regarding the impact. In the technical review process, if a reviewer is found to have incorrectly or inadequately evaluated something significant to the review, which could include orders from the PCAOB/SEC, the reviewer is already subject to reviewer performance feedback or deficiency up to and including prohibition against performing reviews of other firms subject to PCAOB standards.

Automatically excluding otherwise qualified individuals from the pool of reviewers for these firms and requiring them to go through a potentially cumbersome “request for exception” process also exacerbates the reviewer shortage.

- b. Is the revised requirement sufficiently clear and understandable?

Yes

- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirements?

Since the proposed standard has already assumed that a reviewer from a firm without PCAOB/SEC experience is not qualified to perform a peer review of a firm subject to PCAOB/SEC, it is unclear what experience or qualifications would enable a reviewer to be considered effective and qualify for an exception.

3. Do you agree with the proposed effective date for peer review years ending on or after December 31, 2025?

Firms with peer review years ending Dec. 31, 2025 may already be in the planning phase for the firm's upcoming peer review including selecting a reviewer. The proposed effective date provides a very short window of time to pivot. We suggest an effective date of peer review years ending on or after June 30, 2026.

Thank you for considering our comments.

Sincerely,



Gavin Burnham, Chair
MNCPA Peer Review Committee



Faye Hayhurst, CPA on Staff
Minnesota Society of CPAs



North Carolina State Board of Certified Public Accountant Examiners

October 20, 2025

Brad Coffey, CPA, Technical Manager
American Institute of Certified Public Accountants
AICPA Peer Review Program
220 Leigh Farm Road
Durham, NC 27707-8110

Dear Mr. Coffey:

The North Carolina State Board of CPA Examiners ("Board") has reviewed the Exposure draft entitled *Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements*, prepared by the AICPA and released for comment on September 10, 2025. The AICPA Peer Review Board proposes to centralize the administration of peer reviews for firms with alternative practice structures ("APS").

The Board writes to formally express support for the proposed changes identified in the *Update*. We believe this change is a necessary and proactive measure to address the evolving complexities of firm ownership and ensure that the highest standards of quality and independence are maintained across the profession.

Alternative practice structures often involve complex arrangements between attest and non-attest entities. By moving the administration of these complex reviews to the National Peer Review Committee ("NPRC"), there should be more consistency in the performance of the peer reviews. This consistency is crucial to protect the public interest and maintain trust in financial reporting.

By allowing the NPRC to initially perform centralized oversight of APS reviews, this should enable the development of specialized guidance and training for APS peer reviews, which could later be implemented within the current peer review model. The diverse nature of APS models could challenge current review processes, particularly with respect to independence and quality control systems. The complexity of these arrangements demands specialized attention, and the proposed approach allows regional administrative entities to build the necessary expertise over time without compromising the quality of immediate APS reviews.

The increasing prevalence of private equity investment in accounting firms has raised concerns among stakeholders about auditor independence and potential conflicts of interest. This implementation of new guidelines demonstrates the profession's commitment to self-regulation and mitigates potential risks associated with new ownership models.

Administrative costs for peer review vary by organization but generally include annual fees, firm enrollment fees, and charges for specific review services. Considerations under this model include the process for shifting currently enrolled firms into this centralized model and the impact of any potential

increase in cost for the peer review that could be incurred under this model. As the APS environment now involves CPA firms of varying sizes, processes need to be in place to ensure that enrolled peer review firms can easily transition to the centralized oversight process, if necessary, without the costs being prohibitive.

The exposure draft asks for feedback in three specific areas:

1. Does the Board agree with the proposed revision to paragraph .35 of PR-C section 100; and provide any additional comments if necessary.

The Board agrees with the proposed change. The Board believes that the proposed change is clear and understandable, and that the corresponding explanatory material proposed in paragraph .A50 provides sufficient explanation for users to apply the requirement.

2. Does the Board agree with the proposed revision to paragraph .08 of PR-C section 200; and provide any additional comments if necessary.

The Board agrees with the proposed change and recognizes the value of having a team captain who has been subject to a recent peer review administered by the NRPC. The Board believes that the proposed change is clear and understandable, and that the corresponding explanatory material proposed in paragraph .A13 provides sufficient explanation for users to apply the requirement.

3. Does the Board agree with the proposed effective date for peer review years ending on or after December 31, 2025?

The Board agrees with the proposed effective date for peer reviews ending on or after December 31, 2025. APS structures have been in place for several years, and this proposal aims to provide expertise and resources to address the matter immediately.

This proposal is foundational to protecting the public interest. As new business structures emerge, it is the profession's responsibility to evolve its oversight mechanisms to ensure the consistent application of professional standards. Centralizing APS peer reviews is a proposed solution that upholds the integrity of the profession's quality control framework.

We appreciate the AICPA Peer Review Board's thoughtful consideration of this matter and its proactive stance in addressing the challenges and risks presented by changing business models.

Sincerely,

Jodi K. Kruse

Jodi K. Kruse, CPA
President

DRN

Signature: *Jodi K. Kruse*
Jodi K. Kruse (Oct 20, 2025 14:46:56 EDT)

Email: jodi.kruse@yahoo.com

October 06, 2025

AICPA Peer Review Board

Dawn Brenner, Chair

Brad Coffey, AICPA

Via: PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dear AICPA Peer Review Board,

Thank you for the opportunity to respond to the exposure draft regarding PR-C Section 100. The Nevada Society of CPAs Peer Review Committee appreciates the AICPA Peer Review Board's commitment to strengthening quality within the peer review program. We share that commitment and offer the following comments:

The draft asserts that requiring the NPRC to administer APS firm reviews will promote consistency and provide the AICPA/PRB time to create training resources for state-based AEs. It further claims that the NPRC is better suited to manage the complexities of APS firms.

We strongly oppose this recommendation.

State-based AEs already follow the same standards, checklists, and guidance as the NPRC. They are fully capable of administering APS reviews with equal consistency and rigor. To suggest otherwise is both inaccurate and dismissive of the expertise state-based reviewers, RABs, and AEs have demonstrated for decades.

If the NPRC truly possesses superior expertise today, then training materials should be available now. If instead the NPRC requires additional time to "learn" APS complexities, then they are no better positioned than state-based AEs—who should be afforded the same opportunity to build knowledge, especially while the number of APS reviews remains relatively small. This is precisely the right time for states to gain experience, not after APS firms become more prevalent. If additional safeguards are needed, the PRB could require

APS reviewers take bi-annual CPE, similar to what is required for single audits, ensuring reviewers have appropriate expertise.

State-based AEs have long navigated complex attest issues, including those arising from undue influence, cost-saving pressures, staff reductions, and inadequate monitoring programs. These challenges are not unique to APS firms. The July 14, 2025, Reviewer Alert already provides detailed checklists and guidance for APS-specific risks—tools that both the NPRC and AEs use. To imply that only the NPRC can properly apply these standards is unsubstantiated.

Cost and disruption are also critical considerations. NPRC-administered reviews are more expensive for firms, and shifting APS reviews away from state AEs—only to potentially return them later—creates unnecessary confusion and instability for firms.

At its core, this proposal undermines the profession's long-standing self-regulatory framework. CPAs have consistently upheld high ethical and professional standards, regardless of firm structure. APS firms should not be preemptively segregated from state-based administration absent compelling evidence of systemic risk. Until such evidence exists, their reviews should remain with their current AE.

In short: APS firms deserve fair treatment, state-based AEs deserve recognition of their capabilities, and the peer review program deserves consistent, principle-driven policies—not assumptions that centralization is inherently superior.

Respectfully,

Tony Vanorny, CPA

Chair, NVCPA Peer Review Program

Anna Durst, CPA

CEO & CPA on Staff, NV Society of CPAs

October 22, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email submission: Attention Brad Coffey
PR_expdraft@aicpa.org

Re: Comments on Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures

Dear Mr. Coffey:

Opsahl Dawson & Co., LLP welcomes the opportunity to provide input on Peer Review Standards Update (PRSU) No. 3, *Modernizing Peer Review Administration Requirements*.

Our firm has long recognized the importance of a peer review process that maintains public trust and enhances quality across the profession. As the accounting landscape continues to evolve, we agree that the standards governing peer review must also adapt. At the same time, we believe it is critical that changes be grounded in reliable data and carefully balanced against the realities faced by small and mid-sized firms that make up the majority of practitioners.

From our perspective, the proposed revisions appear to be directed primarily at the largest firms subject to PCAOB oversight. In doing so, the proposals risk overlooking how alternative practice structures (APS) function at the local and regional level. It is also troubling to see APS firms broadly characterized as presenting an “elevated risk” to quality. The APS model has been in place for more than two decades, and we are not aware of any evidence that audit failures have stemmed from this structure itself. Such a blanket designation does not reflect the experience of firms like ours that have operated responsibly and successfully in an APS environment.

Key Concerns

- **Insufficient data.** The proposal lacks evidence that the current system is ineffective or that the suggested changes would deliver measurable benefits.
- **Disproportionate focus.** The risks cited are most applicable to public company audits, yet the revisions apply equally to smaller private-company firms.
- **Capacity questions.** It is unclear whether the national program has enough qualified peer reviewers to absorb a significant influx of additional firms.
- **Risks not unique to APS.** The issues identified—financial pressures, independence considerations, or cost reductions—exist across all firms, regardless of structure.

We also note that peer reviews of APS firms have been successfully conducted for over 20 years, with no meaningful evidence of weaker outcomes compared to non-APS firms.

Implementation Timeline

Should the Board proceed with revisions, we strongly recommend delaying implementation until December 31, 2026. Compressing the timeline to the end of 2025 would create disruption and uncertainty at a time when firms are already implementing SQMS1 and navigating other significant professional changes.

Responses to Committee Questions

- **PR-C section 100, paragraph .35:** We do not support the proposed change, as explained above.
- **Clarity of revisions:** The language is understandable, but the assertion that APS firms inherently pose greater quality risk is not warranted.
- **PR-C section 200, paragraph .08:** We do not object to requiring peer review team captains to have APS experience; the requirement is clear and reasonable.
- **Effective date:** We do not support the proposed December 31, 2025, effective date. A 2026 implementation would provide firms with the necessary time to adjust.

Conclusion

Opsahl Dawson & Co., LLP values the AICPA's commitment to maintaining a strong and trusted peer review program. We share the goal of ensuring that standards reflect the realities of today's profession. However, we believe the current proposal moves too quickly and without the evidence needed to justify such significant changes. We respectfully encourage the Board to gather additional data, reassess the scope of the revisions, and consider an extended timeline before finalizing any amendments.

Sincerely,

OPSAHL DAWSON & CO., LLP



Oct. 20, 2025

Ms. Dawn Brenner, Chair
AICPA Peer Review Board
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements

Dear Ms. Brenner:

The Peer Review Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the proposed *Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements*. The PICPA is a professional accounting association of approximately 18,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, and it oversees the administration of the AICPA's peer review program for Pennsylvania, Delaware, New York, and the U.S. Virgin Islands.

The stakeholder groups who contributed to the committee's comments on the proposed changes, which are located below, include administering entities, peer reviewers, and reviewed firms.

Comments related to the proposed changes in consideration of Modernizing Peer Review Administration Requirements:

General Comments

We recognize the growing number of important technical challenges arising from rapid technological advancements and increased involvement of private equity and other non-CPA owners. We agree that it is important for the AICPA Peer Review Board to consider how these

emerging issues may affect the assessment of firms' quality management systems through the peer review program.

Nevertheless, we are concerned with the proposed approach to handling emerging technical issues. Changing the administering entity of all firms with emerging technical issues, as designated by the board (proposed paragraph .35c), represents a significant shift from the current approach. We believe that one of the benefits of the peer review program is the knowledge sharing and competency building throughout the population of firms. We believe that by creating a two-tier system, in which the peer review of certain firms with board-designated risk areas are administered by one organization, the board would restrict the flow of information across the greater population of firms.

We believe there is a considerable cross-pollination of ideas among firms and peer reviewers that will not occur because non-National Peer Review Committee (NPRC) peer reviewers will not be in the position to work with firms designated by the board to have a practice structure, engagements, or services with elevated quality risks. Therefore, when non-NPRC firms begin to explore the use of certain practice structures or emerging risk areas, their non-NPRC peer reviewer will not have the requisite training and experience to discuss the related risks with them. We believe the change in peer review administration will lead to information and resources becoming siloed at the NPRC. We believe this is contrary to the healthy sharing of knowledge that occurs during a peer review and will not enhance audit quality.

Separately, we expect that in the near future all firms will be using advanced technologies, a trend that will be facilitated by growing use of funds from private equity and other entities such as technology companies, etc. How will the board decide which engagements or services present risks for which a change in the peer review administration is required? Will all advanced technologies be considered elevated quality risks? The wording of the proposed change suggests that the board will address all situations in which there is an elevated quality risk. If an audit failure occurs and the board did not identify a relevant risk area, could this represent a risk to the board or the peer review program? Will this pressure the board to cast a broader net around all engagements with any emerging risk?

Does the NPRC expect to administer the peer reviews for all firms? Is there a sufficient number of NPRC reviewers and technical reviewers to handle this shift? Has the board evaluated the capacity of the NPRC to maintain reasonable peer review acceptance turnaround times? In the short term this could help the NPRC better understand the risks associated with emerging risk areas and

new alternative practice structures, but in the long term we are not convinced this change will enhance audit quality or the peer review program as a whole.

It is unclear how emerging risks are any different from the risks posed by the many high-risk engagements peer reviewers routinely deal with (e.g., FDICIA, EBP, SA, SOC engagements). We believe that it would be in the long-term interest of the program to use a similar approach to address emerging issues. For example, adding a scheduling code in PRIMA for a particular competency needed (e.g., artificial intelligence, digital assets, alternative practice structures and independence, etc.) and require that the team captain or a team member possess a matching code. This solution is simple to implement.

Comments have been made about developing deep knowledge on the AICPA peer review team about alternative practice structures. This is challenging given that the AICPA Professional Ethics Executive Committee has not yet finalized the related guidance. In fact, we have not yet seen an official exposure document addressing any changes to the current guidance. We believe that once the guidance is final, this knowledge can be shared and that there should be a pathway to qualify as an administering entity capable of addressing higher risk areas.

Section 1. PR-C Section 100, Concepts Common to All Peer Reviews

Proposed Paragraph .35 c. The firm’s practice structure is deemed by the board to present an elevated risk to quality and to the profession, or the firm’s practice includes certain engagements or services deemed to present such risk. (Ref: par. .A50)

Overall, we do not agree that changing the administering entity of firms whose “practice structure is deemed by the board to present an elevated risk to quality and to the profession, or the firm’s practice includes certain engagements or services deemed to present such risk” to the NPRC will necessarily improve the evaluation of the firm’s quality management system or the risks related to independence evaluation. We believe that peer reviewers and administering entities are set up to address risks associated with technical standards. This is an integral part of the current process. Reviewers and administering entities welcome additional technical resources to help identify risks and address these issues, and they expect to be held accountable to perform the review in accordance with the guidance.

The committee is concerned regarding the open-ended nature of the proposed language “or the firm’s practice includes certain engagements or services deemed to present such risk”. This

appears to be completely unbounded. Will the board provide due process and transparency regarding each risk area determined by the board to require a change in the firm's peer review administration?

Alternative Practice Structure (APS) Independence - We agree that improved clarity is needed regarding independence in an alternative practice structure environment. We are aware that the AICPA Professional Ethics Executive Committee is working through numerous significant issues on this topic. We do not believe that changing the peer review administrator will resolve these technical challenges.

Cultural Pressures - Non-NPRC peer reviewers have been dealing with firm cultural pressures for many years. For example, consider the cultural challenges associated with peer reviews of small firms that primarily perform tax services that also take on high-risk engagements without the requisite competencies. These economic pressures of non-auditors are not new to peer review. It is likely that non-NPRC peer reviewers have more experience dealing with tone at the top and other cultural issues on their peer reviews that are likely nonexistent in the large firm environment. We do not agree with the rationale that these pressures are too much for non-NPRC peer reviewers to properly address.

NPRC Capacity and Peer Reviewer Pool Capacity - With private equity and other entities looking to acquire firms with revenues of less than \$5 million, we are concerned that if this trend continues there would be a large population of firms that move to the NPRC even though some of these practice structures could be relatively straightforward. Has an assessment been conducted regarding the potential impact on the NPRC peer reviewer pool and the NPRC's capacity to manage a significantly increased volume?

Alternative approach - Instead of moving firms to the NPRC for administration, we support alternative approaches including:

1. Clarifying the APS independence guidance
2. Providing peer reviewer and technical reviewer training
3. Providing additional resources, including peer reviewer alerts
4. Using a risk-based approach to oversight peer reviews with complex APS or other risk areas
5. Requiring mandatory consultation with AICPA technical staff or other qualified technical reviewers
6. Considering additional PRIMA scheduling codes for emerging areas

7. Creating a pathway for an administering entity to qualify as an entity capable of addressing higher risk areas and extend training to those qualified administering entities

Proposed Paragraph .A50. The board currently requires a firm to have its review administered by the NPRC when the firm is closely aligned with a non-CPA-owned entity (an alternative practice structure). In these situations, the board also requires a member of the review team to have a thorough understanding (represented on the reviewer’s résumé) of the independence requirements regarding alternative practice structures and network firms.

We do not agree with the proposal to change the administering entity of firms whose practice structure are closely aligned with a non-CPA owned entity (an APS) to the NPRC. See further comments regarding changing the administering entity above.

It is not clear how the reviewer’s résumé will be an indicator that the review team member has a thorough understanding of the independence requirements regarding alternative practice structures and network firms. We do not believe that simply working in an APS demonstrates that a practitioner has an in-depth understanding of the related independence requirements.

Section 2. PR-C Section 200, General Principles and Responsibilities for Reviewers

Proposed changes to Para .08 In order to be qualified as captain for a peer review of a firm whose review is required to be administered by the National Peer Review Committee (PRC) *because the firm performed or “played a substantial role in” (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year as described in paragraph .35a of section 100, a captain should currently be employed by or be an owner of a firm whose most recent review was also required to be administered by the National PRC for the same reason. (Ref: par. .A12–.A1413)*

We agree that a qualified team should include a team member that is “employed by or be an owner of a firm whose most recent review was also required to be administered by the National PRC for the same reason.” However, we do not agree that this needs to be the team captain.

Proposed para. .A13 If a firm is required to have its peer review administered by the National PRC according to paragraph .35a of section 100 and the team captain’s firm’s most recent peer review was not required to be administered by the National PRC for the same reason, an exception to the requirement in paragraph .08 may be granted when the team captain submits a request in writing to the National PRC that describes the experience and qualifications that enable the review team to effectively review the firm’s engagements and its system of quality management.

See previous comment.

Section 3. Effective Dates

The committee does not agree with this proposal and therefore does not agree with the proposed effective date (for peer review years ending on or after Dec. 31, 2025).

We appreciate your consideration of our comments on the Invitation to Comment, Agenda Consultation. We are available to discuss any of these comments with you at your convenience.

Sincerely,

Kimberly Fonda

Kim Fonda, Chair, PICPA Peer Review Committee



Administering peer reviews for the following:

Illinois CPA Society | Indiana CPA Society | Iowa Society of CPAs | Kentucky Society of CPAs
South Carolina Association of CPAs | West Virginia Society of CPAs | Wisconsin Institute of CPAs

October 23, 2025

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dear Board Members:

The Peer Review Alliance (PRA) is an approved peer review administrator of the AICPA Peer Review Program and one of the largest administrators in the United States. PRA currently administers peer reviews for seven states (Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, and Wisconsin). With over 1,700 CPA firms under its administration, PRA assists firms ranging in size from sole practitioners to over 200 professionals in meeting their peer review needs.

The PRA Report Acceptance Committee (“Committee” or “we”) is pleased to comment on the Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*.

The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the position of the Committee rather than any individual member of the Committee, the organizations with which such members are associated, or the partner state CPA societies.

General Comments

The Committee appreciates the AICPA Peer Review Board’s continued commitment to modernizing the Peer Review Program and addressing the evolving realities of firm structures, ownership models, and technological advancements within the profession. We share the Board’s objective of ensuring that the program remains relevant, responsive, and effective in promoting audit quality.

However, we do not support the proposed revisions as currently drafted. While we recognize the unique challenges presented by alternative practice structures and emerging risk areas, we believe the proposed transfer of such firms to the National Peer Review Committee (NPRC) introduces significant operational and conceptual concerns. In particular, the proposed approach risks excessive centralization, diminishes the competency development of state administering entities, and may inadvertently restrict the sharing of knowledge and best practices that are fundamental to the peer review process.

We recommend that the Board pursue a more collaborative approach – one that leverages existing program strengths, enhances reviewer training and guidance, and fosters coordination among the AICPA’s standard-setting and ethics bodies. We believe this strategy would better achieve the Board’s stated goals while preserving the peer review program’s integrity, accessibility, and effectiveness.

Proposed Revision to Paragraph .35 of PR-C Section 100

We acknowledge the intent of proposed paragraph .35 – to address firms whose practice structures or services may present an elevated risk to quality and to the profession. While we support the Board’s goal of enhancing audit quality and responsiveness to emerging risks, we have *significant* concerns about the proposal as drafted.

The proposed paragraph introduces an open-ended and subjective standard that grants the Board overly broad discretion to require certain firms’ peer reviews to be administered by the NPRC indefinitely. Also, though the Explanatory Memorandum focuses chiefly on firms organized as alternative structures, the proposed language also allows for administration changes based on both practice structure and levels of service. Further, though intent may not be for the NPRC to assume administration of impacted firms for the long-term, the proposed language places no limits on the period of NPRC administration. Without clearly defined parameters, measurable thresholds, or transparent due process, firms would face uncertainty about when or why the NPRC will assume administrative authority.

Additionally, we question whether changing the administrative entity of firms necessarily improves the assessment of quality management systems or independence risks, particularly when peer reviewers and AEs already have the framework, accountability, and experience to address high-risk engagements. Concerns such as independence under alternative practice structures, cultural and economic pressures, and emerging technologies are not new to the profession. Given this, these risks have been and can continue to be effectively managed through enhanced guidance and training rather than structural reallocation. Rather than inadvertently create a divide between APS and non-APS structured firms, the program as a whole (NPRC and state AEs) should collectively address the increasing prevalence of alternative practice structures in the context of peer review.

Finally, we are concerned that transferring entire categories of firms to the NPRC would hamper the ability of state administering entities (AEs) to resource plan for program administration and retain as well as develop the necessary technical competence in emerging risk areas among both state administering entity staff and state peer review committees. Over time, this could result in excessive centralization of expertise and diminish the valuable peer-to-peer learning and consultation that currently occur across the broader population of reviewers and administrative staff. The resulting concentration of technical knowledge within a single administrative body would hinder both professional development and local oversight capacity, weakening the perception and strength of the overall program.

Further, the proposed expansion could strain the NPRC’s reviewer pool and administrative capacity – especially as private equity and non-CPA investment models extend to smaller firms. A significant volume shift could challenge the NPRC’s ability to process reviews timely and effectively while undercutting the availability of resources available to other AEs such as qualified reviewer and volunteer time.

We recommend a more balanced and collaborative approach that strengthens AE and reviewer capability without removing firm categories from state administration. Specifically, we suggest:

- Providing enhanced training and guidance to peer reviewers, technical reviewers, and CPAs on staff on APS independence and emerging risks;
- Expanding PRIMA scheduling codes to identify and match reviewer expertise in emerging areas; and
- Employing targeted consultation, oversight, and technical support rather than wholesale administrative transfer. For example,
 - Requiring consultation between AEs and NPRC staff
 - Expanding the enhanced oversight program to include potential risks associated with firm structure or certain engagement types rather than requiring administration of firms based on these considerations.

- Developing criteria against which either the NPRC or state AEs should specifically consider oversight.

We believe this approach would more effectively enhance audit quality, promote consistency, and maintain the collaborative, knowledge-sharing foundation of the peer review program.

Alternatively, should the revision of proposed paragraph .35c be adopted, we strongly recommend the Board establish objective criteria and transparent due process for identifying “elevated risk” areas.

Proposed Addition of Paragraph .A50 of PR-C Section 100

We recognize the intent of proposed paragraph .A50 to highlight the unique independence and quality considerations associated with alternative practice structures (APSs). However, we believe the challenges in this area stem primarily from the absence of finalized ethical guidance rather than from limitations within the peer review administrative framework. Until the AICPA Professional Ethics Executive Committee (PEEC) completes its work on APS-related independence matters, any administrative reassignment of firms based on these criteria would appear to be premature.

We recommend that the Board defer implementation of paragraph .A50 until the underlying ethical standards are finalized and incorporated into the peer review process through consistent training and guidance. Once authoritative guidance is issued, all administering entities can be equipped through structured education and consultation resources to evaluate APS-related risks effectively and consistently.

Furthermore, the proposal’s implication that reviewer résumé experience alone can demonstrate APS competence is not a reliable measure of capability. Deep understanding of independence principles and firm ownership structures must instead be achieved through targeted training and continued collaboration between the PEEC, the Peer Review Board, and the administering entities.

In our view, the most effective path forward is not to reassign responsibility, but to strengthen the professional framework that supports all reviewers in evaluating independence, governance, and risk management issues within evolving firm structures.

To allay concerns about the emerging prevalence of APS structures and to ensure the program develops a collective awareness of related risk and how to address it, we suggest the following potential solutions.

- Consultation – For any firm organized as an APS, the program could require consultation with the team captain, the relevant AE technical reviewer, and an NPRC technical reviewer with APS knowledge. The consultation would center around the completion of the PRP Section 5100 - *Supplemental Guidelines for Review and Testing of Quality Control Policies and Procedures for Non- CPA Owned Entities Closely Aligned With a CPA Firm* checklist and related risk assessment with the NPRC technical reviewer ensuring that potential risk has been addressed.
- Oversight (AICPA) – Developing a target enhanced oversight process related to firms with APSs with oversight performed by a subject matter expert overseen by the AICPA.
- Oversight (AE) – Recommending oversight targets to AEs based on criteria developed to consider risk associated with APSs.

This solution ensures that the program can gather information regarding various APS-related risks, allowing the AICPA to develop training and resources for the benefit of the program as a whole while ensuring state AEs administration of impacted firms. This alternative would address the concerns discussed in the first section of this letter and prevent overextension of NPRC resources.

Proposed Revision to Paragraph .08 and Addition of Paragraph .A13 of PR-C Section 200

We are concerned that mandating the team captain's firm to have undergone an NPRC-administered review as a condition for participation introduces unnecessary constraints and could limit the pool of qualified reviewers. The current framework already ensures that reviewers possess the appropriate skills and experience through established AICPA qualification, training, and monitoring standards. Imposing this additional requirement could reduce reviewer diversity and disproportionately affect smaller firms or those in less populated regions, where fewer reviewers have NPRC experience.

The extant standard already addresses potential differences between firms that perform PCAOB work by requiring NPRC administration. Given that PCAOB-related work does not fall within the scope of the peer review program, additional mandates for firms required to be administered by the NPRC would seem unnecessary. While we acknowledge that PCAOB inspection reports (among other evidentiary material) may illustrate cross-cutting risks or considerations between a firm's public company and nonpublic company practice, these should be easily distinguishable by NPRC-qualified reviewers. We believe any concern on this front could be easily addressed by simply requiring all NPRC-qualified reviewers to attend education regarding consideration of PCAOB-related risks to a firm's system of quality management.

Moreover, requiring written exceptions for any deviation adds administrative complexity without clear evidence that it would enhance the quality of peer reviews. A more effective approach would emphasize demonstrated reviewer competence, experience, and judgment, allowing peer reviewers to assess whether risk evaluations and quality management systems are properly designed and executed. This principles-based approach supports consistent, high-quality reviews across a broad spectrum of firm sizes while avoiding unnecessary rigidity or administrative burden.

Proposed Effective Date

The specified effective date – applying to peer reviews for years ending on or after December 31, 2025 – provides limited time for administering entities and firms to adjust.

Application of the revisions would require sufficient time for effective communication, revision to approval processes, and identification or approval of new peer review teams (some of which are imminent). These matters can take several months to a full year to effectively address. Further, in the coming year firms will be in the midst of adopting quality management standards while peer reviewers face a steep learning curve in evaluating risk-based quality management systems and providing invaluable education to firms. Given this, requiring administrative changes for risks which have other reasonable solutions seems unwarranted.

We recommend that, if the Board proceeds with these changes, the effective date be deferred by at least one year, to peer review years ending on or after December 31, 2026. This additional transition period would help ensure consistent application of the new requirements and minimize disruptions to scheduling and program administration.

The Committee appreciates the opportunity to express its opinion on these matters and would be pleased to discuss our comments in greater detail if requested.

Joseph S. Beck, CPA

Chair, Peer Review Alliance Report Acceptance Committee

Hugh E. Elliott, CPA

Vice Chair, Peer Review Alliance Report Acceptance Committee

APPENDIX A

PEER REVIEW ALLIANCE REPORT ACCEPTANCE COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2025 – 2026

The Peer Review Alliance Report Acceptance Committee (“Committee”) is composed of the following technically qualified, experienced members. These members have peer review experience and Committee service ranging from newly appointed to over 25 years. The Committee is an appointed senior technical committee of the Illinois CPA Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of peer review and quality management standards. The Committee’s comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of peer review or quality management standards. The Subcommittee develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Jennifer Goettler, CPA
John Guido, CPA
James Javorcic, CPA

Sikich CPA LLC
Baker Tilly US LLP
CBIZ CPAs P.C.

Local:

Richard Atterbury, CPA
Gregory Barnert, CPA
Joseph Beck, CPA
Matthew Brown, CPA
Lori Dearfield, CPA
Steven Dearien, CPA
Hugh Elliott, CPA
Myron Fisher, CPA
Mary Fleece, CPA
Janice Forgue, CPA
Shannon Fortenberry, CPA
Joseph Galarowicz, CPA
Robert Giblichman, CPA
Steven Grohne, CPA
Arthur Gunn, CPA
Jennifer Hennessy, CPA
David Hicks, CPA
Patrick Hoffert, CPA
Nancy Hughes, CPA
Paul Inserra, CPA
Rob Jordan, CPA
Christina Kelly, CPA
Karen Kerber, CPA
Ronald Marklund, CPA
Jerome McDade, CPA

Martens and Company, CPA, LLP
Hughes, Cameron & Company, LLC
Jones, Pounder & Associates, P.C.
Brown CPA LLC
Kelley Galloway Smith Goolsby, PSC
Dearien & Company A.C.
Dugan + Lopatka CPAs, PC
Baldwin CPAs, PLLC
Tetrick & Bartlett, PLLC
ECS Financial Services, Inc.
Jones, Pounder & Associates, P.C.
KerberRose S.C.
Warady & Davis LLP
MCK CPAs & Advisors
Arthur S. Gunn, Ltd.
Hacker, Nelson & Co., P.C.
Hicks & Associates CPAs, PLLC
Reilly, Penner & Benton LLP
Kozicki Hughes Tickerhoof PLLC
ATA Group, LLP
Holt & Holt Certified Public Accountants LLC
The Hobbs Group, P.A.
KerberRose S.C.
Dugan + Lopatka CPAs, PC
Briscoe, Burke & Grigsby LLP

Kim Meyer, CPA
Randall Miller, CPA
Kevin Modrich, CPA
Liza Newbanks, CPA
Amie Pranaitis, CPA
Gilda Priebe, CPA
Stella Santos, CPA
Terrence Schmoyer, CPA
William Sherry, CPA
Michelle Steckel, CPA
Gregory Wasiak, CPA
Russell Wilson, CPA
Tobey Wilson, CPA
Anthony Workman, CPA

Staff Liaison:

Paul Pierson, CPA

Meyer & Associates CPA, LLC
Hawkins Ash CPAs, LLP
DeMarco Sciacotta Wilkens & Dunleavy LLP
Deming, Malone, Livesay & Ostroff, P.S.C.
Hughes, Cameron & Company, LLC
Adelfia LLC
Adelfia LLC
Schmoyer and Company, LLC
Engelson & Associates, Ltd.
Kerber, Eck & Braeckel LLP
Dauby O'Connor & Zaleski, LLC
Porte Brown LLC
ECS Financial Services, Inc.
Kelley Galloway Smith Goolsby, PSC

Illinois CPA Society



Memo to: AICPA Peer Review Board
From: Randy M. Dummer, CPA
Subject: Proposed Revisions to the Peer Review Standards

I have reviewed the proposed revisions to the peer review standards and have the following response:

- 1) Proposed revision to paragraph .35 of PR-C section 100.
 - a. I agree with the proposed change
 - b. I believe the language is sufficiently clear.
 - c. I believe the explanatory material proposed in paragraph .A50 is sufficiently clear
- 2) Proposed revision to paragraph .08 of PR-C section 200.
 - a. I do not agree with the proposed change for the reasons outlined below.
 - b. I believe the requirement is clear and understandable
 - c. I believe the language in paragraph .A13 is sufficiently easy to understand and hope the exception granted here would be applied liberally.

Disagreement with the proposed change to paragraph .08 of PR-C section 200.

The peer review process continues to evolve to hopefully better serve the profession. I don't believe this proposed change better serves the profession.

The peer review process currently excludes any work done by a firm that is subject to oversight and inspection by the Public Company Accounting Oversight Board (PCAOB). For firms that have been inspected by the PCAOB, the team captain obtains the most recent inspection report to assist with the risk assessment, planning and review of the work that is subject to the peer review – that which is not subject to PCAOB oversight. While the PCAOB inspection report does provide good information for this purpose, the engagements inspected by the PCAOB are subject to a different set of standards than those not under their purview.

Since the peer review report specifically excludes engagements subject to PCAOB permanent inspection, it does not seem reasonable to me that a team captain would have to be from a firm that is subject to PCAOB permanent inspection to be able to peer review the portion of a firm's practice that is not subject PCAOB permanent inspection. Teams captains are able to understand PCAOB inspection reports and the issues identified in them without having had to go through the process themselves.

For the reasons outlined above, I do not agree with the proposed revision to paragraph .08 of PR-C section 200.

Tim Kindem

From: Richard Hill <Richardhill@mehcpa.com>
Sent: Thursday, October 23, 2025 7:30 PM
To: PR_expdraft
Subject: PRSU #3

This message is from an EXTERNAL SENDER - be mindful of links and attachments.

Good Evening Brad,

I am writing to offer a brief response to the Exposure Draft. My response is influenced by my 14 years as a member of the Oversight Task Force and a long-time peer reviewer and member of the Tennessee Society of CPAs Peer Review Committee (though my response is mine alone and not necessarily reflective of those groups). I have no experience with alternative practice structures other than what I hear from a couple of firms who have entered into these and what I read about them.

I am concerned about the provision of moving administration of firms with an alternative practice structure to the AICPA/NPRC. My concern is that NPRC staff will be overwhelmed with all this new work and as a result the acceptance of firms' reviews will be much slower than most currently are (I am quite proud of our turnaround in Tennessee which averages less than half the 120 days allowed by the standards. Other AEs are equally efficient I suspect). Of the 25-30 administering entities I have performed oversights on, I think most (if not all) are capable of handling peer reviews of firms with an APS and in fact have been doing so for years. That APS is more widespread now than 10 years ago doesn't really change that.

My experience with the AICPA Peer Review Program is that you all have training of the highest caliber. That is reflected in how thorough and well-prepared all PRP staff are. Since you have to develop the training for dealing with the risks of APS, can that not be provided to all AEs at the same time, then monitored by either NPRC or OTF? I think that is a better way to handle these firms' reviews.

I appreciate the opportunity to offer a response.

Best regards,

Richard W. Hill, CPA, CGMA
Mitchell Emert & Hill, P.C.
416 Erin Drive
Knoxville, TN 37919
Telephone: 865-522-2396 or 800-234-0695
Fax: 865-766-8488
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October 23, 2025

Ms. Dawn Brenner, Chair
AICPA Peer Review Board
220 Leigh Farm Road
Durham, NC 27707-8110

Re: Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements

Dear Ms. Brenner:

We appreciate the opportunity to comment on the proposed *Clarification of AICPA Standards for Performing and Reporting on Peer Reviews*.

Proposed changes to paragraph .35 of PR-C section 100 (and paragraph .A50):

Overall, we do not agree that requiring firms that are operating under an alternative practice structure (APS) to be administered by the National Peer Review Committee (NPRC) will improve the quality of peer reviews. The potential risks identified in the exposure draft (ED) suggest that these are new risks that peer reviewers are not currently addressing. Peer reviewers currently have to consider whether the firm is placing financial interests above quality, the impact that staff shortages and technology on audit quality, the process for independence monitoring and compliance and consideration of undue influences, understanding of regulatory requirements and the requirement to read reports from regulator inspections, and other threats to audit quality. There seems to be a mischaracterization that only NPRC administered firms are sophisticated enough to tackle complex matters. These issues exist in all firms, from multi-national audit practices to sole proprietors, in fact they may present higher risks in the smaller firms.

Although the number of firms operating under APS has been increasing at a fast rate, they are not new. In 2008 (and 2011) I performed a peer review of a firm that operated under an APS and was administered by a state society administering entity. All the concerns identified in this ED were addressed at that time and I am confident that the peer review was performed competently and in accordance with peer review standards. In fact, I would propose there was likely higher risk back then as opposed to now since APS firms were far and few between.

The second part of the proposed paragraph 35c is quite vague and is concerning in that it would potentially allow the Peer Review Board (PRB) to change the administrative entity requirement without actually exposing changes to the standard and accordingly deprive firms of the opportunity to respond. This again suggests that non-NPRC firms (and implicitly their peer reviewers) are not at the same level of skills, knowledge, and experience as an NPRC firm.

Lastly, if the PRB is looking to modernize the peer review administrative requirements, then it would seem that this is the right time to address paragraph .35b relating to the requirement that firms that are providers of

quality management (control) materials (or is affiliated with a provider of QMM) that are used by firms that it peer reviews. This requirement was appropriate at the time that the peer review standards required reviews of quality control materials to be administered by the NPRC. That program stopped a few years ago and those reviews have been replaced by examinations under the attestation standard. Further, the AICPA is now a provider of QMM through both the OnPoint product line and the Dynamic Audit Solution (DAS) product. There is an inherent conflict of interest if firms that may be a direct competitor of the AICPA are required to be administered by the AICPA.

Proposed changes to paragraph .08 of PR-C section 200 (and paragraph .A13):

Similar to a number of the reasons identified above, we do not agree with the proposed changes to the team captain's qualifications. This again assumes that a team captain from a firm that voluntarily enrolled with the NPRC would not be able to form a review team that appropriately addresses the risks identified when planning the peer review. I believe the requirement that only an NPRC firm could peer review an NPRC firm (required to be enrolled) dates back to the SECPS days and when issuers and 11-k's were included in the scope of peer review, and then up until a few years ago brokers and dealers in securities were also in scope. Since then, the only engagements I am aware of that are in scope are those that voluntarily performed under PCAOB standards and certain agreed upon procedures engagements under both the AICPA and PCAOB standards. The risks to the peer review quality are currently adequately addressed to require the team to include a member that has SEC independence qualifications. The qualifications also require that the reviewing firm performed an engagement with a period ending during the peer review year. This requirement, if kept, should be modified to be consistent with other reviewer qualifications, which I believe is eighteen months from the report date.

When the scope of a peer review includes engagements or risk outside the experience of the team captain, I believe most team captains will reach out to other team members or other team captains with the applicable experience for assistance in planning and engagement selection.

Further the explanatory information on this exposure draft refers to the "increasing complexity of identified deficiencies..." from the SEC and PCAOB is a bit misleading. The PCAOB considers just about anything to be a deficiency, and that includes administrative errors and items that do not result in non-conforming engagements many of these items peer reviewers would consider matters for further consideration and possibly findings for further consideration. In reviewing a number of the issues identified by the PCAOB (that would also rise to deficiencies on peer reviews), these are not exclusive to the PCAOB engagements. Per the 2024 Inspection Activities Spotlight from March 2025, there are no performance deficiencies that are unique to PCAOB engagements (excluding integrated audits, which are unique and do not impact non PCAOB engagements). In other words, all firms, PCAOB registered, voluntary NPRC members, and firms administered by other administering entities encounter these same transaction types and related audit challenges. Many private companies, not subject to SEC rules and regulations or subject to audits under PCAOB Standards, engage in highly complex transactions. Many firms auditing the entities are not NPRC enrolled firms.

That being said, a team captain doesn't need to perform PCAOB engagements to be able to read any inspection reports and consider their impact to the peer review risk assessment, they are required to do this now. In

addition, peer review alerts and other tools from the AICPA and sessions at the peer review conference could highlight these risk areas.

To illustrate with an example, if a reviewed firm is required to be administered by the NPRC solely due to the performance of broker-dealer in securities audits and related AUPs, then the team captain would have to be from a firm that is required to be enrolled (as opposed to voluntarily enrolled). The only engagements in this scenario that fall into scope of the peer review are the AUPs. In order to get a waiver from the team captain's firm experience requirement, they would have to demonstrate the team has adequate experience. That is currently happening in PRIMA with the requirement that someone with SEC independence experience is on the team. This is placing an additional administrative burden on both the firm, the reviewer, and the NPRC to address a risk that is already solved in PRIMA.

The proposed wording also adds the requirement that the team captain would have to be administered for the same reason, but this does not contemplate that there are perhaps multiple reasons. Assuming the PRB adds the APS requirement to firms that must be administered by the NPRC, there could potentially be three reasons a firm is required to be enrolled: performing PCAOB engagements, producing QMM, and an APS. Under this scenario, the team captain's firm would be required to have all three qualifications or request a waiver. The likelihood of a team captain meeting all those requirements would be very low as, to the best of my knowledge, there is a very small pool of firms meeting all three characteristics. I believe the standalone requirement that the review team has experience in producing QMM is slim.

It does not appear that the Peer Review Board has demonstrated a tangible, measurable, risk to the quality of peer reviews necessitating a change in standards. There seems to be an implication drawn that team captains are not qualified to perform a peer review of a firm if their practice does not mirror that of the reviewed firm, and in the case of the proposal, does not mirror engagements that are not even in the scope of the peer review.

In conclusion, we do not support the proposed amendments to the standards presented in this exposure draft. We do support the Board consideration of removing the requirement in paragraph 35b we introduced above.

Proposed effective date

First, the comment period to respond to this exposure draft is extremely short, especially for smaller firms that do not have dedicated members in this practice area. In addition, I became aware of the exposure draft solely because I am a member of two committees/task forces in which this was on the agenda. The issue date was September 10th, a week before a significant tax filing deadline, and the due date is only ten days after the final 2024 filing deadline for personal returns and the due date for employee benefit plan audits. A number of effected peer reviewers and their firms have tax filing obligations in addition to their attest practices. Comment periods appear to be shorter and shorter and do not seem to be well announced when issued. It had not been posted on the AICPA peer review page, and nor the "For Peer Reviewer page". It was not announced in a peer reviewer alert until two weeks later, September 22, 2025, leaving roughly thirty days to respond, again, with a major tax filing deadline in the middle. To the best of our knowledge, firms not involved in performing peer reviews have not been specifically notified of this important potential change, which could have been done by notifying the peer review contacts listed in PRIMA.

Many of the recent standards exposure drafts from the AICPA have a comment period of 4 months or longer, PSU No 2 was 6-1/2 months. This ED is only 1-1/2 months. The PRB should slow down, make sure firms are aware of the proposed changes, and give them a time to respond. Any resulting implementations should be at least six months out, or longer, as firms may already have engaged peer reviewers for the next period.

Respectfully submitted



Richard E. Wortmann, CPA, DABFA
Managing Member

Comment on Proposed Revision to PR-C Section 200, Paragraph .08 (Peer Review Captain Qualifications)

I am writing to inquire about the interplay between this proposed captain qualification standard and the separate proposal to centralize the peer review administration of Alternative Practice Structures (APS) at the National Peer Review Committee (NPRC). I also recommend expanding the scope of the captain qualification to align with all NPRC-administered reviews.

1. The Inquiry: APS, SOC Exams, and Captain Qualification

The current proposed revision to PR-C section 200, paragraph .08, restricts the pool of captains to those employed by or owning a firm whose last review was required to be administered by the NPRC because the firm performed or "played a substantial role in" a PCAOB engagement.

My inquiry centers on a specific CPA firm scenario:

- **Structure:** Operates as an Alternative Practice Structure (APS).
- **Practice:** Performs a majority of its attestation work as SOC 1 and SOC 2 examinations and does not perform any audits under PCAOB standards.

Question: Under the recent proposal (e.g., PRSU No. 3) to require all APS firm reviews to be administered by the NPRC (regardless of PCAOB work), if the APS firm's review is administered by the NPRC solely due to its structure (and not due to PCAOB work), will the peer review captain still have to meet the specific PCAOB-related qualification in this proposed paragraph .08?

2. The Concern

If the proposal is finalized as written, it would create an unnecessary dichotomy:

- A captain for a peer review team performing a review of an APS that performs audits under PCAOB standards will be required to work or own a CPA firm that is required to have their peer review administered by the NPRC.
- A captain for a complex APS firm with significant attestation work (like SOC 1/2) that does not perform audits under PCAOB standards, would not be required to work or own a CPA firm that is required to have their peer review administered by the NPRC

The complexity, independence risks, and national scope concerns that justify centralizing APS peer review under the NPRC are fundamentally similar to the complexities justifying the heightened captain qualification. To effectively review an APS firm's quality management system—especially concerning the independence and risk of separate attest and non-attest

entities—the captain needs specific, high-level expertise and exposure to national-level oversight, regardless if the firm they are reviewing performs audits under PCAOB standards or not.

3. Recommendation for Expansion

To ensure the highest quality and consistency in peer reviews for all firms deemed to pose a greater risk to the public interest, I recommend expanding the scope of this captain qualification.

Recommendation:

The requirement in PR-C section 200, paragraph .08 should be revised to state that a captain must meet the enhanced qualification (employed by or owner of a firm whose most recent review was required to be administered by the NPRC) if the reviewed firm's peer review is required to be administered by the NPRC for any reason, including:

- **Performing PCAOB work** (as currently proposed).
- **Operating as an Alternative Practice Structure (APS)** (as proposed under PRSU No. 3).

Suggested Policy Language Revision (Conceptually):

"...a captain should currently be employed by or be an owner of a firm whose most recent review was also required to be administered by the National PRC for any reason set forth in paragraph .35a of section 100 or other applicable Peer Review Standards requiring NPRC administration."

This change would align the captain's necessary expertise with the heightened oversight required for all high-risk firms whose peer review is centralized under the NPRC, thereby further protecting the public interest.



October 23, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email submission: attention Brad Coffey
PR_expdraft@aicpa.org

Re: Comments on Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures

Dear Mr. Coffey:

TSS Financial Partners, LLP appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure, TSS Financial Partners, LLP supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

TSS Financial Partners, LLP believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure, simply by its alternative practice structure presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being in an alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.



Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct some data gathering to determine the financial impact to the firms that would need to change their peer reviewing program. Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. "A conflict may exist between the CPAs' motive and the PE investor's motive, and the PE investor may place undue pressure on the attest firm's partners or nonattest service entity's (NSE's) principals."

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee's proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.



Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners' independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.

Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive.



TSS Financial Partners, LLP supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However, we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

James Godfrey, CPA, CEO

Kenneth Goodrow, CPA, Managing Partner

Joshua Gagne, CPA, President

David St. Sauveur, CPA, Partner

Virginia McGrody, CPA, Partner

Amber McGonis, CPA, Partner

Mitchell Stagnone, CPA, Partner

Kyle Potter, CPA, Partner

Oct. 23, 2025

Sent via email to PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 3: Modernizing Peer Review Administration Requirements

AICPA Peer Review Board
c/o Brad Coffey

Dear Mr. Coffey:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee has reviewed the Exposure Draft (ED) on the *Proposed Peer Review Standards Update No. 3: Modernizing Peer Review Administration Requirements*, prepared by the AICPA Peer Review Board. The VSCPA is the leading professional association in Virginia dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism and advocating members' interests. The VSCPA membership consists of nearly 12,000 individual members who actively work in public accounting, private industry, government, and education.

The AICPA Peer Review Board has invited comments on the proposed revisions to modernize peer review administration. Please see below for responses to the specific questions within the ED.

Question 1: Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:

- a. Do you agree with the proposed change? If not, please explain your reasoning.
- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.
- c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Response 1: VSCPA is in agreement with the proposed change.

We agree with expanding paragraph .35 to give the Peer Review Board discretion to require NPRC administration when firm ownership or practice structures elevate risk. We recognize that centralizing peer review oversight under the NPRC for firms with more complex ownership or operational structures enhances consistency, comparability, and public confidence in the profession.

The proposed language is generally clear. Under the proposed change to paragraph .35(c), firms whose structure is considered to present an "elevated risk" to quality or the profession would be required to undergo NPRC-administered reviews. However, we recommend that the rule should describe what constitutes an 'elevated risk' — for example, when a firm has non-CPA or private equity ownership exceeding a defined control threshold, depends on another entity for staffing or shared services, or performs audits subject to PCAOB or other regulatory oversight. Doing so would also provide examples without turning them into binding rules — balancing consistency with professional judgment.

As to the sufficiency of the explanatory material in paragraph .A50, while it is a good addition, it could be strengthened by stating that when a firm operates under an alternative practice structure (APS), at least one reviewer on the team should have experience evaluating independence in firms with private equity or shared ownership arrangements. This would be in line with the intention stated in the Explanatory Memorandum under 'Alternative Practice Structures.'

Question 2: Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:

- a. Do you agree with the proposed change? If not, please explain your reasoning.
- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.
- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Response 2: VSCPA is in agreement with the proposed change.

VSCPA supports requiring team captains' firms to have completed NPRC-required reviews, recognizing that reviewer qualifications are essential to maintaining quality in complex firm environments. However, eligibility rules should not be so restrictive that they limit experienced reviewers. The NPRC should retain authority to grant exceptions where a reviewer's relevant APS or PCAOB experience is clear—such as prior NPRC affiliation, PCAOB inspection experience, or equivalent oversight under state administration—to preserve flexibility without compromising quality.

Regarding the clarity of the proposed revision to paragraph .08 of PR-C Section 200, which states: "In order to be qualified as captain for a peer review of a firm whose review is required to be administered by the National Peer Review Committee (PRC) because the firm performed or "played a substantial role in" (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year as described in paragraph .35a of section 100, a captain should currently be employed by or be an owner of a firm whose most recent review was also required to be administered by the National PRC for the same reason."

The phrase "for the same reason" could be unclear. We recommend revising it to explicitly reference the criteria in paragraph .35, as follows:

"...whose most recent review was required to be administered by the National PRC pursuant to the same criteria in paragraph .35 (e.g., PCAOB engagements or alternative practice structures)."

This makes clear that the phrase refers to the specific qualifying criteria rather than NPRC involvement generally.

Regarding the sufficiency of explanatory material under A.13, the exception process in paragraph .A13 is reasonable and flexible but should clarify who within the NPRC reviews and approves exception requests, the expected turnaround time, and whether approvals apply to a specific engagement or firm. Adding this guidance would help firms and reviewers plan effectively and prevent scheduling delays.

Question 3: Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If no, please explain your reasoning and note any concerns or anticipated challenges.

VSCPA supports the proposed effective date, provided NPRC training materials and transition guidance are issued promptly. Readiness is critical for smaller firms newly subject to NPRC oversight. If these resources are not released in the near term, the effective date should be deferred to December 31, 2026. While modernization is urgent given private equity growth, a brief delay would allow structured training and help prevent scheduling disruptions while maintaining oversight quality.

Overall, VSCPA believes that the proposed revisions are timely and forward-looking, aligning peer review oversight with evolving firm ownership structures. Expanding NPRC authority over APS and PE-backed firms strengthens audit integrity amid growing complexity. With minor clarifications — defining "elevated risk," clarifying "for the same reason," and refining the .A13 exception process — the final standard will be both clear and practical.

Our position is consistent with the perspectives shared by PwC, NASBA, and the Texas Society of CPAs Professional Standards Committee (TXCPA PSC) in their responses to the AICPA Professional Ethics Executive Committee's March 2025 Discussion Memorandum, "Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures," which similarly supported modernization while emphasizing the need for clear definitions and practical implementation guidance.

The VSCPA appreciates the opportunity to respond to this ED. Please direct any questions or concerns to VSCPA Vice President, Advocacy & Pipeline Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Daniel Martin, CPA
Chair, VSCPA Accounting & Auditing Advisory Committee

VSCPA Accounting & Auditing Advisory Committee 2025-2026

Daniel Martin, CPA — Chair
Elisa Obillo, CPA — Vice Chair
Zach Borgerding, CPA
Scott Cohen, CPA
Jonathan Head, CPA
Joshua Keene, CPA
Nick Kinsler, CPA
John McIntosh, CPA
Brian Minor, CPA
Brook Peterson, CPA
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Krisia Raya, CPA
Domenic Savini, CPA
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**WS CPAS P.C.**

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October 21, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Dear Mr. Coffey:

WS CPAs P.C. appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure, WS CPAs P.C. supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

WS CPAs P.C. believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure, simply by its alternative practice structure presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being an alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.

Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct some data gathering to determine the financial impact to the firms that would need to change their peer reviewing program.

Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. “A conflict may exist between the CPAs’ motive and the PE investor’s motive, and the PE investor may place undue pressure on the attest firm’s partners or nonattest service entity’s (NSE’s) principals.”

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee’s proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.

Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners’ independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.

Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive.

[Committee Questions and Responses](#)

1. Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:
 - a. Do you agree with the proposed change? If not, please explain your reasoning.

Response: WS CPAs P.C. does not believe that the proposed changes are appropriate as explained above.

- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.

Response: The proposed change is clear and understandable.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Response: The proposed change is clear, however stating as a matter of fact that firms in the APS by their mere status as an APS firm are at a heightened risk for quality failures is unnecessary and unfair.

2. Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:

- a. Do you agree with the proposed change? If not, please explain your reasoning.

Response: WS CPAs P.C. takes no position on the proposed change.

- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.

Response: The proposed change is clear and understandable.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Response: The proposed change is clear and understandable.

3. Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If no, please explain your reasoning and note any concerns or anticipated challenges.

Response: No. The time line is rushed and seems designed to look like the Board is doing something, anything, regarding the influx of PE investment into the profession. The short timeframe would create havoc with upcoming peer reviews. It would be better to implement the changes 12/31/2026, after there is an audit cycle under the new SQMS1.

Conclusion

WS CPAs P.C. supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

WS CPAs P.C.

WS CPAs P.C.

October 24, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email submission: attention Brad Coffey
PR_expdraft@aicpa.org

Re: Comments on Proposed Peer Review Requirements

Dear Mr. Coffey:

Ascend Partner Services, LLC (“Ascend”), appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a key participant in the accounting profession in an alternative practice structure, Ascend supports the AICPA’s efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

Ascend believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure, simply by its alternative practice structure presents “an elevated risk to quality and the profession” is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being an

alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.

Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct data gathering to determine the financial impact to the firms that would need to change their peer reviewing program. Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. “A conflict may exist between the CPAs’ motive and the PE investor’s motive, and the PE investor may place undue pressure on the attest firm’s partners or nonattest service entity’s (NSE’s) principals.”

This risk is present in any firm at any time. It seems to be naïve to believe that up until the APS, CPA firms and partners were not motivated by a profit incentive. This is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee’s proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.

Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners' independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels. This risk is not unique to APS firms.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS, further diminishing the cost/benefit analysis.

Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period, to rule change in 4 months, absent an emergency situation, is unnecessarily drastic and disruptive. This is especially so given that there does not seem to be an emergency or triggering event.

[Committee Questions and Responses](#)

1. Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:
 - a. Do you agree with the proposed change? If not, please explain your reasoning.

Response: Ascend does not believe that the proposed changes are appropriate as explained above.

- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.

Response: The proposed change is clear and understandable.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Response: The proposed change is clear, however stating as a matter of fact that firms in the APS by their mere status as an APS firm are at a heightened risk for quality failures is unnecessary and unfair.

2. Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:
 - a. Do you agree with the proposed change? If not, please explain your reasoning.

Response: Ascend takes no position on the proposed change.

- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.

Response: The proposed change is clear and understandable.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Response: The proposed change is clear and understandable.

3. Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If no, please explain your reasoning and note any concerns or anticipated challenges.

Response: No. The time line is rushed and seems designed to look like the Board is doing something, anything, regarding the influx of PE investment into the profession. The short timeframe would create havoc with upcoming peer reviews. It would be better to implement the changes 12/31/2026, after there is an audit cycle under the new SQMS1.

Conclusion

Ascend supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

/s/ William J. Kelly

William J. Kelly

General Counsel – Ascend Partner Services



October 24, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email submission: attention Brad Coffey PR_expdraft@aicpa.org

Re: Comments on Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures

Dear Mr. Coffey:

Balance & Strategy Advisors, CPAs LLP appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure, Balance & Strategy Advisors, CPAs LLP supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The wide-spread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge. The revisions to any rules must be made with informed deliberation and validated data.

Balance & Strategy Advisors, CPAs LLP believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure ("APS"), simply by its alternative practice structure presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. We have yet to uncover any specific audit failure directly caused by the firm being an alternative practice structure. To cast aspersions across all such firms is unnecessary and unfair.

Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. The proposed requirement in paragraph .35(c) of PR-C Section 100 would permit the Board to deem a practice structure or an engagement/service "deemed ... to present an elevated risk to quality and to the profession" as a basis for requiring National Peer Review Committee ("National PRC") administration. Such language is broad and open to subjective interpretation, which raises concerns:

BALANCE & STRATEGY ADVISORS, CPAs LLP

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- **Uncertainty for firms at planning stage:** Firms may not know whether they will be subject to National PRC administration until after year-end, creating unpredictability in budgeting, scheduling, and resource allocation.
- **Increased administrative cost and burden:** National administration may impose higher fees, require additional documentation, and lengthen review timelines, especially for smaller firms or those previously comfortable with state administering entities (“SAE”) reviews.
- **Strain on SAE infrastructure and local oversight:** By shifting more reviews to the National PRC, SAE may lose opportunities to build experience with APS type firms and increasingly rely on external administration; this may weaken local peer-review capacity and reduce responsiveness to region-specific issues.

We also question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal seems to address these fundamental issues. Without a corresponding, well-defined expansion of reviewer and staff resources, several significant risks emerge:

- **Scheduling delays:** Increased demand on a small number of reviewers could extend review cycles well beyond current timelines. This would create uncertainty for firms attempting to meet state board deadlines or other regulatory submission requirements.
- **Administrative overload:** The National PRC’s staff infrastructure would need to expand significantly to manage the intake, scheduling, oversight, and approval of a greatly increased number of reviews. Without that investment, bottlenecks could arise at multiple stages, from acceptance letters to report issuance and follow-up monitoring.
- **Quality and consistency risks:** A rapid expansion without adequate training and oversight of new reviewers could lead to inconsistent application of standards, defeating the proposal’s stated purpose of promoting uniform quality.
- **Impact on small and mid-sized firms:** Delays or cost increases resulting from resource shortages are likely to disproportionately affect small and mid-sized firms, many of which rely heavily on predictable scheduling and budgets to maintain compliance.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. *Exposure draft concern: “A conflict may exist between the CPAs’ motive and the PE investor’s motive, and the PE investor may place undue pressure on the attest firm’s partners or nonattest service entity’s (NSE’s) principals.”*

While we acknowledge that potential conflicts of interest can arise in any ownership structure, this risk is not unique to APS or private equity investment. Every firm is exposed to similar financial or external pressures, whether through bank loans, partner buyouts, lines of credit, or deferred compensation obligations. The mere existence of financial stakeholders does not inherently impair independence or objectivity. Independence safeguards, firm governance policies, and ethical standards, which are already enforced under the *AICPA Code of Professional Conduct* and evaluated during peer review, provide appropriate mechanisms to identify and address such pressures. Expanding National PRC oversight solely on the premise of possible investor pressure conflates potential risk with demonstrated deficiency. There is no observed evidence that APS firms, as a category, exhibit greater quality or independence failures than other firm types.

2. *Exposure draft concern: “Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.”*

We agree that financial pressures can affect resource allocation, however, this risk is present in every CPA firm, regardless of structure. Market conditions, fee competition, and economic cycles routinely drive firms of all ownership types to manage costs carefully. There is no indication that APS firms have uniquely compromised audit quality through cost-cutting measures. In fact, many APS firms are capitalized more robustly than traditional firms, allowing for enhanced investment in technology, training, and quality control systems. Peer review, by design, is the mechanism through which the profession assesses whether such pressures have impacted audit quality. Shifting administrative oversight to the National PRC does not inherently strengthen that process.

3. *Exposure draft concern: “There may be undue influence and self-interest threats to the attest firm partners’ independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.”*

While dual compensation mechanisms are common in APS models, they are not unique to such firms and can be effectively monitored and evaluated within the existing peer review framework. Many non-APS firms also use multi-entity or multi-channel compensation structures (for example, partners receiving compensation from both a management company and an audit entity, or through performance-based distributions and ownership returns). What matters is not the number of entities paying compensation, but whether the firm maintains transparent policies, documentation, and controls governing partner independence and financial relationships. Peer reviewers already examine compensation arrangements, governance, and independence safeguards as part of their standard procedures. Existing review criteria are sufficient to identify and evaluate these risks.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair. However, we do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

Finally, if the proposal were to be implemented, the implementation date should be moved to December 31, 2026. Given the significance of the proposed change, firms undergoing peer reviews should have sufficient time to prepare for potential change. Firms may have already engaged their SAE and scheduled peer-review timing and a late decision to switch to National PRC may disrupt timelines and the infrastructure of negotiation, scheduling, reviewer selection, cost budgeting, and documentation may be disrupted. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive. It would be better to implement the changes 12/31/2026, after there is an audit cycle under the new SQMS1.

Conclusion

The cited risks of APS can be, and already are, effectively evaluated under existing standards and within the current SAE framework. Broad structural change should be data-driven, transparent, and supported by a clear plan for capacity, implementation, and oversight.

Balance & Strategy Advisors, CPAs LLP fully supports the AICPA’s goal of ensuring consistent, high-quality peer reviews in the public interest. However, we believe PRSU No. 3, as written, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

Balance & Strategy



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October 24, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

via email submission: attention Brad Coffey
PR_expdraft@aicpa.org

Re: Comments on Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures

Dear Mr. Coffey:

BGW CPA Co, LLP appreciates the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements, to be applied to the AICPA Standards for Performing and Reporting on Peer Reviews.

As a firm in an alternative practice structure (APS), BGW CPA Co, LLP supports the AICPA's efforts to modernize professional standards to address evolving business dynamics. The widespread influence of outside funding sources, i.e. private equity, in the accounting profession can be both an opportunity and a challenge.

BGW CPA Co, LLP believes that the proposals, as they currently are, do not adequately take into account actual practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm that is just now taking advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an APS, simply by its structure presents "an elevated risk to quality and the profession", is not supported by the facts and the 20+ years of APS existence. It would seem implausible that a firm would have any audit failures directly caused by the firm being in an APS. This blanket statement appears to be unnecessary and unfair.

There is no supporting data to suggest that the existing system is ineffective. BGW CPA Co, LLP (and also under its prior names) has never had an issue with any peer review in the past. There is

no evidence that would make us think that an APS would change this. In fact, having the support of additional firms like us should only make us better.

We also have never, and do not plan on, performing any public company audits. There should be a differentiation between firms performing public company audits versus firms performing small and medium size entity audits. There should be a recognition of firms acting under PCAOB standards and those that are not.

Specifically, it does not appear that the proposed rule is supported by prior data-gathering or fact-finding. We suggest that the Board conduct a survey or other data gathering to determine the number of firms that would be impacted by the proposed change to their peer reviewing entity. Similarly, we suggest that the Board conduct some data gathering to determine the financial impact to the firms that would need to change their peer reviewing program. Finally, we question whether there are sufficient peer reviewers part of the National program to handle the influx of firms in that program if this rule were to be implemented. Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. “A conflict may exist between the CPAs’ motive and the PE investor’s motive, and the PE investor may place undue pressure on the attest firm’s partners or nonattest service entity’s (NSE’s) principals.”

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and nonattest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. It would actually appear that this would be higher risk in firms that are not backed by PE as funding may be tighter without the added investments.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure does add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee’s proposed updates to independence guidance.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.

Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary and unfair.

We do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. Perhaps limiting the new rule to only those firms that are in APS and practice in that space would address that risk.

Finally, if the proposal were to be implemented, the implementation date should be moved to 12/31/2026. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive.

BGW CPA Co, LLP supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However, we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,

BGW CPA Co, LLP

October 24, 2025

Brad Coffey
 AICPA Peer Review Board
 220 Leigh Farm Road
 Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements

Dear Mr. Coffey:

On behalf of CalCPA's Peer Review Committee, we are submitting comments on the proposed *Peer Review Standards Update No. 3* and related efforts to modernize the AICPA Peer Review Program to reflect today's evolving professional environment.

CalCPA represents CPAs and related professionals working in public accounting, business, and industry across California. As a leading voice for the profession, we partner with policymakers, regulators, and other key stakeholders to advance the public interest and support CPAs in meeting the needs of their clients, employers, and communities.

CalCPA serves as the administering entity for the AICPA Peer Review Program in California, Arizona, and Alaska. The Peer Review Committee, made up of experienced professionals from across the accounting profession, is a key member body supporting CalCPA's administration of the program. Together, they help uphold the quality of financial reporting by ensuring that peer reviews are conducted in accordance with AICPA standards and with a strong emphasis on education and continuous improvement.

General Comments on the Proposed Changes

We commend the AICPA Peer Review Board for its continued efforts to modernize the Peer Review Program and address the evolving business models and regulatory challenges facing the profession. We recognize the rapid advances in technology, the growth of alternative practice structures, and the introduction of external investment models that have reshaped firm ownership and management.

While we support these modernization efforts, we have concerns about the proposed centralization of firm reviews under the National Peer Review Committee (NPRC) rather than maintaining the current allocation among administering entities (AEs). We encourage a collaborative approach that builds on the strengths of the existing program structure and empowers AEs to develop the necessary expertise and capacity to address emerging risks and evolving practice models.

Specific Comments on Proposed Revisions

- 1. Paragraph .35 of PR-C Section 100 - The proposed paragraph grants the Board discretion to require that certain firms' peer reviews be administered by the NPRC if "the firm's practice structure is deemed by the Board to present an elevated risk to quality and to the profession, or the firm's practice includes certain engagements or services deemed to present such risk."***

The proposed language does not clearly define “elevated risk” or establish measurable criteria, effectively granting the Board broad discretion to assign firms to NPRC administration without clear due process or time limits. Concentrating a greater number of firms with specialized considerations under the NPRC could also create a divide between the NPRC and the administering entities (AEs), weakening program cohesion and potentially undermining confidence in the system.

Shifting an entire class of firms to the NPRC limits the ability of state AEs to develop and sustain the expertise needed to address evolving practice issues within their jurisdictions. Over time, this could lead to an overconcentration of technical knowledge within a single administrative body, reducing opportunities for professional development and diminishing local oversight capacity.

Recommendation – A more balanced approach would be to enhance AE capabilities through targeted training, shared technical resources, and specialized reviewer qualifications, rather than removing entire categories of firms from state-level administration.

2. Paragraph .A50 of PR-C Section 100 – The proposed paragraph “...requires a firm to have its review administered by the National PRC when the firm is closely aligned with a non-CPA-owned entity (an alternative practice structure).”

We recognize the growing prevalence of alternative practice structures and the challenges they present to auditor independence and objectivity. However, these underlying ethical issues are fundamentally technical in nature and should be addressed through clear, authoritative guidance from the AICPA Professional Ethics Executive Committee (PEEC)—not through administrative reassignment of peer review responsibilities. Once such guidance is finalized, AEs can be trained and monitored to ensure consistent application. Until that time, assigning these reviews exclusively to the NPRC risks inconsistent interpretations and may hinder the program’s broader adaptability.

Recommendation – We recommend that the Board prioritize developing uniform training and consultation pathways for reviewers, technical reviewers, and RAB members across all administering entities (AEs) to ensure consistent application of independence and conflict-of-interest standards within diverse ownership structures. We also recommend deferring any changes to AE assignments related to alternative practice structures until PEEC issues its final guidance. Rather than implementing a broad transfer of administrative responsibility, we encourage a collaborative approach in which AEs work directly with NPRC resources on reviews involving alternative practice structures.

3. Paragraph .08 and Addition of Paragraph .A13 of PR-C Section 200 – The proposed paragraphs states that “In order to be qualified as captain for a peer review of a firm whose review is required to be administered by the National Peer Review Committee (PRC) because the firm performed or “played a substantial role in” (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year as described in paragraph .35a of section 100, a captain should currently be employed by or be an owner of a firm whose most recent review was also required to be administered by the National PRC for the same reason. (Ref: par. .A12–.A1413)”

Requiring that a team captain’s firm be administered by the NPRC introduces unnecessary rigidity and could further limit the pool of qualified reviewers. The existing system already ensures that reviewers possess the necessary experience and competence through established AICPA qualification and training standards. Imposing this new restriction may reduce the diversity of perspectives among reviewers and disproportionately affect smaller firms.

Recommendation – We believe the existing requirement in PR-C Section 200 (.08) is sufficient when combined with the Board’s authority to evaluate reviewer qualifications during acceptance and monitoring processes. A principles-based approach, emphasizing demonstrated competence and experience rather than categorical prerequisites, would better serve the program’s objectives.

4. If approved by the board, the proposed revisions to the standards “*will be effective for peer reviews with years ending on or after December 31, 2025.*”

Should the proposed revisions be approved, the effective date—peer reviews for years ending on or after December 31, 2025—allows very limited time for administering entities and firms to adjust. Reviewer training, approval, and coordination processes typically take several months to a year to complete, making a longer transition period essential for effective implementation.

Recommendation – A one-year deferral—applying the changes to reviews commencing on or after December 31, 2026—would help ensure consistent implementation and minimize potential scheduling disruptions.

We appreciate the Board’s efforts to address this important issue. While the challenges are complex, firm ownership structures are evolving rapidly, and regulatory expectations are increasing. Timely solutions are essential to maintaining public trust, audit quality, and the continued relevance of the Peer Review Program.

Thank you for considering our comments. We welcome the opportunity to continue working together on this important initiative to strengthen audit quality. Please don’t hesitate to contact us with any questions.

Sincerely,



Patrick Spafford, CPA
Chair, CalCPA Peer Review Committee

October 24, 2025

Ms. Dawn Brenner, Chair
AICPA Peer Review Board
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements

Dear Ms. Brenner:

The Peer Review Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) appreciates the opportunity to comment on the Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements.

The FICPA represents more than 18,500 members across the state, including practitioners in public accounting, education, government, and business. The Committee oversees the administration of the AICPA Peer Review Program for firms located in Florida and provides oversight to ensure compliance with program requirements while promoting audit quality and consistency in practice. Our comments reflect the collective views of the administering entity and the Peer Review Committee.

General Comments

We commend the AICPA Peer Review Board for its ongoing efforts to modernize the Peer Review Program and to consider the evolving business models and regulatory challenges within the profession. We recognize the rapid developments in technology, alternative practice structures, and external investment models that have reshaped firm ownership and management.

However, we do not support the proposed revisions as drafted, as we believe they introduce unintended operational and conceptual challenges that could undermine rather than strengthen the peer review process. We are concerned that the proposal:

1. Centralizes administrative authority excessively in the National Peer Review Committee (NPRC);
2. Reduces the opportunity for state administering entities (AEs) to develop competency and experience in emerging risk areas; and
3. Introduces subjectivity and uncertainty in determining which firms are deemed to present “elevated risk.”

We agree that firms operating under alternative practice structures (APSS) present unique considerations; however, the approach of transferring such firms wholesale to the NPRC appears overly broad and lacks proportionality.

1. Concerns Regarding Proposed Paragraph 100.35(c) and .A50

The proposed paragraph grants the Board discretion to require that certain firms' peer reviews be administered by the NPRC if their practice structure or services "present an elevated risk to quality and to the profession." While conceptually sound, it introduces a **subjective standard** that could create inconsistency and uncertainty for firms. Without clearly defined parameters or measurable thresholds, firms may find it difficult to predict when the NPRC will assume administrative authority.

We believe such determination must be supported by specific parameters and due process, rather than discretionary interpretation. Without objective criteria, similarly situated firms could receive inconsistent treatment, which may erode confidence in the fairness and consistency of the program.

Furthermore, moving a class of firms to the NPRC limits the ability of state AEs to build and maintain the expertise necessary to address evolving practice issues within their jurisdictions. Over time, this could result in a concentration of technical knowledge within a single administrative body, hindering professional development and diminishing local oversight capacity.

A more balanced approach would be to enhance AE capability through focused training, shared technical resources, and specialized reviewer qualifications—rather than removing entire categories of firms from state administration.

2. Alternative Practice Structures and Independence Considerations

We acknowledge the increasing prevalence of alternative practice structures and the challenges they pose to independence and objectivity. However, the underlying ethical questions are fundamentally technical and should be addressed through clear professional guidance from the AICPA Professional Ethics Executive Committee, not through administrative reallocation of peer review responsibility.

Once authoritative guidance is finalized, AEs can be trained and monitored to apply that guidance consistently. Until such guidance is complete, assigning these reviews exclusively to the NPRC could lead to inconsistent interpretations and limit the program's ability to adapt broadly.

We recommend that the Board focus on developing uniform training and consultation pathways for reviewers, technical reviewers and RAB members across all AEs, ensuring consistent application of independence and conflict of interest standards within diverse ownership structures.

3. Reviewer Qualifications (Proposed Paragraph .08 and .A13)

Requiring that the team captain's firm must also have been *required* (not merely elected) to undergo a NPRC-administered review adds unnecessary rigidity and limits the available pool of qualified reviewers. The current system already ensures that reviewers possess relevant experience and competency, which is validated through existing AICPA qualification and training standards.

This new restriction may **reduce diversity of perspective** among reviewers and disproportionately impact smaller firms or those in rural areas, where fewer reviewers have experience with NPRC-administered reviews. Moreover, by requiring written exceptions for any deviation, the proposal imposes an administrative burden with little evidence that it will materially improve peer review quality.

We believe the existing requirement in PR-C Section 200 (.08) is sufficient when combined with the Board's authority to evaluate reviewer qualifications during acceptance and monitoring processes. A principles-based approach, emphasizing demonstrated competence and experience rather than categorical prerequisites, would better serve the program's objectives.

4. Implementation and Effective Date

As noted above, we do not agree with the proposed changes as written, however, should the proposed revisions be approved, the proposed effective date—peer reviews for years ending on or after December 31, 2025—provides limited transition time for administering entities and firms to adapt. Training, approval, and coordination processes for reviewers typically require several months to a year. A **minimum one-year deferral** (for reviews commencing on or after December 31, 2026) would allow for consistent application and avoid potential disruptions in scheduling.

5. Alternative Recommendations

Rather than expanding administrative requirements, the Committee encourages the Board to consider the following alternative approaches:

- Develop specialized reviewer training modules for APS and PCAOB-related engagements.
- Implement PRIMA competency codes to match reviewers with firms based on expertise.
- Enhance consultation mechanisms between AEs and the NPRC for complex reviews.
- Maintain AE involvement through a risk-based oversight model rather than full reassignment.

These measures would promote consistency, build capacity, and preserve the decentralized knowledge-sharing that strengthens the peer review process.

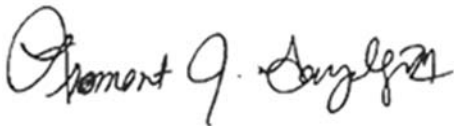
Conclusion

The FICPA Peer Review Committee appreciates the Board's commitment to improving peer review quality and its responsiveness to the evolving landscape of firm ownership and regulation. Nevertheless, we believe that the proposed administrative changes, as currently drafted, risk creating unnecessary complexity and centralization that could ultimately diminish program effectiveness.

We encourage the Board to adopt a collaborative, training-based approach that empowers all administering entities to address new challenges consistently and competently.

We thank you for considering our comments and would welcome the opportunity to discuss our recommendations further.

Sincerely,



Froment J. Gonzalez III
Chair, FICPA Peer Review Committee

RE: PRSU No. 3 Modernizing Peer Review Administration Requirements

To whom it may concern:

Thank you for opportunity to respond to your exposure draft regarding the modernizing of peer review administration requirements. While this issue needs a timely solution, it has been a growing concern for a few years. It's concerning that the exposure draft was released when peer reviewers from smaller firms were inundated with the September and October tax deadlines, and that it was to be implemented so quickly after that date and so close to the implementation of the quality management standards. Peer reviewers will be inundated with quality management requirements, and this material and change could easily be missed by peer reviewers, hyper-focusing on the quality management change.

Regarding the proposed changes, the requirement (change in paragraph .35 of section 100) for a firm to have its peer review administered by the National PRC if the firm has an Alternative Practice Structure ("APS") would provide consistency regarding the handling of the emerging issue. However, it does seem to apply to both system reviews and engagement reviews. APS may not be exclusive to firms that provide audits, especially as many APS structures involve the purchase of a tax portion of a practice. Further, firms that require an engagement review are having their engagements reviewed, not their systems of quality control. In this type of an environment, while having an APS in place would an engagement reviewed firm necessitate the additional review that's being proposed in this exposure draft? Should engagement reviews be excluded from the requirement to be administered by the National PRC? It would seem that, as the systems of quality management of engagement reviewed firms are not being reviewed as part of the peer review, this requirement is unnecessary.

The other proposed change (paragraph .08 of section 200) seems reasonable. With the implementation of quality management standards on the horizon, peer reviewers will have their hands full reviewing this aspect of firms' systems of quality control. Reducing the pool of peer reviewers able to review APS related materials until more education is widely available would help other peer reviewers stay focused on Quality Management. As paragraph A50 in section 100 indicates, a review team would require a member to have an understanding of APS, which seems to provide an appropriate remedy for a team captain who does not have their firm's most recent peer review administered by the National PRC.

We appreciate the opportunity to respond to this exposure draft, as the emergence of alternative practice structures will continue to pose issues to the peer review program. We welcome further dialogue regarding this potential change.

Regards,

GSCPA Executive Committee

GSCPA Peer Review Executive Committee



October 24, 2025

AICPA Peer Review Board
Attn: Brad Coffey
Via email to PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements

Dear Board Members:

I appreciate the opportunity to comment on the exposure draft of Proposed PRSU No. 3. The Peer Review Committee of The Ohio Society of CPAs reviewed and discussed the draft at its most recent meeting, and key observations are summarized below.

Overall Comments:

While the committee appreciates the exposure draft's intent to provide a framework to address emerging issues that pose quality risks through the Peer Review Program, the proposal does not include a clear and consistent process for identifying emerging high-risk areas of practice. Moreover, the suggested solution of centralizing emerging risk peer reviews is unlikely to enhance overall quality and may, in fact, undermine the program's effectiveness and responsiveness.

Specific Comments:

PR-C Section 100

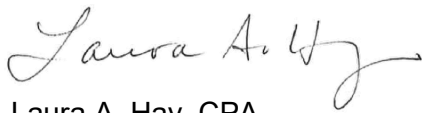
Comments included:

- Providing a completely open-ended definition for structures, engagements or services that present an elevated risk does not provide adequate due process or the clarity, notice and timeline sufficient for fair implementation.
- Centralizing peer reviews would not, by itself, improve quality. Team captains and administering entities already adhere to uniform standards and effectively manage risks related to assessing relevant experience, ownership, independence, and high-risk engagements.
- All team captains should receive consistent training to ensure a uniform standard of quality across all peer reviews. Elevating the capabilities of all team captains together reinforces program-wide consistency and effectiveness.
- The committee was especially mindful of small firms that receive substantial individualized support from local administering entities. Centralizing these reviews risks eroding that critical guidance and oversight.

The committee supports the Board's efforts to enhance the Peer Review Program's capabilities to address emerging quality risks. We encourage the Board to refine the proposal to include a clear process for identifying and communicating emerging risk areas, to maintain the critical role of local administering entities with coordinated development, and to elevate all team captains together. Doing so will ensure the program remains effective, responsive and beneficial to all types of firms and practices.

Thank you for your consideration. Please reach out to Lhay@ohiocpa.com if you have any questions.

Best regards,

A handwritten signature in cursive script that reads "Laura A. Hay". The signature is written in black ink and is positioned to the left of the typed name.

Laura A. Hay, CPA
President & CEO
CPA on Staff

October 20, 2025

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Olsen Thielen & Co., Ltd. provides the following comments to Proposed PRSU No. 3:

1. Regarding the proposed revision to paragraph .35 of PR-C section 100:
 - a. Do you agree with the proposed change?

We respectfully disagree to parts of this proposed change.

We recognize that there are certain risks associated with Alternative Practice Structures (APS). However, it's important to note that the attest portion of the firm is carved out, and this is the primary focus of peer review. We certainly have seen a trend where smaller firms are looking to adopt an APS as part of a back-office solution to manage their firms while still maintaining an independent quality management system for their attest practice.

The proposed change could have a significant impact on smaller firms with APS practices who may face challenges in finding suitable peer reviewers. These firms might be forced to engage larger firms for their peer reviews, which not only incurs higher costs but also creates a mismatch in alignment, as larger firms are not truly "peers" to these smaller firms. Additionally, the pool of available peer reviewers has been shrinking over the years, and the proposed change could exacerbate this issue. Larger firms, in reality, show little interest in conducting peer reviews for smaller firms.

With all this being said, is the National Peer Review Committee (NPRC) truly the best fit for reviewing and evaluating peer reviews for smaller firms.

As an alternative, we suggest allowing firms to continue working with their state AE while requiring consultation with the AICPA regarding the impact of APS. This consultation could take place during the scheduling phase in Prima or as part of the planning process. This approach would preserve the expertise and guidance needed for APS-related concerns while minimizing disruption to smaller firms and their peer review process.

- b. Is the revised requirement sufficiently clear and understandable?

See Above.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement?

The current requirements lack clarity regarding what is expected of a peer reviewer in terms of having a thorough understanding of the independence requirements, operational structure, and unique characteristics of an APS firm.

Furthermore, it is unclear what specific situations or firm attributes fall under the scope of these requirements. For example, how should a peer reviewer approach an APS firm where a non-influential investor holds a 20% stake? Or what about a firm structured as an ESOP? The ambiguity surrounding these scenarios creates uncertainty, and clearer guidelines are needed to ensure consistency and accuracy in the peer review process.

2. Regarding the proposed revision to paragraph .08 of PR-C section 200:
 - a. Do you agree with the proposed change?

We respectfully disagree.

While reviewing regulatory oversight, including PCAOB and SEC related matters, peer reviewers may occasionally encounter complex deficiencies or disciplinary actions. In such cases, current peer review standards already provide clear guidance, indicating that reviewers should consult with the AICPA or a technical reviewer if questions or uncertainties arise regarding the impact of these issues. This demonstrates that an effective system is already in place to address these rare circumstances. An effective enhancement to the current process would be to implement a step in the summary review memorandum requiring consultation with the AICPA or technical reviewers whenever the firm has had any PCAOB or SEC communications since the last peer review. This addition ensures greater clarity and improves the review process overall.

Our firm is administered under the NPRC due to our PCAOB/SEC related work. Our current peer reviewer has elected to be administered under NPRC to enable them to conduct peer reviews for our firm and others facing similar situations, however, they no longer are subject to permanent PCAOB inspection. Finding a peer reviewer with expertise in our unique industries was already a significant challenge, and we are aware of numerous other firms in same position. If this proposal were adopted, it could result in the elimination of peer reviewers within the NPRC framework who serve firms like ours, further restricting the already limited pool of qualified reviewers.

The shortage of peer reviewers, particularly those operating in the NPRC space, is a pressing concern, and the possibility of automatically disqualifying otherwise qualified individuals would worsen this issue. Forcing the reviewers to navigate a potentially burdensome “request for exception” process only adds complexity and exacerbates the problem. Compounding this challenge, many firms performing peer reviews are exiting PCAOB/SEC work, further diminishing the pool of available reviewers now and in the future. This critical reduction in resources has significant implications for ensuring the quality and effectiveness of peer reviews moving forward.

- b. Is the revised requirement sufficiently clear and understandable?

See Above.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirements?

The proposed standard implies that a reviewer from a firm without PCAOB/SEC experience is inherently unqualified to conduct a peer review for a firm subject to PCAOB/SEC. However, the standard lacks clarity on what specific experience or qualifications would be deemed sufficient for a reviewer to be considered effective and eligible for an exception. This ambiguity leaves significant uncertainty about the criteria and thresholds required to meet the proposed standard's expectations.

3. Do you agree with the proposed effective date for peer review years ending on or after December 31, 2025?

No. If this is approved, the proposed effective date allows for a very limited timeframe for implementation, which raises concerns about providing firms with adequate time to identify and secure new peer reviewers. To ensure a smoother transition and minimize disruptions, we recommend setting the effective date for peer review years ending on or after December 31, 2026.

Thank you for providing us with this opportunity to share our concerns.

Sincerely,

Olsen Thielen & Co., Ltd.



Patrick D. Powers, CPA
President



Brett J. Olsen, CPA
Quality Principal

October 24, 2025

Brad Coffey
PR_expdraft@aicpa.org
AICPA Peer Review Board

Subject: Response to Exposure Draft – Proposed Peer Review Standards Update No. 3

Dear Members of the AICPA Peer Review Board:

Thank you for the opportunity to comment on the Exposure Draft of Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*. We appreciate AICPA's continued commitment to strengthening the peer review process and adapting to the evolving structure of firms within the profession.

The Oregon Society of CPAs (OSCPA) represents a diverse membership, including many firms of varying sizes that participate in the peer review program. We value the AICPA's continued work to improve the peer review system and support efforts designed to protect the public interest and promote audit quality.

Regarding the proposed revision to Paragraph .35 of PR-C Section 100 (Alternative Practice Structures)

We respectfully disagree.

We recognize that there are certain risks associated with Alternative Practice Structures (APS). However, it's important to note that the attest portion of the firm is carved out, and this is the primary focus of peer review. In addition, this raises the question of whether National Peer Review Committee (NPRC) oversight is truly the best fit for reviewing and evaluating peer reviews for smaller firms. We acknowledge that APS arrangements can present risks. However, the existing framework — particularly when supported by AICPA consultation — has been effective in helping peer reviewers appropriately evaluate APS considerations. This has allowed smaller firms to remain with their state Administering Entity (AE), while still receiving appropriate guidance when APS-related judgment questions arise.

The proposed change would have a significant impact on smaller firms with APS practices who may face challenges in finding suitable peer reviewers. These firms might be forced to engage larger firms for their peer reviews, which not only incurs higher costs but also creates misalignment, as larger firms are not truly "peers" to these smaller firms. The pool of qualified peer reviewers has already been declining, and this proposal may intensify that trend.

As an alternative, we suggest allowing firms to continue working with their state AE while considering or requiring consultation with the AICPA regarding the impact of APS related matters. This consultation could take place during the scheduling phase in PRIMA or as part of the planning process.

In addition, we recommend adding language that AEs require training of their technical reviewers and in-house CPAs on APS-specific considerations. This combination of consultation and training would preserve consistency, elevate APS knowledge at the AE level, and avoid unnecessary disruption to smaller firms.

Regarding the proposed revision to paragraph .08 of PR-C Section 200 (Peer Reviewer Qualifications — PCAOB/SEC Considerations)

We respectfully disagree.

We agree with the standard proposal that reviewers of firms subject to PCAOB permanent inspection should possess the experience and skills to determine the application of PCAOB inspection findings to the firm's quality control system. We do not agree that simply being a partner in a firm that also performs PCAOB audits is the best determinant of those qualifications.

While reviewing regulatory oversight, including PCAOB and SEC related matters, peer reviewers may occasionally encounter complex deficiencies or disciplinary actions. In such cases, current peer review standards already provide clear guidance, indicating that reviewers should consult with the AICPA or a technical reviewer if questions or uncertainties arise regarding the impact of these issues. Although the summary review memorandum (SRM) currently includes steps for the peer reviewer to complete when the reviewed firm has received PCAOB or SEC communications, a potential enhancement to the SRM might be to add a step making it mandatory that the peer reviewer consult with the AICPA or technical reviewers whenever the firm has had PCAOB or SEC communications since the last peer review.

The shortage of peer reviewers, particularly those operating in the NPRC space, is a significant concern, and automatically disqualifying otherwise qualified individuals would worsen this issue. Forcing them to navigate a potentially burdensome "request for exception" process only adds complexity and exacerbates the problem. We propose to replace this with a CPE requirement overseen by the NPRC, which would be applicable to the peer review captains themselves, and would address the concerns of the NPRC.

Regarding the proposed revision to paragraph .A50 of PR-C Section 100 (Application and Other Explanatory Material)

The current requirements lack clarity regarding what is expected of a peer reviewer in terms of having a thorough understanding of the independence requirements, operational structure, and unique characteristics of an APS firm.

Furthermore, it is unclear what specific situations or firm attributes fall under the scope of these requirements. For example, how should a peer reviewer approach an APS firm where a non-influential investor owns only a minority stake? Or, what about a firm structured as an ESOP? The ambiguity

surrounding these scenarios creates uncertainty, and clearer guidelines are needed to ensure consistency and accuracy in the peer review process.

Comment on Proposed Effective Date

We believe the proposed effective date is too aggressive. If adopted, the changes would meaningfully affect reviewer selection and administration, and firms would need additional time to adjust. A later effective date — or a phased implementation — would help ensure an orderly transition, particularly for smaller firms.

We appreciate the Board's efforts and the opportunity to provide feedback. We share the AICPA's commitment to improving audit quality and strengthening the peer review program, and we respectfully urge consideration of implementation approaches that promote clarity, consistency, and sustainability for firms of all sizes.

Sincerely,



Darlene E. Boles, CPA, Vice President & COO
Oregon Society of CPAs
On behalf of Oregon Peer Review Committee

c: Sherri L.D. McPherson, IOM, CAE, President & CEO
Oregon Society of CPAs

October 22, 2025

Brad Coffey PR_expdraft@aicpa.org
AICPA Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Subject: Response to Exposure Draft – Proposed Peer Review Standards Update No. 3

Dear Members of the Peer Review Board,

Thank you for the opportunity to comment on the Exposure Draft of Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements. We appreciate the AICPA's continued commitment to strengthening the peer review process and adapting to the evolving structure of firms within the profession.

Our Firm's peer review is administered by the National Peer Review Committee (NPRC). We have played an active role in Peer Review and its oversight process for many years, with one of our shareholders who serves as a team captain also currently serving as an Administering Entity committee member.

We offer the following comments based on our experience and perspective regarding Proposed PRSU No. 3:

1. Regarding the proposed revision to paragraph .08 of PR-C section 200:
 - a. Do you agree with the proposed change?

We respectfully disagree.

While we agree with the standard proposal that reviewers of firms subject to PCAOB permanent inspection should possess the experience and skills to determine the application of PCAOB inspection findings to the firm's quality control system. However, we do not agree that simply being a partner in a firm that also performs PCAOB audits is the best determinant of those qualifications.

While reviewing regulatory oversight, including PCAOB and SEC related matters, peer reviewers may occasionally encounter complex deficiencies or disciplinary actions. In such cases, current peer review standards already provide clear guidance, indicating that reviewers should consult with the AICPA or a technical reviewer if questions or uncertainties arise regarding the impact of these issues. A potential enhancement to the current process could be to implement a step in the summary review memorandum requiring consultation with the AICPA or technical reviewers whenever the firm has had PCAOB or SEC communications since the last peer review.



The shortage of peer reviewers, particularly those operating in the NPRC space, is a significant concern, and automatically disqualifying otherwise qualified individuals would worsen this issue. Forcing them to navigate a potentially burdensome “request for exception” process only adds complexity and exacerbates the problem. We propose to replace this with a CPE requirement (similar to must select engagements), which would be overseen by the NPRC, which would be applicable to the peer review captains themselves, and would address the concerns of the NPRC.

Our firm is currently only administered under the NPRC due to our prior PCAOB/SEC related work, however, we explore future opportunities on a constant basis. Finding a peer reviewer with expertise in only our unique industries is already a significant challenge, and we are aware of other firms in the same position. If this proposal were adopted, it would result in the elimination of peer reviewers within the NPRC framework who serve firms like ours, further restricting the already limited pool of qualified reviewers.

- b. Is the revised requirement sufficiently clear and understandable?

No. See above.

- c. Does the corresponding application and other explanatory material proposed in paragraph A13 provide sufficient understanding for users to apply the related requirements?

No. The proposed standard implies that a reviewer from a firm without PCAOB/SEC experience is inherently unqualified to conduct a peer review for a firm subject to PCAOB/SEC. We believe our experience substantially benefits the AICPA peer review program by providing well qualified team captains that understand the process and conduct peer reviews in a highly professional manner. We often interact with AICPA peer review technical team members, and believe those relationships enhance our ability to perform high quality peer reviews. In addition, peer review enhances the professional skills of many of our shareholders and professional staff through review of engagements performed by other high-quality firms. Should the proposed standard eliminate our qualification to perform these reviews, it would negatively impact our Firm.

2. Regarding the proposed revision to paragraph .35 of PR-C section 100:

- a. Do you agree with the proposed change?

We respectfully disagree.

We recognize that there are certain risks associated with Alternative Practice Structures (APS). However, it’s important to note that the attest portion of the firm is carved out, and this is the primary focus of peer review. In addition, this raises the question of whether the firms subject to National Peer Review Committee (NPRC) oversight is truly the best fit for reviewing and evaluating peer reviews for smaller firms.



Currently, we have observed instances where firms with APS are overseen by a local administering entity (AE), and AICPA peer review staff proactively provide guidance to peer reviewers on how to assess the impact of APS. This collaborative approach has proven effective and has been positively received by reviewers, achieving the desired outcomes.

The proposed change would have a significant impact on smaller firms with APS practices who may face challenges in finding suitable peer reviewers. These firms might be forced to engage larger firms for their peer reviews, which not only incurs higher costs but also creates misalignment, as larger firms are not truly “peers” to these smaller firms. Additionally, the pool of available peer reviewers has been shrinking over the years, and the proposed change could exacerbate this issue. National firms have historically been disinclined to conduct peer reviews for smaller firms.

As an alternative, we suggest allowing firms to continue working with their state AE while considering or requiring consultation with the AICPA regarding the impact of APS. This consultation could take place during the scheduling phase in Prima or as part of the planning process. This approach would preserve the expertise and guidance needed for APS-related concerns while minimizing disruption to smaller firms and their peer review process.

- b. Is the revised requirement sufficiently clear and understandable?

No. See above.

- c. Does the corresponding application and other explanatory material proposed in paragraph. A50 provides sufficient understanding for users to apply the related requirement?

No. The current requirements lack clarity regarding what is expected of a peer reviewer in terms of having a thorough understanding of the independence requirements, operational structure, and unique characteristics of an APS firm.

Furthermore, it is unclear what specific situations or firm attributes fall under the scope of these requirements. For example, how should a peer reviewer approach an APS firm where a non-influential investor owns only a minority stake? Or what about a firm structured as an ESOP? The ambiguity surrounding these scenarios creates uncertainty, and clearer guidelines are needed to ensure consistency and accuracy in the peer review process.

3. Do you agree with the proposed effective date for peer review years ending on or after December 31, 2025?

No. If this is approved, the proposed effective date allows for a very limited timeframe for implementation, which raises concerns about providing firms with adequate time to identify and secure new peer reviewers.



Brad Coffey PR_expdraft@aicpa.org
AICPA Peer Review Board
American Institute of Certified Public Accountants
October 22, 2025

We appreciate the Peer Review Board's efforts to modernize and strengthen the peer review framework. These proposed changes are timely and necessary, and we welcome the opportunity to contribute to their refinement. We urge the Board to prioritize clarity, consistency, and transparency and the impact on the overall peer review community in the final standards and related guidance.

Sincerely,

Travis Irving
Shareholder, A&A Practice Leader
Perkins & Company, P.C.

October 24, 2025

AICPA Peer Review Board
 American Institute of Certified Public Accountants
 Email: PR_expdraft@aicpa.org

6125 Sky Pond Drive, Suite 200
 Loveland, CO 80538

Subject: Comment Letter – Exposure Draft on Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dear Members of the AICPA Peer Review Board,

We appreciate the opportunity to comment on the AICPA’s recent exposure draft titled Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements* dated September 10, 2025. We appreciate the efforts of the AICPA in continually striving to enhance the standards of our profession. As a firm that is currently practicing as an alternative practice structure (APS), this guidance directly impacts us.

We would like to offer the following comments in response to your questions:

1. **Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:**
 - a. **Do you agree with the proposed change? If not, please explain your reasoning.**

We do not agree with the proposed revision. The presence of an APS alone does not justify requiring peer review to be administered by the AICPA National Peer Review Committee (NPRC). In cases where no private equity (PE) is involved with the nonattest service entity (NSE) and no engagements issued under PCAOB standards, there is no demonstrable increase in risk that would warrant this level of oversight. Imposing such a requirement introduces unnecessary administrative burden and cost to firms operating under an APS structure without PE. Critically, there is no substantive difference in risk between firms in an APS structure without PE and those in a non-APS structure.

Requiring firms to use the NPRC would take away their ability to choose peer reviewers with specialized industry knowledge, replacing them with reviewers who may have more experience with APS structures but limited familiarity with the firm’s specific practice areas. This shift offers minimal benefit and risks producing less relevant feedback, especially for firms in niche sectors. Additionally, the impact of these changes could significantly impact small firms, which would no longer be reviewed by a true peer firm.

The loss of reviewer’s choice could lead to misaligned findings and reduce the overall value of the peer review process, including when NPRC reviewers may lack familiarity with small firm environments or niche industry expertise. Therefore, we strongly oppose the proposed change and urge reconsideration based on risk-based principles and proportional oversight.

- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.**

We disagree that the revised requirement is sufficiently clear and understandable. As the exposure draft concerning APS structures (Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures) is still in process, we believe the current language introduces ambiguity. Specifically, it creates confusion around the treatment of APS firms, particularly those without PE or with more simplified structures. Without the finalized guidance, it is premature to assume uniform applicability, and we recommend clarifying how such firms should be considered to avoid misinterpretation and ensure consistent implementation.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.**

While we acknowledge that the application and accompanying explanatory material may appear clear, we disagree with the underlying assumption. The characterization of all APS firms as inherently high risk is overly broad and not always accurate. This generalization fails to account for the diversity of APS firm structures and risk profiles, particularly those without PE involvement or PCAOB engagements or with more simplified configurations. Such an approach risks misclassification and undermines the nuanced understanding required for effective oversight. We urge reconsideration of this assumption to ensure that risk assessments are both accurate and equitable.

- 2. Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:**

- a. Do you agree with the proposed change? If not, please explain your reasoning.**

We disagree with the proposed revision to paragraph .08 of PR-C section 200. While we understand the intent behind the change, we believe it is unnecessary and counterproductive. The current volume and rigor of training provided to peer reviewers—combined with existing requirements—are sufficient to ensure that a qualified reviewer, even if not from a firm whose most recent review was administered by the NPRC for the same reason, is fully capable of conducting an appropriate peer review under the PCR.

Moreover, this revision would exacerbate an already pressing issue: the shortage of available peer reviewers. By further narrowing the pool of eligible reviewers, firms with an APS designation would unnecessarily face significantly limited options that could be assigned by the AICPA, leading to inflated costs and increased risk of delays in the timely issuance of peer review reports. These consequences would undermine the efficiency and accessibility of the peer review process without delivering a commensurate benefit to quality or oversight. See further discussion in #3 below.

- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.**

Although we disagree with this requirement, it is sufficiently clear and understandable.

- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.**

The corresponding application and other explanatory material proposed in paragraph .A13 does provide sufficient understanding for users to apply the related requirement.

- 3. Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If no, please explain your reasoning and note any concerns or anticipated challenges.**

We do not agree with the proposed effective date as of December 31, 2025. Because the NPRC assigns peer reviewers rather than allowing firms to select their own, scheduling delays are likely since many firms engage peer reviewers well in advance to ensure alignment with internal schedules and operational needs. This particularly impacts firms with peer review years ending less than three months away.

The timeline outlined in the exposure draft does not give the NPCR sufficient time to expand and prepare its reviewer pool. Reviewer availability is already limited, particularly for firms needing expertise in PCAOB standards and APS. Expanding NPRC's scope without addressing these capacity issues could worsen delays.

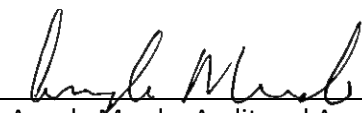
Additionally, NPRC's centralized administration offers less flexibility than administering entity programs. Firms often face longer turnaround times for review acceptance and feedback due to multiple procedural layers. This delays the delivery of timely insights to engagement teams, which is essential for making necessary improvements promptly to maintain a system of quality management.

We recommend postponing the effective date until these operational challenges and nuances with firms in an APS are addressed.

Thank you for considering our comments. We remain committed to supporting the AICPA's mission and welcome further dialogue on this important matter.

Sincerely,

Pinion, LLC



Angela Murdo, Audit and Assurance Chair



Roxie Azparren, Quality Control Leader

October 24, 2025

Mr. Brad Coffey
Peer Review Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via email to PR_expdraft@aicpa.org

Re: Exposure Draft, Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*, AICPA Peer Review Board – September 10, 2025

Dear Mr. Coffey:

RSM US LLP (RSM, we) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (AICPA) Peer Review Board's September 10, 2025, Exposure Draft, Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements* (the Exposure Draft). RSM is the leading provider of assurance, tax and consulting services focused on the middle market, with nearly 18,000 professionals in 77 U.S. cities, six locations in Canada, one in El Salvador and four in India.

Overall, we are supportive of the AICPA Peer Review Board's (Board) proposed revision to the qualifications of a firm to perform a review of a firm that performed or played a substantial role in an engagement under PCAOB standards with a period end during the peer review year. We also believe that the administration of the peer review program of firms operating under alternative practice structures (APS) should be administered by the National Peer Review Committee (NPRC).

Beginning in 1999, RSM, formerly known as McGladrey & Pullen LLP and RSM McGladrey Inc., operated an APS for more than 10 years, which was a notable chapter in the evolution of accounting firm governance and ownership models. In addition, we currently have an APS with our affiliate, RSM Canada LLP. We have long-standing experience, knowledge and expertise that credentializes our firm in understanding the risk and complexities of these structures.

We believe and understand the importance of modernizing the requirements in the peer review program as the regulatory environment changes and business structures in our profession evolve. We believe staying with the status quo complicates the risk to quality and independence that is the bedrock of our profession. We brought this to the attention of the AICPA's Professional Ethics Executive Committee (PEEC) in our June 15, 2025, letter regarding the representation of an APS relating to a top 20 U.S. accounting firm and a Registered Investment Advisor (RIA). The RIA acquired the wealth management practice of the accounting firm; the accounting firm received equity interest in the RIA, and a wealth management principal joined the RIA as an executive. As we discussed, these structures and relationships are complex and create complications for our profession, further requiring rule modernization as well as an evaluation of whether certain peer reviewers have the necessary specialized knowledge, skills and expertise to evaluate the risk in a peer review.

We strongly believe that the NPRC is best positioned to oversee the peer review of firms operating an APS. The NPRC members have vast, significant and diverse backgrounds with extensive experience in complicated risk, quality and independence matters. This group is best positioned to discharge the review of these peer reviews to better serve our profession and the investing public.

As requested, we have comments on the specific aspects of the proposed interpretations and revisions upon which the Board is seeking feedback. We provide further detail on these areas, as well as other comments below. In certain areas, we propose specific revisions to the proposed standards. Language recommended for deletion is ~~struck through~~. Language recommended for addition is underlined.

1. Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:
 - a. Do you agree with the proposed change? If not, please explain your reasoning.
 - b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.
 - c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

Regarding the proposed revision to paragraph .35 of PR-C section 100, we would request the Board be specific about situations where there may be an elevated risk. We understand and interpret the Exposure Draft's wording to describe an APS as a structure that is deemed to present high risk; however, the language allows for ambiguity in the interpretation of what the Board may determine to be elevated risk rather than specifically citing an APS structure. We would also recommend and encourage application guidance related to those structures that the Board believes present high risk in general. The following are recommendations for edits to PR-C section 100:

.35 Firms are required to have their reviews administered by the National PRC if they meet any of the following criteria: (Ref: par. .A49)

- a. The firm performed or "played a substantial role in" (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year.
- b. The firm is a provider of quality management materials (QMM) (or is affiliated with a provider of QMM) that are used by firms that it peer reviews.
- c. ~~The firm's practice structure is deemed by the board to present an elevated risk to quality and to the profession, or the firm's practice includes certain engagements or services deemed to present such risk.~~ firm is closely aligned with a non-CPA-owned entity (an alternative practice structure). (Ref: par. .A50)

[Paragraphs .36–.53 are unchanged.]

Application and Other Explanatory Material

[Paragraphs .A1–.A49 are unchanged.]

.A50 The board ~~currently~~ requires a firm to have its review administered by the National PRC when the firm is closely aligned with a non-CPA-owned entity (an alternative practice structure) because such structures are deemed to present an elevated risk to quality and to the profession. In these situations, the board ~~also~~ requires a member of the review team to have a thorough

understanding (represented on the reviewer's resume) of the independence requirements regarding alternative practice structures ~~and network firms~~.

2. Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:

- a. Do you agree with the proposed change? If not, please explain your reasoning.
- b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.
- c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

We request that the Board include a definition of an APS in the revision of paragraph .08 of PR-C section 200 to ensure clarity, or refer to the AICPA's Code of Professional Conduct ET sec. 1.810.050, as there are different models employed in the profession currently (e.g., a private equity investment or employee stock ownership programs). Further, we would encourage the Board to engage in dialogue with PEEC to ensure consistent modernization of the independence rules and application guidance important to the profession and peer review and to further plan for revisions that will be necessary to the peer review standards relating to independence in performing peer reviews.

3. Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If no, please explain your reasoning and note any concerns or anticipated challenges.

Yes, we agree with the proposed effective date for peer review years ending on or after December 31, 2025.

We appreciate this opportunity to provide feedback on the Exposure Draft and would be pleased to respond to any questions you may have about our comments. Please direct any questions regarding this letter to Jamie Klenieski, Audit Quality and Risk Leader, at 215.648.3014.

Sincerely,

RSM US LLP

RSM US LLP

Tim Kindem

From: Hardee, Sarah <SHardee@uhy-us.com>
Sent: Friday, October 24, 2025 2:40 PM
To: PR_expdraft
Subject: PRSU No. 3

This message is from an EXTERNAL SENDER - be mindful of links and attachments.

Dear Mr. Coffey

I am chair of the Tennessee Peer Review Committee and member of the Peer Review Board, and I have a few comments about the proposed exposure draft for PRSU No. 3.

I understand that reviewers will need PCAOB experience when submitting reviews with PCAOB to the NPRC. On the surface this seems reasonable, but the report specifically says it excludes PCAOB. So why add a requirement for something that is not part of the report? Additionally, firms are already required to engage a well-qualified reviewer, and reviewers are already trained to only accept a review where they are a match to the firm. What percentage of these firms are not engaging a team captain with PCAOB experience? And what percentage of those reviews do you believe to be concerning due to the lack of PCAOB experience of the team captain?

I understand we are currently saying that APS (alternative practice structure) reviews going through NPRC is temporary. What is the specific time frame, and will it auto expire?

We believe the requirement for APS to go through the NPRC could be an overreach of the AICPA and a danger to the efficiency of the program. We have designated State AEs (administering entities) which are regulated, oversighted, and charged with administering the AICPA program. APS reviews have been going through these AEs for years and we are not aware of any problems with the reviews of those firms being handled by AEs. Has something changed that has eroded that trust? AEs with minimal oversight comments should be permitted to continue to administer APS reviews.

State AEs have been accepting reviews at a faster pace than the NPRC. Adding more reviews to a committee and the NPRC administrative and technical reviewers who are already struggling to keep up with the workflow does not seem like a good plan for the overall program.

The requirement to have the reviewer demonstrate understanding of the APS is a good one but if we limit them to reviewers whose own firms go through the NPRC we will limit the pool of reviewers at a time when reviewers are already scarce. Many firms will be unhappy that they cannot continue to use the same reviewer they have been using due solely to this requirement.

As a compromise we propose that the APS checklist be sent to the NPRC, and they can review and ask questions. We respectfully request that the NPRC be assigned a specific time frame to respond and when the time expires with no comment, the AE will be free to accept the review. Additionally, the training being provided to the NPRC staff could be rolled out to the staff of all AEs and let NPRC staff be available as questions arise.

Respectfully,

Sarah C. Hardee, CPA

1889 General George Patton Dr., Suite 200, Franklin, TN 37067

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October 23, 2025

Brad Coffey, CPA
Technical Manager-Peer Review
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110
PR_expdraft@aicpa.org

Re: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dear Mr. Coffey:

On behalf of the Texas Society of Certified Public Accountants (TXCPA), we respectfully provide the following comments on the Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements* exposure draft issued by the Peer Review Board (PRB). TXCPA represents more than 28,000 accounting and finance professionals and, as part of its mission, advocates on issues that impact CPAs and the practice of accounting.

The TXCPA has established a Peer Review Committee (PRC) to represent those interests on peer review matters of importance to the TXCPA membership. We appreciate the opportunity to share our perspective on this important issue for the profession.

General Comments

While we agree that improved clarity is needed regarding independence implications and other risks in alternative practice structures (APS), we are concerned with the proposed change. The revision to state that, "*The firm's practice structure is deemed by the board to present an elevated risk to quality and to the profession, or the firm's practice includes certain engagements or services deemed to present such risk.*" is very broad and all-encompassing with no clarity on what the determining factors would be. We question how the PRB will communicate the rationale for elevating the risk of certain engagements, services or other emerging areas and how the PRB will develop transparent and open communication in that decision-making process.

The proposed change assumes that the risks associated with a change in the firm's structure, specifically as it relates to private equity investors and related alternative practice structures, would elevate risks to accounting and audit quality and the CPA profession to such a level that current peer reviewers, technical reviewers and report acceptance bodies (RABs) at the State administering entity level would not have the expertise to identify, document and evaluate those risks during the peer review process as it currently stands.

Current Peer Review Program Structure

The Texas Peer Review Program prides itself on administering an exceptional peer review program, in full compliance with the AICPA Peer Review Standards and consistently within the designated AICPA benchmarks. We seek to utilize well trained, highly experienced individuals as peer reviewers, technical reviewers and PRC/RAB members. We have a history of running a strong



peer review program through changes in accounting and audit (A&A) standards, updates to the AICPA peer review standards, changes in peer review technology (PRIMA), State Board changes and many other demographic and cultural shifts impacting the CPA profession over the years.

Our peer review firms seek counsel and assistance from peer reviewers, since they are considered the A&A "experts" by fellow practitioners, on how to better implement and document new A&A areas and standards, as well as how to appropriately design and implement certain areas of their quality control/management systems. Part of this consultation requires that the peer reviewers are well versed in new A&A standards and any emerging areas. The proposed change would take away the ability for our peer reviewers to provide consultation in the emerging area of alternative practice structures if experienced reviewers are centralized at the NPRC level. This reasoning would also apply to any major changes that the profession faces in the foreseeable future related to emerging areas, technologies, practice structures, engagements or other services that present an elevated risk to the profession. It is in the profession's best interest that the peer reviewers nationwide, in all administering entities, are well versed and experienced in these emerging areas.

The backbone of the peer review program has always been continuous and substantial training provided to our peer reviewers so they can appropriately recognize non-conforming engagements, evaluate weaknesses in the firm's system of quality control and subsequently elevate these matters, as necessary, to findings and deficiencies in the peer review. Technical reviewers and RAB members are also expected to maintain a high level of training and CPE to continue to serve in their roles. Our technical reviewers thoroughly review all peer reviews and ensure that reviewers are appropriately documenting their peer reviews, following peer review standards and utilizing guidance provided by the AICPA via PRB meetings, peer review training courses, TR quarterly meetings and peer reviewer alerts. If there are unique scenarios or unusual situations, our technical reviewers consult standards/guidance and seek AICPA technical staff consultation to ensure appropriate disposition of matters and consistency with the program requirements. The AICPA has always encouraged those involved in the peer review process to contact AICPA technical staff should they have any questions related to the assessment of noncompliance with standards. Our RABs review and discuss each peer review, based on their many years of experience, to ensure that reviewers have documented their rationale and formed the correct conclusions and periodically oversight peer reviews to ensure that standards are being followed. There are checks and balances during each part of the peer review process and we do not believe that this current APS risk requires the process to change to the extent proposed.

APS Risks

We consider the risk in this area to be potentially overstated by the AICPA and recommend that APS-level risk be managed similarly to already designated high-risk must-select engagements (GAS/SA, EBP, SOC, FDICIA), with enhanced peer reviewer training, heightened documentation expectations, and an increased chance of oversight by the PRC or the AICPA. Peer review of firms with alternative practice structures itself is not a new issue to the Peer Review Program and while revision to existing guidance and checklists to address private equity investment may be needed, the AICPA currently already has guidance and an APS checklist that can be expanded upon to help guide peer reviewers, technical reviewers and RABs on APS peer reviews.

We believe that the recent change related to Quality Management Standards (QMS) should also assist in this area and mitigate some of the related risks. Firms that have an APS/private equity investment would be required to adequately document the quality risks related to such an

arrangement and subsequently design and implement adequate responses to address the assessed quality risks. Peer reviewers should be able to determine if this was adequately performed and if the firm's system of quality management is set up in a manner that produces engagements that conform to professional standards in all material respects. If the related risks and responses were not adequately considered and documented in the risk assessment, it would clearly be a matter to be elevated to an FFC or deficiency, as necessary.

Other Concerns

We are concerned with the proposed change as it relates to NPRC peer reviewer pool and technical reviewer/RAB capacity to take on a large number of new peer reviews and process them in a timely manner. Another concern of the proposed change relates to experience at the NPRC level, mainly with the system of quality control/management of large firms, while peer reviewers and administering entities around the country have experience with a much wider range of firm sizes, from small to large.

We wish to point out that expanding the requirement that all firms closely aligned with a non-CPA-owned entity to be administered by the NPRC, regardless of size or other risk factors, is significantly different than the current standards. Current peer review standards only require firms that "performed or played a substantial role in (as defined by the PCAOB) an engagement under PCAOB standards with a period end during the peer review year" to be administered by the NPRC.

We understand the unique risks and considerations associated with understanding and assessing risks in a firm whose quality control/management system is designed to consider compliance with both PCAOB and AICPA standards, including consideration of the impact of matters noted in PCAOB inspections. That knowledge, whether at the peer reviewer level or administration level, does not appear to support an enhanced ability to either perform or administer the peer review of an APS firm. Accordingly, we do not understand the benefit of both requiring the peer review of an APS firm to be administered by the NPRC or for the firm of the team captain performing the review to be "required to be administered by the NPRC."

We are also concerned with the proposed change as it relates to various administering entities' ability to allocate the appropriate resources required in peer review. We do not know the extent of the expected growth in this area, what kind of firms this will affect, the proposed capacity of the NPRC, and which firms will be deemed risky by the PRB in the future. This could have a noted impact on the operation of peer review programs within administering entities nationwide.

Recommendations

Rather than the proposed changes, we would support the following approach to mitigate the potential risks related to APS firms/reviews:

- Collaboration between the Auditing Standards Board (ASB), the Professional Ethics Executive Committee (PEEC) and the Peer Review Board (PRB) to provide additional guidance on APS, independence and the related risks of private equity investors to peer review (A&A) firms
- Development of additional APS guidance and training for peer reviewers, technical reviewers and RABs similar to already designated high-risk must-select engagements (GAS/SA, EBP, SOC, FDICIA)

- Consideration of specific reviewer resume experience/training codes in PRIMA for APS or any other new/emerging areas
- Inclusion of APS peer reviews in the AICPA enhanced oversight program
- Consideration of an APS/emerging area technical manager/consultation resource for peer reviewers and administering entities

Peer reviewers, administrative entities and RAB/peer review committee members would appreciate and welcome additional technical guidance from the AICPA to help identify risks and address the issues presented by APS and other emerging areas; however, we believe that our current peer review program is set up adequately to address the risks presented by these emerging areas.

We appreciate the opportunity to provide feedback on the proposed Peer Review Standards Update No. 3 to aid in its standard-setting efforts.

Sincerely,



Julia Hayes, CPA
Chair, Peer Review Committee
Texas Society of Certified Public Accountants



Billy J. Kelley, CPA
Chair, Texas Society of Certified Public Accountants

Peer Review Oversight Committee
 Virginia Board of Accountancy
 9960 Mayland Drive
 Henrico, Virginia 23233

Members of the Board,

The Peer Review Oversight Committee has reviewed the Proposed Peer Review Standards Update No. 3, Modernizing Peer Review Administration Requirements, dated September 10, 2025, and have provided our responses to some requests for comments below:

- We believe the board should consider additional revisions for more consistency with the SQMS, such as the following:
 - a. Relabeling “compliance matters” to “operating effectiveness matters.”
 - b. Revising the Firm’s Responsibility section in the peer review report to state, “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.”
 - c. Revising the Peer Reviewer’s Responsibility section in the peer review report to state, “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.”
- We agree with the proposed change to require team captains to submit the quality management check lists as part of a reviewer’s required document submission.
- We believe specific training or resources would be beneficial to firms, reviewers, or administering entities as it relates to evaluating a firm’s system of quality management.
- We believe the peer review standards should include a definition of “root cause” or application and other explanatory material to provide users with additional considerations for concluding whether the severity and pervasiveness of a root cause may be systemic in nature.
- We believe it is appropriate to permit reviewers that retire from the practice of public accounting to continue serving as a team member on peer reviews for an 18-month period after an individual’s effective date of retirement, provided that the team member maintains professional

competence in accordance with 0.300.060 of the AICPA's Code of Professional Conduct.

- a. We agree with the proposed period of 18 months. However, we believe that the AICPA staff will have to exercise caution and due diligence in the approval of these requests.
 - b. Under certain circumstances, the later part of the 18-month transition period may actually translate into a significant amount of time that has passed since a retired partner was actually performing or supervising accounting and auditing engagements or carrying out a quality management function of their firm.
 - c. It would be helpful if the revisions would affirmatively indicate whether or not a transitioning partner would be permitted to: (1) perform reviews of must select engagements; (2) be a team resource for must cover engagements; or (3) contribute in any way to the completion of areas that are normally performed by the designated team captain.
- We believe it is appropriate to extend the reviewer training requirement for relevant courses to be taken within 18 months prior to the commencement of a review. The 18-month period should also apply to applicable training courses for technical reviewers or CPAs on Staff.
 - We agree with the proposed change to include the alternative practice structure (APS) checklists in addition to peer review documents already required to be submitted to AEs.
 - We agree with the proposed effective date for QM related changes to be effective for peer reviews with peer review years ending on or after December 31, 2025.
 - We agree with the proposed date for omnibus technical enhancements to be effective for peer reviews commencing on or after October 31, 2024.
 - Along with having a national peer review program, we believe in the benefit of strengthening local peer review programs that would be more beneficial and cost-effective for smaller sized firms.

We appreciate the opportunity to review this Exposure Draft and provide comments.

Peer Review Oversight Committee

Reza Mahbod, CPA, Chair

Nicole R. Kint, CPA

Samuel Johnson, CPA

Marco Fernandes, CPA

Peer Review Oversight Committee

Virginia Board of Accountancy



October 25, 2025

AICPA Peer Review Board
Attention: Brad Coffey
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Re: Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures

Dear Mr. Coffey:

We appreciate the opportunity to comment upon the Peer Review Standards Update (PRSU) No. 3, Modernizing Peer Review Administration Requirements.

As a firm in an alternative practice structure, Wilson Lewis Attestation Services, LLP supports the AICPA's efforts to modernize professional standards, however, the revisions to any rules should and must be made with informed deliberation and validated data.

We believe that the proposals, as they currently are, do not adequately take into account what's actually happening in practice and are improperly designed to address only large firms with PCAOB practices, rather than the typical small to mid-size firm, such as ourselves, that have taken advantage of new funding opportunities.

Moreover, we are concerned that a blanket statement that a firm in an alternative practice structure (APS), simply by its APS presents "an elevated risk to quality and the profession" is not supported by the facts and the 20+ years of APS existence. To cast aspersions across all such firms is unnecessary and unfair. With the imminent onset of SQMS 1, all firms in an APS have identified, addressed, and mitigated any new risks that may have arisen with the implementation of an APS.

There have been no studies conducted to identify the client base for the population of firms that are part of an APS. Research suggests that the majority of firms that have entered into an APS are small- to medium-sized firms that do not conduct and will not accept PCAOB engagements due to the complex and costly PCAOB regulations. The entrance of private equity, and the creation of an APS, has had no bearing on the complexity and nature of the attest engagements these firms are undertaking. Nothing significant has changed under an APS except for the pool of individuals and entities that are now subject to independence

requirements, but given that the near majority of firms in APS are not conducting PCAOB engagements, there have been no new identified independence issues requiring mitigation.

There is also significant concern already regarding the number of peer reviewers available to complete the current and unchanged peer review workload without further restricting the ability of those existing peer reviewers to continue servicing their existing firm clients. There is a widely known national shortage of peer reviewers, these proposed changes would further exacerbate that exponentially.

Nothing in the proposal or the press releases surrounding it seems to address these fundamental issues of firms that do not engage in PCAOB work, nor the significant shortage in peer reviewers.

Additionally, the specific concerns and risks identified by the Board are not unique to the APS. The Board states that:

1. “A conflict may exist between the CPAs’ motive and the PE investor’s motive, and the PE investor may place undue pressure on the attest firm’s partners or non-attest service entity’s (NSE’s) principals.”

This risk is present in any firm at any time and is also the exact same risk a firm would have if it has a bank loan or line of credit or retired partner obligations or any other financial obligation to outside parties.

2. Quality of services, both attest and non-attest, may be diminished through reductions in staff and other cost-saving measures.

This is a risk at any firm at any time. It is not unique to the APS. Indeed, non-APS firms are also concerned about curtailing costs.

3. Monitoring compliance with independence and other professional standards may be less effective due to the increased complexity of the business model.

The APS structure may add an additional level of complexity in independence analysis, but those complexities are being addressed by the Ethics Committee’s proposed updates to independence guidance, as well as through the implementation of SQMS 1. And one could counter that with the additional funding resources provided in an APS, implementing a more robust independence evaluation and assessment process under an APS is not cost-prohibitive and easily attainable, as is the case in our situation.

4. Peer review effectiveness and enforceability of regulations and standards may be more difficult as the NSE is not part of the CPA firm.

Many firms in the APS have had peer reviews conducted over the last 20 years. There have been no notable reports of peer review ineffectiveness or other impacts to enforceability of regulations and standards for APS versus non-APS firms. This is a hypothetical that has not materialized in 20+ years of APS and hundreds, if not thousands of peer reviews.

5. There may be undue influence and self-interest threats to the attest firm partners' independence and objectivity because they are compensated by two entities, one of which has representation by the outside investor.

While most APS firms do compensate their partners through two or more mechanisms, this is not unusual and can be properly monitored and reviewed as part of the peer review process. Indeed, many non-APS firms also compensate their partners through multiple entities or multiple channels.

6. The terms of the services agreement between the CPA firm and the NSE may not have been drafted (or properly implemented) to avoid placing undue pressure on the CPA firm in ways that can impair independence, objectivity, or quality.

The services agreement between the CPA firm and the NSE is a core operational document of the APS. Currently, peer reviewers are provided copies of these documents as part of the peer review process and the peer review process undoubtedly includes procedures to review compliance in principle and in fact. This does not appear to be a risk that is not already being addressed.

Ultimately, the concerns and risks raised, while hypothetically valid, have already been present for 20+ years, if not longer, and apply to almost all firms anyway. Singling out all APS firms for heightened risk is unnecessary, unfair, and frankly inaccurate. We do recognize the unique risks presented by audits performed for public companies or otherwise regulated by the SEC. We suggest limiting the new rule to only those firms that are in APS and perform PCAOB attest work.

We believe that if the data-gathering suggested above were conducted, it would reveal that the cost of the proposal to change peer review firms for mid-size and smaller firms does not justify the change in peer review rules. Further, the risks identified by the Board are present in almost all modern firms regardless of the APS.

Finally, if the proposal were to be implemented, the implementation date should be postponed to allow for adequate training time for existing peer reviewers to ensure that current peer reviewers can maintain their existing firm clients and that these firms would not be forced to find a new peer reviewer from an even more limited pool. Going from proposal, comment period to rule change in 4 months absent an emergency situation, is unnecessarily drastic and disruptive, and does not allow for adequate data-gathering to ensure the objectives of the measure would be met without causing significant undue harm to affected firms.

We supports the AICPA's proactive approach to address the evolving needs and issues faced by the profession especially concerning APS and private equity investments. However, we believe this proposal, as explained above, is too much, too fast, without adequate supporting data.

Sincerely,



Wilson Lewis Attestation Services, LLP

October 24, 2025

AICPA Peer Review Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Attention: Brad Coffey, Manager – AICPA Peer Review Program

Via e-mail: PR_expdraft@aicpa.org

Re: Exposure Draft: Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements*

Dear Members and Staff of the AICPA Peer Review Board (PRB):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Proposed Peer Review Standards Update No. 3, *Modernizing Peer Review Administration Requirements* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Exposure Draft.

General Comments

As noted in the explanatory memorandum, accounting firms have been part of alternative practice structures (APS) for more than two decades. Private equity (PE) investments are rapidly transforming the accounting profession. Without established guidance, concerns are growing from regulators, accountants and the public over potential conflicts of interest arising from these transactions and the potential impact to audit quality.

NASBA commends the PRB's efforts to modernize peer review administration to address the potential risks associated with APS and PE participation. Overall, NASBA supports the concept of requiring a firm with an APS to have its peer review administered by the National Peer Review Committee (NPRC). Concentrating on the initial oversight of peer reviews of firms involved in APS at the NPRC can facilitate learning and understanding of these complex structures and enhance the consistency of reviews for those impacted firms.

As you are aware, the AICPA Professional Ethics Executive Committee (PEEC) is currently working on a project to revise the AICPA Code of Professional Conduct (Code) and guidance related to independence in APS. While the project is ongoing, the recent discussion memorandum describes independence considerations focusing on characteristics of an APS in terms of attest and nonattest practices and ownership by investors or commercial enterprises using the concepts of control or significant influence.

As noted in response to specific questions in the Exposure Draft later in this letter, there are a few instances in which terminology and wording in the proposal do not seem consistent with PEEC's current project. NASBA encourages the PRB to consider the PEEC's project and ensure the terminology is consistent to help avoid confusion and potential misapplication.

The Exposure Draft states that if approved by the PRB, the proposed revisions to the standards will be effective for peer reviews with years ending on or after December 31, 2025. While acknowledging the intent to move quickly in an area significantly impacting the profession, NASBA believes that the effective date may be too soon to practically implement for the PRB, NPRC and firms as well as peer reviewers and commercial organizations publishing peer review practice aids.

The PRB will need time to identify and notify the firms that will now be subject to review administered by the NPRC as well as to evaluate the qualifications of the existing reviewer pool to ensure adequate coverage to perform the required reviews. Firms may need time to transition from their current administering entity to the NPRC and understand any impact to the review process, timing and required firm resources.

Peer reviewers consider firms' quality management systems and independence processes and procedures with any peer review. The governance and leadership structure in an APS will be different from that of a traditional firm structure. Reviewers will need to consider the appropriate individuals to interview to understand governance and leadership in an APS and how the quality management responses are executed. They will also need to consider certain matters specific to APS (e.g., those functional areas such as the firm's processes around client acceptance, personal independence reviews, client continuation, resource allocations, etc.). Those considerations may require additional training and resources for the reviewers.

Comments on Specific Questions

1. Regarding the proposed revision to paragraph .35 of PR-C section 100, please provide your views on the following:

a. Do you agree with the proposed change? If not, please explain your reasoning.

As drafted, paragraph .35(c) allows the PRB to designate any "...practice structure [that] is deemed by the board to present an elevated risk to quality and to the profession." for NPRC

administration. NASBA believes that firms with APS structures are being scoped into the NPRC review administration due to a heightened risk profile (as compared to firms with a traditional ownership structure) just as firms that conduct audits under the PCAOB standards are scoped in for NPRC review as there is more risk associated with those complex, high-stakes engagements. The phrase “elevated risk” is not defined and could be applied beyond the intended scope.

Instead of using the phrase “elevated risk”, which could be difficult to define, NASBA recommends the PRB develop a process or list of objective criteria so that a firm can readily determine if they are scoped into NPRC review. Application guidance could be included to further clarify the criteria and provide examples.

Additionally, NASBA recommends limiting the initial scope of the proposal to firms associated with an APS by ending paragraph .35(c) after the word “profession” and deleting “or the firm’s practice includes certain engagements or services deemed to present such risk.”

The explanatory memorandum to the Exposure Draft includes rationale for allowing the PRB discretion in determining whether a review should be administered by the NPRC for future emerging areas. As these emerging areas are not expected to occur frequently, NASBA recommends that any new category of required review by the NPRC be conducted through a public due process to seek input from key stakeholders.

b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.

See response to 1.a. above.

c. Does the corresponding application and other explanatory material proposed in paragraph .A50 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

The extant APS interpretation of the “Independence Rule” (ET Section 1.220.020) provides the definition of APS as a form of organization in which a firm that provides attest services is closely aligned with another public or private organization that performs other professional services. The phrase “closely aligned” is not defined in the Code.

Paragraph .A50 requires a firm to have its review administered by the NPRC when the firm is “closely aligned with a non-CPA-owned entity (an alternative practice structure).” The phrase “closely aligned” is not defined and could be difficult to apply. For example, a firm may have a CPA firm, a business brokerage firm, an executive search firm and a tax and consulting firm which are all legally separate entities but share some services including a brand name. Is the name enough to make them closely aligned or is there additional analysis of the various agreements required to evaluate their substance? Who determines which firms are subject to this requirement (i.e., who decides what is considered closely aligned)?

NASBA recommends replacing “closely aligned with a non-CPA-owned entity (an alternative practice structure)” with “operating in an alternative practice structure” and supplementing the application material with examples and scenarios to promote consistent implementation.

2. *Regarding the proposed revision to paragraph .08 of PR-C section 200, please provide your views on the following:*

a. Do you agree with the proposed change? If not, please explain your reasoning.

Paragraph .08 of PR-C Section 200 states that a captain for a peer review of a firm whose review is required to be administered by the NPRC because the firm performed an engagement under PCAOB standards should be currently employed by or be an owner of a firm whose most recent review was also required to be administered by the NPRC for the same reason. Paragraph .A13 then provides an exception to that requirement if the captain submits a request in writing to the NPRC that describes the experience and qualifications that enable the review team to effectively review the firm’s engagements and its system of quality management.

NASBA believes that the qualifications as captain for a peer review of a firm whose review is required to be administered by the NPRC should be competency-based. Qualified team captains should not be excluded if they can substantiate appropriate competence, knowledge and experience.

b. Is the revised requirement sufficiently clear and understandable? If not, please explain any suggestions for improvement.

See response to 2.a. above.

c. Does the corresponding application and other explanatory material proposed in paragraph .A13 provide sufficient understanding for users to apply the related requirement? If not, please explain any suggestions for improvement.

As stated above, NASBA believes that the qualifications as captain should be competency-based. NASBA encourages the development of competency criteria, which could be verified through PRIMA before engagement acceptance, to ensure captains and the review team possess appropriate expertise.

3. *Do you agree with the proposed effective date (for peer review years ending on or after December 31, 2025)? If not, please explain your reasoning and note any concerns or anticipated challenges.*

As stated previously, NASBA believes the proposed effective date is too soon and recommends deferring the effective date to allow the PRB and the NPRC more time to consider the impact of the number of firms now subject to reviews administered by the NPRC as well as to evaluate the existing reviewer pool and provide any necessary training and resources. Time will also be needed to

communicate with impacted firms and allow for an appropriate transition from a current administering entity to the NPRC. PRIMA would need any appropriate updates to incorporate necessary checks and routing controls. Effective implementation of any new standard is in the public interest.

* * * * *

We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Maria E. Caldwell

Daniel J. Dustin

Maria E. Caldwell, CPA
NASBA Chair

Daniel J. Dustin, CPA
NASBA President and CEO



COCPA Peer Review Executive Committee

October 25, 2025

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 3 – Modernizing Peer Review Administrative Requirements

Dear Board Members:

We appreciate the opportunity to comment on the Proposed Peer Review Standards Update No. 3 and the Board's efforts to adapt the AICPA Peer Review Program to the changing professional landscape.

General Comments

While we support the modernization efforts, we have concerns regarding the centralization of firm reviews under the National Peer Review Committee (NPRC) rather than current allocation amongst 20+ administering entities (AEs). We recommend a collaborative approach that strengthens the existing program structure and promotes shared learning between the AEs and the NPRC.

Specific Comments - Proposed Revisions

- *Paragraph .35 of PR-C Section 100* - We have the following concerns with the proposed change.
 - The proposed language lacks a clear definition of “elevated risk” and measurable criteria, granting the Board broad discretion to assign firms to NPRC administration without due process or time limits.
 - Reassigning a firm’s administering entity does not inherently improve peer review risk assessment or efficacy, as team captains and AEs already manage risks related to leadership, independence, and high-risk engagements.
 - Concentrating more firms with specialized considerations under NPRC may create a divide between NPRC and AEs, weakening cohesion and the overall perception of the program.
 - Moving these firms to NPRC limits ability of state AEs to gain expertise needed to address evolving practice issues.

Recommendation – Instead of structural administration changes, we propose the program develop alternative methods to address risk associated with non-traditional firm structures

and / or services and engagements deemed to present elevated risk. Adding additional qualifications for reviewers who want to perform this type of review which includes training and shared technical resources.

- *Paragraph .A50 of PR-C Section 100* – We have the following concerns with the proposed change to the Application and Other Explanatory material.
 - Currently, outside of firm administration by the NPRC, NPRC-qualified reviewers do not inherently possess distinct qualifications related to APSs or other areas (i.e., no specific training or experience) that differentiate them from non-NPRC reviewers. Non-NPRC reviewers can possess the same experience or develop the same understanding of “the independence requirements regarding alternative practice structures and network firms.”
 - Reassignment consideration for firms based on APS criteria is premature without finalized ethical guidance. Once we have guidance from PEEC, then train the AEs.

Recommendation – We recommend deferring consideration of any administering entity change based on alternative practice structures until PEEC guidance is complete. Further, instead of wholesale administrator transition, we would advocate for a more collaborative approach with AEs directly consulting with NPRC resources on reviews involving alternative practice structures.

- *Paragraph .08 and Addition of Paragraph .A13 of PR-C Section 200* - We have the following concerns with the proposed change.
 - Expanding reviewer qualification requirements for firms performing PCAOB work appears unnecessary, particularly as the PCAOB work itself is not within scope of the AICPA peer review program.

Recommendation – We recommend addressing concerns related to NPRC reviewer qualification through targeted reviewer education. Specifically, we recommend requiring education for all NPRC-qualified reviewers related to the relationship between peer review risk and evidence related to a firm’s system of quality management derived from PCAOB inspection reports.

- *Proposed Effective Date* - We believe the proposed effective date of December 31, 2025, is too soon for implementation.

Recommendation – If the Board votes to adopt these changes in either current or revised form, we recommend the effective date be for peer review years ending on or after December 31, 2026, to allow for clear communication and a smooth transition.

We appreciate the opportunity to share our views and would welcome further discussion.

Sincerely,

COCPA Peer Review Executive Committee

November 3, 2025

Brad Coffey
AICPA Peer Review Board
PR_expdraft@aicpa.org

RE: Proposed Peer Review Standards Update No. 3 – Modernizing Peer Review Administrative Requirements

Dear Board Members:

We appreciate the opportunity to comment on the Proposed Peer Review Standards Update No. 3 and the Board's efforts to adapt the AICPA Peer Review Program to the changing professional landscape.

The Peer Review Committee for the Connecticut Society of CPAS is made up of several qualified peer reviewers who perform both System and Engagement Reviews, Two Technical Reviewers and the CPA on Staff. All members have many years of experience under the Peer Review Program.

General Comments

While the Committee supports the modernization efforts, the Committee has concerns regarding the centralization of firm reviews under the National Peer Review Committee (NPRC) rather than current allocation amongst 20+ administering entities (AEs). The Committee recommends a collaborative approach that strengthens the existing program structure and promotes shared learning between the AEs and the NPRC.

The Committee is concerned about the effect this proposal will have on firms who perform no PCAOB work but are organized under an Alternative Practice Structure. Alternative Practice Structures are becoming more prevalent in the accounting firm field. With consolidation of firms, particularly in New England, Alternative Practice Structures could become the future operating structures of firms. The Committee believe those firm who operate under an Alternative Practice Structure and perform no PCAOB work will endure an additional burden both in time those Firm will need to complete their peer review and the additional costs required to meet the requirements as set forth in the proposed Standard. Additionally, the proposal doesn't distinguish between firms who have taken private equity

investments and those firms who have alternative practice structures but the people in the non public accounting part of the firm are all practicing members of the firm.

The additional specific comments below were sent to us by the Peer Review Alliance Group. The Committee has reviewed them and is in agreement with these specific comments

Specific Comments - Proposed Revisions

- *Paragraph .35 of PR-C Section 100* - We have the following concerns with the proposed change.
 - The proposed language lacks a clear definition of “elevated risk” and measurable criteria, granting the Board broad discretion to assign firms to NPRC administration without due process or time limits.
 - Reassigning a firm’s administering entity does not inherently improve peer review risk assessment or efficacy, as team captains and AEs already manage risks related to leadership, independence, and high-risk engagements.
 - Concentrating more firms with specialized considerations under NPRC may create a divide between NPRC and AEs, weakening cohesion and the overall perception of the program.

Recommendation – Instead of structural administration changes, we propose the program develop alternative methods to address risk associated with non-traditional firm structures and / or services and engagements deemed to present elevated risk.

- *Paragraph .A50 of PR-C Section 100* – We have the following concerns with the proposed change to the Application and Other Explanatory material.
 - Currently, outside of firm administration by the NPRC, NPRC-qualified reviewers do not inherently possess distinct qualifications related to APSs or other areas (i.e., no specific training or experience) that differentiate them from non-NPRC reviewers. Non-NPRC reviewers can possess the same experience or develop the same understanding of “the independence requirements regarding alternative practice structures and network firms.”
 - Reassignment consideration for firms based on APS criteria is premature without finalized ethical guidance.

Recommendation – We recommend deferring consideration of any administering entity change based on alternative practice structures until PEEC guidance is complete. Further, instead of wholesale

administrator transition, we would advocate for a more collaborative approach with AEs directly consulting with NPRC resources on reviews involving alternative practice structures.

- *Paragraph .08 and Addition of Paragraph .A13 of PR-C Section 200* - We have the following concerns with the proposed change.
 - Expanding reviewer qualification requirements for firms performing PCAOB work appears unnecessary, particularly as the PCAOB work itself is not within scope of the AICPA peer review program.

Recommendation – We recommend addressing concerns related to NPRC reviewer qualification through targeted reviewer education. Specifically, we recommend requiring education for all NPRC-qualified reviewers related to the relationship between peer review risk and evidence related to a firm’s system of quality management derived from PCAOB inspection reports.

- *Proposed Effective Date* - We believe the proposed effective date of December 31, 2025, is too soon for implementation.

Recommendation – If the Board votes to adopt these changes in either current or revised form, we recommend the effective date be for peer review years ending on or after December 31, 2026 to allow for clear communication and a smooth transition.

The Committee appreciates the opportunity to share our views and would welcome further discussion.

Sincerely,

Bryan Decker, CPA
Chair, Peer Review Committee

Agenda Item 1.4

Discussion of Proposed Change to Ethics Enforcement and Peer Review

Why is this on the Agenda?

In November 2025, the AICPA Board of Directors approved the consideration of a proposed resolution to AICPA bylaws that would transition the resolution of allegations of violations of audit and attest professional standards from the AICPA Ethics Division to the Peer Review Program. This proposal will be presented during the Regional Council Meetings in March for additional discussion and feedback and presented to Council in May 2026 for a vote to approve. Staff would like to provide the PRB and stakeholders with an overview of the proposal.

Background

Foundational to the profession's self-regulatory efforts in the U.S. are AICPA Peer Review and Ethics enforcement.

Peer Review evaluates a CPA *firm's* system of quality management with respect to its accounting and auditing/attest practice every three years (design and compliance). When issues are identified, remediation is imposed to mitigate the risk similar issues will occur *firm wide*.

Ethics enforcement evaluates allegations of *individual* practitioners' compliance with the Code of Professional Conduct. If issues are identified, remediation is imposed to mitigate the risk the *individual* will perform future engagements in accordance with professional standards; there is no evaluation of the firm's quality management system.

Proposed Change

Alleged violations of audit and attest professional standards will be handled as part of the Peer Review process as it would be more effective and efficient (remedially and timely) given that Peer Review

- focuses on the firm and not solely the individuals involved on a particular engagement
- is performed every three years.

Reasons for Proposed Change

Self-regulation reinforces the quality of services performed by CPAs and provides credibility of the profession in the marketplace.

The U.S. federal and state regulatory community look to the AICPA for assurance that audit and attest engagements are performed in accordance with professional standards and relies on the AICPA, and in particular Peer Review and Ethics, to support their governmental regulatory programs. Self-regulation enables the AICPA to represent our members (and the profession) more vigorously with U.S. and global regulators, lawmakers and other stakeholders in their (and our) public interest initiatives. It is critical these programs are effective and efficient.

Our collective programs are not as effective and efficient as they should be.

Ethics enforcement looks only to an individual's actions – not his/her firm's. Ethics enforcement results in remedial or disciplinary outcomes to the *individual*¹ only.

Though CPAs in public practice are required to comply with professional standards, it is the *firm* that is responsible for the audit or attest service and resulting report. Our Ethics enforcement process does not focus on the firm – only the individuals responsible for the performance of the engagement. Further, the enforcement process can take several years to complete; individuals are permitted to defer an investigation pending completion of related litigation or investigation by a governmental body. Additionally, Ethics enforcement is resource intensive and litigious in nature, and that causes investigative delays once a matter is no longer deferred.

Peer Review's focus is on a *firm's* system of quality management. An audit or attest engagement that is not performed in accordance with professional standards frequently occurs due to either a weakness in such system or non-compliance with its requirements.

Benefits of Proposed Change

More effective evaluation of alleged violations and comprehensive remediation - Though engagement personnel (primarily the audit/attest engagement partner and managers) are responsible for adherence to professional standards, the firm is required to have an effective system of quality management that should provide reasonable assurance that standards are followed and, when not, detect non-compliance and affect appropriate remediation. Investigations by Ethics focus on the engagement partners and managers while Peer Review evaluates the firm's system of quality management including testing of individual engagements; thus, Peer Review is poised to be a more effective remedial tool when alleged technical violations are discovered.

More timely remediation – Since members are permitted to defer an investigation until the completion of related litigation or investigation by another regulatory body, investigations by Ethics frequently take several years to complete². In the proposed process, alleged violations will be passed on to the peer reviewer immediately (if the firm's peer reviewer is underway or recently completed) or immediately prior to the planning of the firm's next peer review. Since peer reviews are conducted every three years, the longest it will take for the allegation to be reviewed will be three years but will generally occur earlier.

Better resource allocation – With the proliferation of international standards and other evolving matters affecting the profession, such as business model and technology, the need for ethics standard setting and issuance of timely guidance has dramatically increased. By shifting technical referrals from Ethics to Peer Review, Ethics staff will be free to devote more time to behavioral cases, standard setting and member education/enrichment activities.

PRIMA Impact

There will be significant impacts to PRIMA. All the changes are currently being evaluated and are expected to be implemented in November 2026.

¹ Based on the past five years' results, remedial action only has been imposed in approximately 75% of the cases where a violation of the Code was found, which allows a practitioner to continue to practice with oversight by Ethics. In the other 25% of the cases, disciplinary actions were taken, resulting in admonishment, suspension or expulsion from AICPA membership and referral to a state board of accountancy for licensure discipline.

² Members are permitted to defer an Ethics investigation until the completion of related litigation or investigation by another regulatory body to avoid the risk that enforcement workpapers/files would be subpoenaed by a party adverse to the member (no privilege).

AE Impact

The revisions to the peer review process are not significant and, if recent history holds true, we anticipate receiving about 50 referrals per year. Accordingly, the impact on administering entities will be minimal. Detailed communications and training will be provided once the proposal is approved.

Communications Plan

In addition to today's discussion, Staff intend to include the topic in upcoming communication vehicles such as the upcoming reviewer forum webcast. Additional communications (e.g. reviewer alerts) will be made upon approval.

Manual Production Cycle (estimated)

Staff expect the changes to the standards to be minimal. Updates to other program materials will be included in the Fall 2026 update of the manual.

Effective Date

The goal is to implement the change for allegations received on or after January 1, 2027.

Board Consideration

This agenda item is being presented for informational purposes. Staff are interested in gathering additional feedback and questions that should be considered.

Agenda Item 1.5

Standing Task Force Updates

Why is this on the Agenda?

Each of the standing task forces of the PRB will provide this information to the Board at each open session meeting to gather feedback on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

Standards Task Force

Accomplished since last PRB meeting:

- Continued review and discussion of responses to the exposure draft of PRSU No. 3, *Modernizing Peer Review Administration Requirements*, and developed revisions with a recommendation to approve the proposal in Agenda Item 1.3.
- Completed review and discussion of quality management checklists for peer reviewers that will be published in the spring PRPM update.
 - Completed development of a pre-read document that will accompany the QM checklists (in the PRPM system review toolkit) which outlines consideration of the QM standards and practical examples for how to document procedures performed and conclusions reached.
- Considered and discussed a preliminary plan for relocating quality management related questions (specifically those related to components other than engagement performance) that have historically been included in engagement-level checklists.
- Completed review and discussion of a reviewer alert article, recently published at the end of January, that is designed to assist reviewers and administering entities with evaluating the significance of instances of noncompliance with the QM standards.
- Approved the addition of PRPM sections assigned to new peer review checklists for reviewing performance audits under *Government Auditing Standards*.

Upcoming tasks:

- Continue discussion of risks and benefits of potential changes to the document retention requirements (specifically related to a reviewer's QM testing plan and QM checklists).
- Continue monitoring and discussion of feedback from stakeholders regarding the standards to ensure guidance remains easy to read, understand, and apply.
 - For example, consider if revisions are appropriate through discussion of frequently asked questions or concerns resulting from the performance of peer reviews under the QM standards
- Perform periodic review of the various must-select engagement types to consider whether changes are appropriate, if any.
- Consider if current guidance pertaining to the scope of the standards remains appropriate with respect to firms that may perform A&A services outside of the US and its territories.

Oversight Task Force

Accomplished since last PRB meeting:

- Approved Report Acceptance Body (RAB) observation reports
- OTF members performed AE oversights and RAB observations

- Approved AE oversight reports and AE responses
- Reviewed AE benchmark summaries
- Conditionally approved or deferred AEs to administer the peer review program until April 1 when AEs report on compliance with 2025 oversight requirements
- Reviewed enhanced oversight reports with comments for consistency
- Monitored results of enhanced oversight reports
- Discussed the type of feedback issued by AEs as a result of enhanced oversight reports
- Monitored reviewer performance
- Conducted orientation for new OTF members

Upcoming tasks:

- Approve RAB observation reports
- Approve AE oversight responses
- Review AE benchmark summaries
- Approve, conditionally approve, or defer AE plans of administration for 2026
- Review enhanced oversight reports with comments for consistency
- Monitor results of enhanced oversight reports
- Discuss the type of feedback issued by AEs as a result of enhanced oversight reports
- Monitor reviewer performance
- Discuss revisions to the AICPA Peer Review Program Oversight Handbook
- Review and approve AICPA Annual Report on Oversight

Education and Communication Task Force

Accomplished since last PRB meeting:

- Created on-demand self-study training courses, designed to meet various peer review training requirements, from various Conference sessions. All courses have now been released and are listed below:
 - AICPA Peer Review Must-Select Industry Update: Government Auditing Standards
 - AICPA Peer Review Must-Select Industry Update: Employee Benefit Plans
 - AICPA Peer Review Technical Reviewer Update Course
 - AICPA Peer Review Update Course
 - Peer Review RAB Update
- Developed and published the December 2025 and January 2026 Reviewer Alerts.
- Held the November 19, 2025 offering of the quarterly Peer Reviewer Forum series.
- Held the fourth of four planned AICPA-sponsored 2025 offerings of “Becoming an AICPA Peer Review Team or Review Captain: Case Study Application” course the week of November 17, 2025.
- Developed and published the Winter 2026 edition of *PR Prompts*.

Upcoming tasks:

- Continue planning and preparation for the 2026 Peer Review Conference to be held August 10-12, 2026 in Providence, Rhode Island, including development of content.
- Continue analysis of the reviewer pool and implement plans to improve the pool where necessary.
- Continue monitoring our available courses to determine if improvements should be made to our overall training framework.

- Hold the Q1 2026 Peer Reviewer Forum on February 19, 2026.
- Publish the updated Peer Review FAQ document.
- Develop and publish Reviewer Alerts as considered necessary.

Agenda Item 1.6

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.

Peer Review Operations Director's Report

In addition to the communications specified in agenda item 1.5, staff distributed the annual customer satisfaction survey in January. As you may recall, we send this out to peer reviewers, technical reviewers, peer review administrators and CPAs on staff. We use the survey to gauge your satisfaction with our responsiveness, services, products, and materials.

To date, 62 responses have been received. Of those, 77% are satisfied with the Peer Review Program. Please respond by February 15, if you haven't already answered the survey: https://aicpa.qualtrics.com/jfe/form/SV_cVfOIQdc34EtjH8. We want to hear from you as your feedback helps drive our improvement!

To support the emerging areas framework and questionnaire detailed in Agenda item 1.2, staff developed communications, including Facebook and LinkedIn posts, articles in the CPA Letter and AICPA & CIMA Update, Reviewer alert, PR Prompts, and more! Please keep an eye out for these communications and if you're so inclined, like and share our social media posts. If you are interested in more information on the questionnaire, see the [FAQ](#).

Report from State CPA Society CEOs

Ms. McPherson did not have anything to report for this meeting related to state society feedback.

Update on the National Peer Review Committee

The NPRC last met on December 11, 2025. Eight large firm reviews were presented and accepted.

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

- 31 reviews have been presented, including
 - 27 Pass
 - 2 Pass with Deficiencies and
 - 2 Fail

The NPRC's next meeting will be held on February 26, 2026.

Agenda Item 1.8A

Firms Dropped from the AICPA Peer Review Program for Noncooperation between October 14, 2025 and December 31, 2025

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of January 8, 2026 are denoted by an '*' following the firm name.

Firm Number	Firm Name	State
900010149268	Harris & Associates	AL
900010145990	J. Berry Brooks Jr, P.C.	AL
900255348680	Jackson & Associates, LLC Certified Public Accounts	AL
900255351134	McAnnally Tax Service, Inc.	AL
900256000461	Rhonda M Shirazi CPA LLC	AL
900005313907	Taylor Vise Brown & King, LLC	AL
900000666780	Troy W Peters P C	AL
900005284808	Vincent E. Stuedeman CPA, P.C.	AL
900001192131	Houston & Company. P.A.	AR
900255350612	Worden & Worden, CPAs, PA*	AR
900000943175	Worley & Allen, Ltd.	AR
900010127922	David A. Birdsell	AZ
900004361117	Eugene W. Newman, CPA, PLLC	AZ
900004564978	Integrated Audit Group PLLC*	AZ
900000954238	Michael M Zimmerman, PC	AZ
900255349015	Upworth PLLC	AZ
900010090379	Ahlstrom & Baker	CA
900255349214	Alice Ramos, CPA*	CA
900010154755	Anderson, Folkoff & Company, Inc.	CA
900005710281	Andrew M. Smith	CA
900005069763	Benton Roberson CPAs, LLP	CA
900011473391	Bhatia & Company, Inc.	CA
900000176830	Charles M. Cruz A. C.*	CA
900005634534	Charles Rim Accountancy Corp	CA
900006063476	Colby Keil & Gaydos Inc.*	CA
900010148148	De Pretis CPAs, Inc.	CA
900010137801	Dunn, Pariser and Peyrot	CA
900005086387	Fujita & Associates, CPA	CA
900005777560	Gary Weiss	CA
900010121215	Gustin Accountancy Corp	CA
900010154360	HCA & Co, CPA*	CA
900010150424	Hock Bratcher	CA
900010101831	Johnson & Associates, An Accountancy Corporation*	CA
900255329553	Jon G. Chapple, CPA	CA

Firm Number	Firm Name	State
900011494271	Julie Roberts, CPA	CA
900009185621	Klein & Company Management, Inc.	CA
900010076658	Lang & Brown, CPAs Accountancy Corporation	CA
900010107755	Leitner, Zander & Co LLP	CA
900001166591	Morre & Co. LLP	CA
900010151492	My-Business-Advisor LLP	CA
900006068605	Northpoint Tax, Wealth and Business Advisory	CA
900010145290	Rick Bowers APC*	CA
900011498029	Robert Y. Lee, CPA	CA
900255193548	Robinson Accountancy Corporation*	CA
900011523929	Royal & Latoures, CPAs	CA
900004879690	Sahmel & Associates, CPA's	CA
900255183319	Stephens and Brugato, CPA's, LLP	CA
900255180543	Steven Alpinieri, APC, An Accountancy Corp.*	CA
900010081398	Tamara Hansen	CA
900005622625	Thomas J Webdell Accountancy Corporation	CA
900010137581	Tony H. Tarabay	CA
900255180806	VanDerPol & Company, A Professional Accountancy Corporation*	CA
900008074115	Vincent P. Amatulli, CPA, Inc.	CA
900005566505	W. Douglas Millsap CPA	CA
900001121336	Wilson & Associates, CPAs*	CA
900255351266	CMMS CPAs & Advisors*	CO
900010009158	Budwitz & Meyerjack, P.C.*	CT
900256001060	Iberia Advisory, LLC	DC
900256001793	Arie A Taykan & Company, CPA	FL
900255351330	DASH Business Solutions, LLC	FL
900010155010	Elliot Melamed, P.A.	FL
900011678852	James and Harris CPAs PA	FL
900009747484	PageBooks LLC	FL
900010098838	Powers & Disque, CPA, PA	FL
900010084391	Probe, Probe & Co., P. A.	FL
900255351896	Upkins & Associates	FL
900005669885	William Soria, CPA LLC	FL
900001124580	James W. Burroughs CPA, P.C.	GA
900004625481	Melissa D. Preston, CPA P.C.*	GA
900004507606	Perry L Henry, LLC*	GA
900010095735	R. McClendon, CPA, PC	GA
900010063780	Serotta, Maddocks, Evans & Co.	GA
900255351830	Xtrategist Financial, LLC*	GA
900255227241	Duane M. Okumoto, CPA	HI

Firm Number	Firm Name	State
900005412918	Kaduce & Company, P.C.	IA
900255189125	GinFin, PLLC	ID
900255349083	Ampak Financial Services	IL
900010128893	Dana B. Davidson CPA Company, P. C.*	IL
900004453547	HTH, LLC	IL
900255350143	Jun Zhou CPA Ltd.*	IL
900256000903	KS Accounting and Consulting LLC	IL
900256001573	Madina Yusupova, CPA	IL
900010155007	Paul J. Smit, P.C. dba Paul J. Smit & Associates*	IL
900010123707	Rodney Brown & Company	IL
900255349665	Rohit C Trivedi	IL
900010150436	Shapiro & Associates, LLC	IL
900005718868	Stanfield & Associates, LLC	IL
900255351385	White Oak CPA, Inc.	IL
900255350021	William Lewis Hayes II, CPA, CIA, CCSA	IL
900010091293	Wippman, Gozum & Goldberg, Ltd.*	IL
900256000997	BlueCat CPAs, PLLC	KY
900010105819	Clauson, Mouser & Co., PSC*	KY
900256000299	CTK Accounting and Consultancy LLC	KY
900256001613	Kennith Mitchell Smith	KY
900010154274	John H. Spector CPA, PC*	MA
900010152918	Peter A Norton CPA, PC	MA
900001133325	Vincent Nardo Jr.	MA
900256001384	Ejaz Younas CPA LLC	MD
900005861315	JBS & Company, LLC	MD
900010106308	Ring & Ring, *	MD
900010119675	William H. Davis CPA, PA	MD
900010112502	Engardio & Eder, P.C.	MI
900008776152	Gordon Dale, CPA	MN
900255182529	Michael J. Harder, CPA	MN
900010139659	Beard and Associates PC	MO
900010145340	M.A. Turner & Associates	MS
900011697873	Anderson Holmes Holdbrook & Co LLC*	MT
900007345561	JG CPA, PLLC	NC
900010085377	Thomas D. Franks & Assoc., P. A.	NC
900005391492	Infinity CPA Group, LLC	NE
900255348151	Vincent P Egan PC	NE
900255191652	Arcadia Tax, LLC	NH
900255350694	Ahn & Associates, LLC	NJ
900010091369	Cook, Pence & Associates	NJ

Firm Number	Firm Name	State
900010154565	Dalba Goeller & Co.	NJ
900001103402	Gail Rosen CPA PC	NJ
900005619000	Galleros Robinson Certified Public Accountants, LLP	NJ
900010140688	Irving Allen Kleiner, PA	NJ
900255273974	James Coscia, CPA, CFP	NJ
900010117102	McMillan, Dunn & Company, LLP	NJ
900010055114	Pietrinferno & Pietrinferno	NJ
900255351425	Roszkowski Massood LLC*	NJ
900010144186	Rowe & Company, LLC	NJ
900010083795	Sacklow & Acox, CPAs, LLC*	NJ
900010017523	Zelitsky & Company, LLC	NJ
900010115087	Anthony A. D'Arezzo, PC	NM
900011633671	Belle Business Services, LLC	NV
900255351927	Bush & Associates CPA LLC	NV
900000792330	Ronald D. Simpkins	NV
900256001195	21 Century Audit and Advisory Firm LLC	NY
900255347945	Anthony & Associates CPA PC	NY
900004548543	Colella CPA Co., P.C.	NY
900255348729	Fligel Brint and Co. CPAs*	NY
900256001337	Garibaldi CPA PC	NY
900005060492	Hochhauser & Agler, CPA's LLP	NY
900010152415	John R. Monaco CPA, P.C.	NY
900007022468	Joseph Brophy, CPA	NY
900255347986	Lalit K. Khanna, CPA*	NY
900010043680	Lucas, Tucker & Co*	NY
900255348208	Mahesh J. Agashiwala, CPA, P.C.*	NY
900255347966	Michael Levin, CPA, PC*	NY
900255351450	Moshe Kraus	NY
900010129133	Patricia Armstrong, CPA*	NY
900010055180	Pinto Mucenski Hooper VanHouse & Co., P. C.	NY
900256000937	RJM CPA PIIC	NY
900255327586	Acumen MB, LLC	OH
900010031264	Hill, Barth & King LLC*	OH
900255347260	James Abraham Accounting Inc	OH
900010126112	Neff Financial Services Inc.	OH
900010137754	Rosemary Manos CPA, Inc.	OH
900010096652	Schear & Schear	OH
900006909615	Symmetry Advisory Solutions	OH
900010131974	E. Carolyn Tolman	OK
900001002677	Edward F. Carey	OK

Firm Number	Firm Name	State
900006459684	Preston Smith, PLLC*	OK
900001037226	John I Mickelsen CPA	OR
900010104734	Phillip J. Wilber CPA	OR
900010155757	Christopher L. Rotz & Associates, PC	PA
900010078077	Cunningham, Carey and Phillips*	PA
900010129784	Joseph M. Lazore LLC	PA
900010097061	JW Kelly Associates, LLC*	PA
900010090290	Matlowski Corporation, P.C.	PA
900256001083	Sherry A. Thomas, Inc.	PA
900005060768	CPA Elisamuel Rivera Rivera	PR
900008787348	J&J CPA, LLC*	PR
900256000005	NUMBERS CONSULTING LLC	PR
900005755470	Wilbert F. Davila Cortes CPA & Assoc. PSC*	PR
900010106184	Anthony J. Milia, CPA, Inc.	RI
900010127199	Anthony V. Ricci, CPA, Inc.*	RI
900001072627	Montgomery & Yarbrough, PA, CPAs	SC
900010093759	Crosslin, PLLC*	TN
900010085494	Hicks, Rowan & Embler, P. C.	TN
900003949587	HoneyCPA, Inc.*	TN
900256000576	Jasmine Reeds, CPA	TN
900256001185	Kimberly H. Godsey, CPA	TN
900010149403	Southeastern Tax & Accounting, P.C	TN
900255181317	A. Lee Hensley CPA	TX
900010084673	Anderson, Spector & Company, P. C.*	TX
900010136995	Boniface C. Azide	TX
900255350721	Brunet, Wolfe & Company CPAs	TX
900255191844	Debra S. Loudd, CPA, PLLC	TX
900255188896	Eddy A. Seng, CPA, P.C.*	TX
900256001061	ELISAMUEL RIVERA, CPA PLLC	TX
900010085159	Frank Salazar & Co., P. C.	TX
900003882241	Freeze Sulkov & Associates CPAs, PC	TX
900004548755	Greg Homesley, CPA	TX
900010139820	Haynes & Wells, PLLC	TX
900255184533	John Stephen Laughlin	TX
900011413349	Larry M. Webb, CPA	TX
900004572907	MacFarlane & Associates PC	TX
900005394641	Mitchell T Fontenote CPA, Inc.*	TX
900010047075	Moseley & Riddle	TX
900010146876	Pulliam and Cable, PC*	TX
900010140617	Ronald R. Grambling P.C.*	TX

Firm Number	Firm Name	State
900005567356	Timothy Rossmiller, CPA PC	TX
900011310531	William H. Cleavelin JR P.C.	TX
900255350931	Brian W. Cheal, C.P.A., P.C. dba Brian W Cheal & Associates*	UT
900010153467	Campbell & Associates	UT
900255181622	Heaton & Company, PLLC	UT
900081114689	James B Whitehead Jr	UT
900010131393	R. Alyn Paradis, CPA*	UT
900255187008	Thacker Accounting & Tax LLC	UT
900256001513	Finance Consulting Network LLC	VA
900256000995	LJR Consulting Services LLC DBA Majestic Consulting	VA
900255350598	WPR CPA	VA
900007028692	Koizumi-Tamai Tax & Accounting Service, LLC	WA
900010080254	Krona & Krona*	WA
900005781351	Linda M. Teachout, C.P.A., PLLC	WA
900255191436	Shen and Company PS	WA
900010111431	Coleman & Williams, Ltd.	WI
900255350306	DJW Consulting, LLC*	WI
900005698033	Theodore E. Hart, LLC	WI
900010152282	Akers & Associates, AC	WV
900001066775	David G. Wallen	WV
900010105609	Harris & Company	WV
900005182790	Mark Anderson, CPA	WY

Firms Terminated from the AICPA Peer Review Program Noncooperation or Noncompliance between October 14, 2025 and December 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>.

Failing to submit signed Finding for Further Consideration forms:

The firm did not timely submit to its administering entity documents required to complete the acceptance process of its peer review.

Bullock Hartley - Fort Worth, TX

Failing to complete its peer review after it has commenced:

The firm did not timely submit to its administering entity documents required to complete the acceptance process of its peer review.

Abney CPA PLLC dba Artemis CPA - Celina, TN

Failure to complete a corrective action:

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

Barry E. Gaudette CPA, PC - Traverse City, MI

Daniel D. Miller - McCook, NE

John Samaan – CPA - Indian Wells, CA

Margaret J. Capone - Norristown, PA

Consecutive non-pass reports in system reviews:

The following firm's enrollment in the AICPA Peer Review Program was terminated for failure to comply. The firm failed to design a system of quality control, and/or sufficiently complying with such a system, that would provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Rosen & Glaser CPA's PC - Great Neck, NY

Agenda Item 1.8B

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

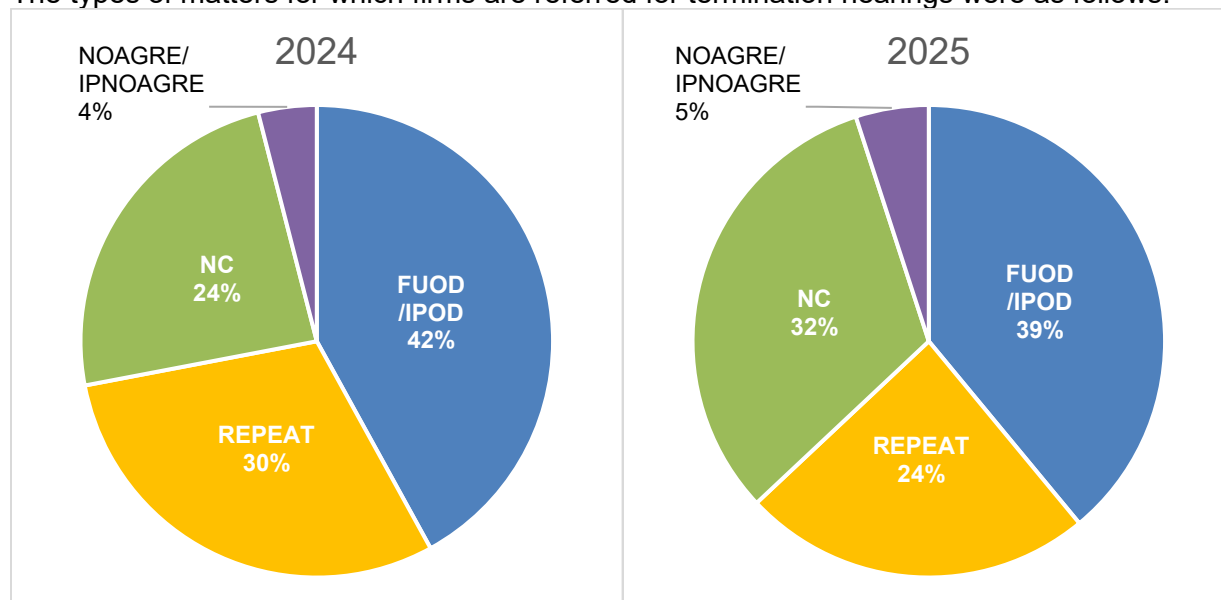
Firm Hearing Referrals

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 December 31, 2025:



The number of firm referrals accepted in 2025 was slightly lower than in prior years. This is likely to return to a normalized level in the coming year given increased resources in this area.

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



Legend:	
FUOD/IPOD	Failure to complete corrective action(s) or implementation plan
NC	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 2024 and 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. Increased resources allocated will likely result in this continuing. 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](#) (paragraphs 12 and .A7-.A8 of PR-C Section 300) (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 unanimous consent. 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 list for AEs. Dropped firms with AICPA members are reported in

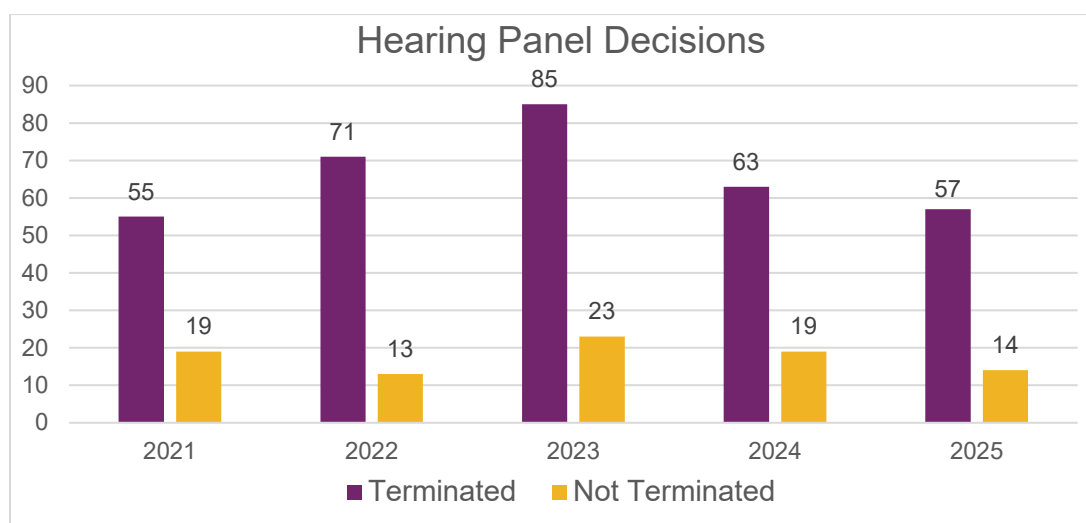
PRB open session materials. Firms may appeal an enrollment drop from the PRP and mediation is attempted for firms filing an appeal. In 2025, 11 drop appeals were received.

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](#) (paragraph 13 of PR-C Section 300) (previously in the [Peer Review Board Termination Resolution](#) (Interpretation 5h-1) on [aicpa-cima.com](#). 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 list for AEs. Terminated firms with AICPA members are reported in PRB open session materials and [published on aicpa-cima.com](#).

This agenda item includes statistics of firms with and 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 (paragraphs 16 and .A15 of PR-C Section 300). These include firms:

- Dropped for not accurately representing its accounting and auditing practice;
- Terminated for:
 - Omitting or misrepresenting 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, ten reenrollment requests were considered, resulting in three denied and seven approved, three of which required conditions.

Agenda Item 1.8C**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 substantive proposed changes have been included for consideration.
- Revised questions were not included if changes only consisted of:
 - Other minor clerical revisions (such as grammar, or formatting changes or changes to website links).
 - an update of “quality control” to “quality management”

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 January 26, 2026, 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

What is a System Review?

~~The objectives of the reviewer, in conducting a system review, are to provide a peer reviewer with a reasonable basis for expressing an opinion on whether, during the year under review:~~

- ~~a. Obtain reasonable assurance that the reviewed firm's system of quality management for its accounting and auditing practice has been designed, implemented, and operated to provide the firm with reasonable assurance that

 - ~~1. the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with applicable standards and requirements and~~
 - ~~2. engagement reports issued by the firm are appropriate in the circumstances~~~~
- ~~a. The reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and~~
- ~~b. Report on the reviewed firm's system of quality management and communicate as required by the Standards for Performing and Reporting on Peer Reviews (the standards) established by the Peer Review Board (the board) of the American Institute of Certified Public Accountants, in accordance with the reviewer's conclusions. The reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.~~

This type of review is for firms that perform engagements in accordance with the Statements on Auditing Standards (SASs,) the *Government Auditing Standards* (Yellow Book), examinations under the Statements on Standards for Attestation Engagements (SSAEs) or audit and examination engagements under the PCAOB standards.

Example procedures in a System Review include, but are not limited to:

- interviewing firm personnel,
- examining CPE records,
- examining outside consultations regarding A&A matters,
- examining independence representations and
- testing a reasonable cross-section of the firm's engagements with a focus on high-risk engagements and significant risk areas.

The scope of the peer review does not encompass other segments of a CPA practice, such as tax services or management advisory services, except to the extent they are associated with financial statements, such as reviews of tax provisions and accruals contained in financial statements.

Is my firm required to have a quality management control document?

In accordance with [the](#) Statements on Quality ~~Management~~Control Standards (SQMCS) ~~No. 8, A Firm's System of Quality Control~~, all firms are required to ~~document their policies and procedures related to their system of quality control for their accounting and auditing practice~~[meet certain documentation requirements](#). The extent of the documentation will depend on the size, structure and nature of the firm's practice. Documentation may be as simple as a checklist of the firm's policies and procedures or as extensive as practice manuals.

~~The quality control document~~[Documentation intended to meet these requirements that is in effect during for](#) the peer review year should be provided to the peer review team.

When establishing and maintaining its system of quality ~~management~~control, sole practitioners and small to medium-sized firms can also download the [practice aid](#).

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 [was](#) 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~~[may have started](#) with your system of quality control document and ~~modified~~[modified](#) 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](#) upon implementation.,

~~When beginning implementation, firms can download the mapping document:~~ [mapping to SQMS](#).

How should I prepare for my review?

~~In accordance with Statements on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control, all firms must establish and maintain appropriate quality control policies and procedures and comply with those policies and procedures to ensure the quality of the services they provide to the public. Several publications are available from the AICPA such as the Standards, the AICPA Peer Review Program Manual, and the Practice Aids for Establishing and Maintaining a System of Quality Control for a Firm's Accounting and Auditing Practice.~~

When should I contact my System Review team captain and what will he or she want from me?

You should contact your team captain and begin planning the review together early enough, at least six to nine months prior to the due date, to make sure all documents will be submitted to the AE by your firm's due date. Amongst other items, the team captain will ask for the following items prior to the review:

- ~~The firm's comprehensive quality control document~~ [Documentation of the firm's system of quality management](#) as required by [QM sec. 10 paragraphs 58 through 61, SQCS No. 8](#).
- A list of accounting and auditing engagements for all engagements with periods ending during the year under review (or report dates during the year under review for financial forecasts and/or projections and agreed upon procedures) regardless of whether the engagement reports are issued
- A description of the approach taken to ensure complete and accurate engagement listing.
- A list of the firm's professional personnel showing name, position and years of experience with the firm and in total.
- A copy of the firm's documentation maintained since its last peer review to demonstrate compliance with the monitoring element of quality ~~management~~ [control](#).

Based on this information, the team captain will make a preliminary selection of the offices and engagements he or she intends to review. The initial selection of engagements to be reviewed will be provided no earlier than three weeks before the commencement of the peer review. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review.

All engagements with years ending during the peer review year (or report dates during the year under review for financial forecasts and/or projections and agreed upon procedures) that are performed and issued by the firm should be available to the team captain at the start of fieldwork.

How should my firm prepare for a subsequent peer review?

In preparing for its next review, your firm should:

- Read the report and any findings from your firm's previous peer review. If applicable, be certain that you have taken the proposed actions outlined in your letter of response from the previous review.
- Perform and document ongoing monitoring procedures to make sure prior deficiencies have been corrected.

Review your ~~system of quality management~~ [quality control document](#) making sure your documented policies and procedures are appropriate based on the size, structure and nature of your firm.

What types of peer review reports are issued on System Reviews?

A team captain on a System Review can issue one of three types of opinions on the firm's system of quality ~~management~~ [control](#) (system): Pass, Pass with Deficiencies or Fail.

Pass

A report with a peer review rating of *pass* is issued when the team captain concludes that [the system of quality management for the accounting and auditing practice of the reviewed firm in effect for the year ended has been suitably designed, implemented, and operated to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects](#) ~~the firm's system of quality control for the~~

~~accounting and auditing practice has been suitably designed and complied with to provide the firm reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.~~

There are no deficiencies or significant deficiencies that affect the nature of the report. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

Pass with Deficiencies

A report with a peer review rating of *pass with deficiencies* is issued when the team captain concludes that the the system of quality management for the accounting and auditing practice of the reviewed firm in effect for the year ended has been suitably designed, implemented, and operated to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.~~firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting with applicable professional standards in all material respects~~ with the exception of a certain deficiency or deficiencies that are described in the report. These deficiencies are 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.~~conditions related to the firm's design of and compliance with its system of quality control that could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects due to the nature, causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the quality control system taken as a whole.~~

In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

Fail

A report with a peer review rating of *fail* is issued when the team captain has concluded that the system of quality management for the accounting and auditing practice of the reviewed firm in effect for the year ended was not suitably designed, implemented, or operated to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.~~identified significant deficiencies and concludes that the firm's system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.~~

In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

Suggested Corrective Actions: System Reviews (PRC 420 Exhibit D)

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"> • Require members of the firm to take specified types and amounts of CPE. • 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. • 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. • Require the firm to hire an outside party approved by the RAB to review the firm's remediation of nonconforming engagements. • 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. • Require the firm to join an AICPA audit quality center applicable to the nonconforming engagements.
Deficiency or significant deficiency related to design, implementation or operating effectiveness of a -of-or noncompliance with another element component other than engagement performance in -of the firm's quality management control system	<ul style="list-style-type: none"> • Require members of the firm to take specified types and amounts of CPE. • 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. • Require the firm to hire an outside party approved by the RAB to review the firm's internal monitoring or inspection report. • 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. • Require the relevant members of the firm to submit proof of their valid individual licenses.

Under what circumstances may a firm's enrollment be terminated?

A firm is deemed as failing to cooperate once the review has commenced by:

- Not responding to inquiries once the review has commenced
- Withholding information significant to the peer review, including but not limited to:
 - Failing to disclose communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing or attestation engagements from regulatory, monitoring or enforcement bodies
 - Omitting or misrepresenting information relating to its accounting and auditing practice as defined by the *Standards*, including, but not limited to, engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements]
- Not providing documentation, including but not limited to, representation letters, [quality control documents](#), engagement working papers, [and all aspects of functional areas areas all documentation related to each component of the firm's system of quality management](#)
- Not responding to MFCs or FFCs timely, if applicable
- Limiting access to offices, personnel or other
- Not facilitating the arrangement for the closing meeting/exit conference on a timely basis
- Failing to timely file the report and the response thereto related to its peer review, if applicable
- Failing to cooperate during oversight
- Failing to timely acknowledge and complete required corrective actions or implementation plans
- Failing to receive a pass report after receiving a peer review report with a rating of *pass with deficiencies* or *fail* and the firm received notification through a method providing proof of receipt that a consecutive peer review report rating of *pass with deficiencies* or *fail* may be considered a failure to cooperate with the AE
- Failing to timely notify the AE that it is performing a type of engagement(s) or engagement(s) in an industry in which the firm had previously represented (in relation to a corrective action or implementation plan) that it was no longer performing and had no plans to perform in the future, and this resulted in the AE waiving the corrective action or implementation plan based on the firm's representation
- Erroneously providing or omitting information during the course of the peer review that would have resulted in a significant change in the planning, performance, or evaluation of results by the peer reviewer, or in the peer review report issued
- Failing to provide substantive responses to the AE during its evaluation of the significance of erroneous or omitted information

The firm will be advised by certified mail that the PRB will appoint a hearing panel to consider whether the firm's enrollment in the Program should be terminated. A firm enrolled in the Program that has been notified that it is the subject of such a hearing may not resign until the matter causing the hearing has been resolved. After a hearing is held, a firm whose enrollment in the Program has been terminated has the right to appeal the panel's decision to the AICPA Joint Trial Board within 30 calendar days of the hearing.

A firm's enrollment in the Program will be terminated for failure to cooperate in any of the preceding situations, without a hearing, upon receipt of a plea of guilty from the firm. Pursuant to the *Standards*, the fact that a firm's enrollment in the Program has been terminated, whether with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe.



AICPA[®]

Peer Review
Program



Peer Review
Program

Peer Review Board Open Session Materials

May 5, 2026

Virtual meeting

**AICPA Peer Review Board
Open Session Agenda
Tuesday May 5, 2026
Teleconference**

Date: Tuesday May 5, 2026

Time: 1:00PM – 3:00PM Eastern Time

1.1 Welcome Attendees and Roll Call of Board** – Mr. Kindem/Ms. Brenner

1.2 Discussion of PRB Strategic Plan 2027-2030* - Ms. Brenner

1.3 Assessment of the Peer Review Information Form* - Mr. Kindem

1.4 Task Force Updates*

- Standards Task Force Report – Ms. Chesser
- Oversight Task Force Report – Ms. Altier
- Education and Communication Task Force Report – Ms. Tres

1.5 Other Reports*

- Report from Senior Director, Ethics and Peer Review Operations – Ms. Thoresen
- Report from State CPA Society CEOs – Ms. McPherson
- Update on National Peer Review Committee – Ms. Gantnier

1.6 Other Business** - Ms. Brenner

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

1.8 Future Open Session Meetings**

- A. September 16, 2026 – Teleconference
- B. November 11, 2026 – Teleconference
- C. February 3, 2027 – Teleconference
- D. May 5, 2027 – Teleconference
- E. September 1, 2027 – Teleconference
- F. November 3, 2027 – Teleconference

* Included on SharePoint

** Verbal Discussion

*** Will be provided at a later date

Agenda Item 1.2

Approval of Proposed Strategic Plan for Public Comment

Why is this on the Agenda?

Staff requests the board to review, discuss, and approve the issuance of the proposed draft of the PRB Strategic Plan (which includes a request for comments), as presented in Agenda Item 1.2A. The proposal would request comments from the public by August 17, 2026 (a period of approximately 90 days).

Strategic plans are important for an organization because they provide clarity, direction, and discipline for an organization as it works toward its goals. Without a strategic plan, organizations often react to circumstances rather than intentionally shaping their future.

Feedback Received

The proposed strategic plan was created as a result of feedback received through a listening tour conducted during early 2026. The PRB's Planning Task Force has reviewed a draft of the plan and feedback received from the group has been incorporated into the draft included in Agenda Item 1.2A.

Communications Plan

If approved by the board, stakeholders will be notified through traditional channels highlighting the issuance of the proposed PRB Strategic Plan, requesting comments to be provided by August 17, 2026.

Board Consideration

Staff is asking the PRB to consider and approve the proposed PRB Strategic Plan to publish for public comment.

Peer Review
Board



PRB Strategic Plan 2027-2030

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The Peer Review Board (PRB) is the senior technical committee of the American Institute of Certified Public Accountants (AICPA) designated by the AICPA Council as the body responsible for establishing, maintaining and administering the AICPA Peer Review Program, including the authority to issue standards, oversee administering entities and take actions necessary to ensure the quality and integrity of the Program.

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4	Request for comments
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A message from the PRB Chair and Senior Director

May 5, 2026

On behalf of the Peer Review Board (PRB), we are pleased to share our proposed strategy and strategic actions for the 2027–2030 period. This strategy is intended to help guide our work in the years ahead as we continue to promote quality across the profession and serve the public interest.

As we move forward, we are seeking input from stakeholders across the profession to ensure our priorities and planned activities remain focused on what matters most, responsive to emerging risks, and practical to implement. Your perspective will help us refine our approach and strengthen the impact of this strategy.

This strategy will inform our standard-setting agenda, our approach to implementation support and education, our stakeholder engagement and advocacy efforts, and the continued modernization of our operating model. We are particularly interested in your views on whether the strategy reflects current conditions, identifies the right opportunities and challenges, and outlines actions that are operable, enforceable, and practical to apply.

In developing this strategy, we considered several key factors shaping the profession and the ethics and independence landscape, including:

The evolving technology environment, including the increasing use of AI and technology-assisted procedures, and the related ethical considerations.

Growing regulatory complexity and uncertainty across jurisdictions, along with the need for greater consistency and interoperability of standards.

Ongoing transformation within firms, including globalization, outsourcing and offshoring, alternative staffing models, and evolving practice structures—requiring standards that remain adaptable and scalable.

Changing user expectations and the continued expansion of assurance into areas such as sustainability, cybersecurity, governance, and related controls.

The importance of auditing/attestation, ethics and independence, and peer review requirements working together cohesively through clear definitions and aligned performance expectations.

The need to strengthen internal infrastructure and operational resilience, including modernizing workflows and improving prioritization to support sustainable capacity.

This strategy is grounded in the PRB's mission to promote and enhance the quality of accounting and auditing services provided by firms and individuals subject to AICPA peer review standards, in service of the public interest. Consistent with that mission, we are focused

on advancing high-quality standards, supporting effective implementation, engaging meaningfully with stakeholders, and continuing to modernize how we operate.

Thank you for your time and thoughtful input. We look forward to your feedback as we continue to move this work forward and strengthen trust in the profession.

Sincerely,

Dawn Brenner, Chair, CPA
Peer Review Board

Toni Lee-Andrews, Senior Director, CPA, PFS, CGMA
Peer Review Program

Request for comments

This consultation paper was developed by our Planning Task Force and discussed in our public meetings. Comments are welcome on the following questions:

1. Do you agree with “Our Mission and keys to our success” (see page 7)?
2. Do you agree with the “Factors Driving Our Strategy” (see pages 8 to 9)?
3. Do you agree with “Our Strategic Initiatives” (see pages 10 to 11)?
4. Do you agree with “Our Strategic Actions” (see pages 12 to 14)?
5. What topics do you believe should be at the forefront of our standard-setting agenda to achieve our mission and succeed in our strategic initiatives over the next five years?
6. Are there any other considerations that we should address related to our strategy?
7. In addition to the stakeholders we have identified (PRB, state boards of accountancy; National Association of State Boards of Accountancy (NASBA); AICPA board, leadership, and staff; peer reviewers; administering entities; the National Peer Review Committee; federal regulators; firms subject to peer review; International Federation of Accountants; and users of financial statements), who else should we consider engaging as we refine our strategy, and why?

In answering the questions, please explain why you agree or disagree with our proposals.

We request that respondents submit their comments electronically by completing the [related survey](#). However, respondents may also email comments to PR_expdraft@aicpa.org. Comments are requested by August 17, 2026. All written replies will become part of the public record of the AICPA.

Our mission and keys to our success

Our mission

The objective of the AICPA Peer Review Program is to promote and enhance quality in the accounting and auditing services provided by the firms and individuals subject to the AICPA Standards for Performing and Reporting on Peer Reviews, in service of the public interest. The objective of the program is achieved by performing peer reviews tailored to practice type and size; remediating and removing firms as appropriate; gathering and analyzing data; proactively identifying emerging quality issues; and sharing relevant insights and information with affected parties.

All our activities are in service to the public interest principle that is found in the AICPA Code of Professional Conduct (the code) – namely, that our activities are performed in a manner that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism. The code further explains that *public interest* is defined as “the collective well-being of the community of people and institutions that the profession serves.”

Keys to our success

Keys to successfully fulfilling our mission include the following:

- Delivering a high-quality practice monitoring program, tailored to practice type and size, by providing clear, consistent and timely guidance, effective oversight and administration that support application of peer review standards and requirements by peer reviewers, technical reviewers, report acceptance bodies and administering entities (AEs).
- Promoting effective detection of non-conformity with professional standards, root cause analysis, and remediation by providing practical tools, guidance and data-driven insights to support firms and their peer reviewers.
- Anticipating and responding to emerging assurance trends, updating program guidance and materials in a timely manner, and clearly communicating impacts to promote consistent application.
- Building and sustaining a future-ready reviewer pool through effective recruiting, onboarding, mentorship, training and support, promoting consistency and ensuring the long-term viability of the reviewer pipeline.
- Continuously reevaluating our operating model and technology infrastructure, streamlining processes to reduce administrative burden and enhance the experience of firms, reviewers, AEs, and staff.
- Engaging in transparent, proactive, and accessible communication with firms, reviewers, AEs, state boards, regulators, and other stakeholders.

Our opportunities and challenges:

Factors driving our strategy

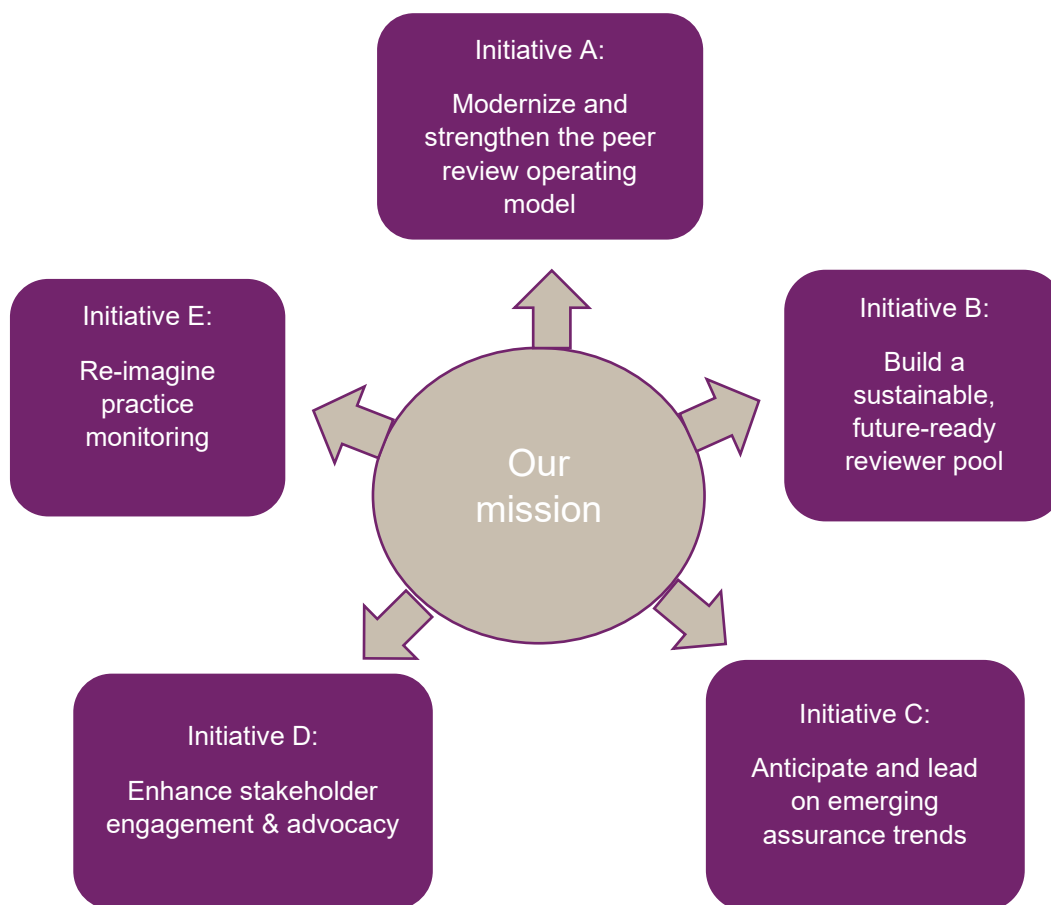
Understanding our key opportunities and challenges is essential to assuring the Peer Review Program continues to protect the public interest in a rapidly changing assurance environment. The most significant factors that have shaped our strategy include the following:

<p>Evolving technology landscape</p>	<ul style="list-style-type: none"> • Businesses and economies are increasingly affected by rapidly changing and evolving technologies. • Rapid developments in technology are also having a profound affect on audit and attestation engagements, including: <ul style="list-style-type: none"> ○ the introduction of new concepts (for example, modern technology terms and definitions), ○ the need to gain an understanding of new and innovative technologies (for example, artificial intelligence) used by entities in their financial reporting and internal control process, ○ the increased use of technology-assisted audit procedures (for example, the use of artificial intelligence), and ○ adjustments in how engagement teams are structured and interact. • Approaches to technology adoption vary significantly by firm, widening the disparity in firm methodologies and risk profiles.
<p>Growing regulatory complexity and uncertainty</p>	<ul style="list-style-type: none"> • The regulatory landscape related to assurance is rapidly evolving. • The rapid pace of change is leaving practitioners with little lead time to respond. • Political uncertainty and unpredictability are driving complexity • New types of attestation engagements are emerging in response to changing regulatory requirements and stakeholder needs. • Strong alignment on emerging issues affecting assurance is needed across key stakeholders including the Auditing Standards Board, Professional Ethics Executive Committee and the PRB.
<p>Other complexities and their implications</p>	<ul style="list-style-type: none"> • The business environment is becoming increasingly complex. • Financial reporting standards are becoming more complex; for example, more estimates and management judgments are needed. • Alternative practice structures raise new questions; for example, relative to independence and quality management. • Mergers and acquisitions create complexity in peer review enrollment, administration and reviewer expertise needs.

<p>Changing information needs of users</p>	<ul style="list-style-type: none"> • External reporting is evolving, with many users of reports increasingly looking for information beyond financial statements (for example, information about sustainability, cybersecurity, governance, and related controls) and seeking assurance thereon. • New assurance service lines require updated reviewer competencies and timely guidance. • Stakeholders expect Peer Review to anticipate these developments and equip reviewers and firms accordingly.
<p>Reviewer pool sustainability</p>	<ul style="list-style-type: none"> • The reviewer pool faces significant demographic and capacity pressures. • Nearly half of high-volume reviewers are over age 60, with many planning to retire within the next five years. • Barriers to entry deter new reviewers, and oversight pressure and administrative burden threaten retention. • A shrinking pool risks undermining program consistency, timeliness, and credibility. • New standards, such as quality management, add pressures to reviewers as there is an expectation that they can be seen as an expert.
<p>Expectations of stakeholders</p>	<ul style="list-style-type: none"> • Stakeholders across the ecosystem expect a program that is consistent, focuses on quality improvement and remediation, and provides clear, timely guidance on emerging trends. • Auditing and attestation, ethics and peer review standards are expected to be interoperable and capable of being consistently applied through common definitions and complementary performance requirements. • Peer review results are expected to be monitored to determine whether existing standards are sufficiently clear and commonly understood.
<p>Internal infrastructure and operational resilience</p>	<ul style="list-style-type: none"> • The Peer Review Program's operational infrastructure faces various challenges, including: <ul style="list-style-type: none"> ◦ The user experience with PRIMA, which is viewed as outdated, fragile and overly complex, ◦ Data integrity issues creating downstream disruption for stakeholders, and ◦ Underutilization of AI capabilities to enhance efficiency and reduce compliance burden. • Modernizing the operating model is essential to improving stakeholder satisfaction and maintaining the program's credibility.

Our strategic initiatives

Our strategic initiatives enable us to achieve our mission. They are the foundation for how we serve the public interest by administering a credible and consistent Peer Review Program. Our strategic initiatives drive our planned strategic actions in responding to both the current environment and anticipated future challenges.



Initiative A: Modernize and strengthen the peer review operating model

Strengthening the Peer Review operating model is essential to delivering a consistent, high-quality practice monitoring program. This includes modernizing PRIMA or its successor; leveraging AI and automation to reduce administrative burden; and addressing internal capacity constraints and succession risks. A modernized operating model will improve the experience of firms, reviewers, AEs, and staff while enhancing program efficiency.

Initiative B: Build a sustainable, future-ready reviewer pool

The long-term viability of the Peer Review Program depends on a strong, well-supported reviewer pool. This initiative focuses on improving reviewer consistency, strengthening onboarding and mentorship, reducing barriers to entry, and enhancing training on emerging risks. It also includes efforts to improve reviewer retention and attract the next generation of reviewers to ensure the program remains resilient.

Initiative C: Anticipate and lead on emerging assurance trends

The assurance landscape is evolving rapidly, driven by advances in technology, new service lines, and regulatory developments. This initiative focuses on establishing a structured horizon-scanning process; updating guidance and materials in a timely manner; and equipping reviewers and firms to address emerging areas such as AI-enabled auditing, SOC reporting,

quality management, and other emerging areas of assurance. By anticipating change, the program can keep enrolled firms informed while effectively detecting and remediating quality challenges as they arise.

Initiative D: Enhance stakeholder engagement & advocacy

Strong relationships and transparent communication with stakeholders are essential to maintaining trust in the Peer Review Program. This initiative focuses on strengthening engagement with firms, reviewers, AEs, state boards, NASBA, regulators, and other partners; improving the clarity and accessibility of program communications; and elevating the program's value proposition to our stakeholders. More robust engagement, with a focus on value proposition, will improve the program's reputation, strengthen alignment across the ecosystem, and enhance the efficacy of the Program's advocacy efforts.

Initiative E: Re-imagine practice monitoring

The future of practice monitoring requires a bold, forward-looking vision that reflects modern assurance realities, emerging technologies, and the growing disparity in assurance approaches across firms. This initiative focuses on developing a long-term vision for practice monitoring that leverages the lessons learned from [Practice Monitoring of the Future \(PMoF\)](#); integrates automation and AI to enhance effectiveness while limiting compliance burden; and supports more timely, risk-based, and data-informed approaches.

Our Strategic Actions

Initiative A: Modernize and strengthen the peer review operating model

Strategic Actions – We will do the following:

- Modernize PRIMA or its successor by leveraging AI, automation, and streamlined workflows to materially reduce administrative burden, and enhance the user experience for firms, reviewers, AEs, and staff.
- Strengthen operational resilience by addressing single-point-of-failure risks, improving documentation, and building redundancy across critical processes, systems, and roles.
- Reduce program complexity by clarifying requirements, eliminating unnecessary administrative steps, and anchoring all processes on the program’s mission and public-interest purpose.
- Improve internal coordination and culture by reducing siloing, increasing cross-training, and fostering a unified “one team” operating model across technical, oversight, operations, and technology functions.
- Enhance staff capacity and sustainability by addressing workload imbalances, clarifying roles, and creating growth opportunities that support retention and succession planning.
- Improve technology governance by partnering with internal IT teams to ensure system changes are communicated, tested, and aligned with Peer Review business rules.

Initiative B: Build a sustainable, future-ready reviewer pool

Strategic Actions – We will do the following:

- Strengthen reviewer consistency by improving guidance, training, and calibration on “no” answer detection, systemic evaluation and remedial action proposals.
- Enhance reviewer onboarding through a redesigned, scalable, and supportive experience that reduces barriers to entry and increases early-career reviewer confidence.
- Develop a national mentorship and apprenticeship model to support new reviewers, transfer institutional knowledge, and build a long-term pipeline.
- Improve reviewer retention by reducing administrative burden, clarifying expectations, and addressing sources of reviewer burnout, including oversight pressure and PRIMA frustrations.
- Monitor and improve recidivism rates by using data to identify patterns, strengthen reviewer performance, and support continuous improvement.
- Attract the next generation of reviewers by reducing the average age of the reviewer pool, increasing diversity of experience, and promoting the professional benefits of reviewer service.
- Maintain reviewer capacity relative to firm demand by preserving or improving the ratio of captains to firms.

Initiative C: Anticipate and lead on emerging assurance trends

Strategic Actions – We will do the following:

- Establish a formal horizon-scanning process to identify emerging risks, technologies, and assurance domains that may affect audit quality and peer review expectations.
- Update checklists, guidance, and materials more rapidly to ensure reviewers and firms receive timely, practical support on new and evolving issues.
- Enhance reviewer training on emerging areas such as AI-enabled auditing, ESG and sustainability reporting, SOC and cybersecurity, and evolving quality management expectations.
- Provide firms with timely resources to help them avoid the devolution of audit quality in new or complex service areas.
- Strengthen coordination with ASB, PEEC, and other standard-setters to ensure alignment on emerging issues, including APS, independence, AI, and technology-enabled auditing.
- Improve perceptions of the program's agility by demonstrating proactive identification of trends and timely updates to program materials.

Initiative D: Enhance stakeholder engagement & advocacy

Strategic Actions – We will do the following:

- Strengthen communication with firms, reviewers, AEs, state boards, NASBA, and regulators through more frequent, transparent, and accessible updates on emerging issues, program changes, and expectations.
- Improve the clarity and tone of program communications by simplifying language, reducing legalistic phrasing, and ensuring messages reinforce the program's quality-improvement purpose.

- Enhance the program's reputation by repositioning Peer Review as a partner in quality improvement rather than a punitive compliance mechanism.
- Strengthen relationships with state boards and NASBA by improving transparency, clarifying governance processes, and aligning on expectations for quality management and APS.
- Elevate the program's advocacy efforts with standard-setters and regulators whose requirements fall within the program's purview.
- Improve stakeholder satisfaction through more consistent guidance, clearer expectations, and improved responsiveness.

Initiative E: Re-Imagine practice monitoring

Strategic Actions – We will do the following:

- Develop a long-term vision for practice monitoring that builds on the Practice Monitoring of the Future (PMoF) framework and reflects modern audit realities, emerging technologies, and evolving firm structures.
- Explore integration of automation and AI into future practice monitoring models to reduce compliance burden, improve efficiency, and enhance the program's ability to detect systemic quality issues.
- Identify dependencies, risks, and mitigation strategies necessary to support a redesigned practice monitoring model.
- Develop a phased rollout roadmap that includes stakeholder engagement, pilot testing, and evaluation of operational impacts.
- Socialize the vision with stakeholders to build understanding, gather input, and ensure alignment across the ecosystem.
- Make a go/no-go decision on implementing a redesigned practice monitoring model based on feasibility, stakeholder support, and alignment with the public interest.

Peer Review Board

(2025–2026)

Dawn Brenner, *Chair*
Peter Alfele
Jodey Altier
Chad Anaya
Ronald Bass
Sherry Chesser
Kimberlee Gillespie
Sarah Hardee
Jon Heath
Allison Henry

Steve Hicks
Alan Long
Kristen Mascis
Sherri McPherson
Gary Schafer
Lauren Spegal
Jim Svab
Tony Thomas
Becky Tres

Staff

Carl Mayes
Vice President

Beth Thoresen
Senior Director – Ethics and Peer Review Operations

Toni Lee-Andrews
Senior Technical Director - Ethics and Peer Review

Agenda Item 1.3

Assessment of the Peer Review Information Form

Background

The PRB's Planning Task Force previously requested that Staff establish a process for a recurring assessment of the Peer Review Information (PRI) Form, which would include an internal assessment followed by a PRB review. The objective of such an assessment/review would be to ensure that all questions being asked are still relevant and that all necessary questions are included.

Screenshots of the current version of the PRI form for system reviews are included in agenda item 1.3A. For purposes of this conversation the version for engagement reviews was not included given it is less extensive than that for system reviews.

Feedback Received

Anecdotal feedback from peer review stakeholders suggests that the PRI form can be confusing and cumbersome. Additionally, questions are continually added to the PRI, but questions are removed on a less frequent basis, leading to an ever-growing form for firms to complete.

PRIMA Impact

The timing of any changes to the PRI form is dependent on the nature and extent of requested modifications.

AE Impact

Any changes to the PRI form would be communicated to the AE community via our normal channels as soon as practicable.

Communications Plan

Any changes to the PRI form would be communicated via our normal channels (e.g. updates to the PRIMA homepage, reviewer alert articles) as soon as practicable.

Board Considerations:

Staff requests the PRB provide any feedback on the PRI form including but not limited to:

- Edits to existing sections or questions
- Sections or questions that can be removed
- Sections or questions that should be added

Agenda Item 1.3A

PRI as of April 2026

Note

This information reflects the data in the AICPA's Service Center membership system. For more information contact the Peer Review Team at 919.402.4502. [Learn more...](#)

Employer Identification Number

Enter Employer Identification Number

Hint: Include only numeric fields; do not include any dashes or hyphens. [Learn more...](#)

Is your Peer Review Contact different than the Managing Partner? [Learn more...](#)

Yes	No
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Select the associations your firm is a member of [Learn more...](#)

Associations
<input type="checkbox"/> ACPA International
<input type="checkbox"/> Affiliated Conference of Practicing Accountants
<input type="checkbox"/> AG Exchange
<input type="checkbox"/> AGN International - Americas, Inc.
<input type="checkbox"/> Alliance of Practicing CPAs, The
<input type="checkbox"/> Allinial Global
<input type="checkbox"/> Alliot Global Alliance

Other association name

If your association is not included in the list above, click Add to manually enter your association's name.

[\(+\)](#) [Add association name](#)

Select the non-CPA owned entity your firm is a member of [Learn more...](#)

Non-CPA Owned Entity(s)
<input type="checkbox"/> American Express Tax and Business Services
<input type="checkbox"/> CBIZ, Inc
<input type="checkbox"/> RSM McGladrey Services

Other non-CPA owned entity name

If your non-CPA owned entity is not included in the above list, click Add to manually enter your non-CPA owned entity's name.

[\(+ Add other non-CPA owned entity\)](#)

Did your firm perform audit or attest (A&A) engagements for entities that did not have significant roles in the digital assets ecosystem (see Code 904) but had holdings in digital assets that were considered material to the underlying engagements, such as through activities including, without limitation: (i) investing or trading; or (ii) accepting receipts or delivering payments for goods or services in digital assets with related or third parties? [Learn more...](#)

<input type="radio"/> Yes	<input checked="" type="radio"/> No
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Has your firm or a related entity undergone an outside investment by a private equity, wealth management, or similar type firm?

<input checked="" type="radio"/> Yes	<input type="radio"/> No
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Does your firm operate in an alternative practice structure (APS) with a nonattest entity?

- Examples:
 - This IS an APS
 - The firm has two entities – an attest and a nonattest entity. There is private equity (PE) investment in the nonattest entity, which performs no attest work. The attest firm is owned 100% by CPAs and performs all of the attest work.
 - This MIGHT be an APS but can vary based on circumstances
 - The firm has two entities – an attest and a nonattest entity. The attest firm is 100% owned by CPAs and the nonattest entity is not CPA owned but there is no PE investment.
 - This is NOT an APS
 - There are two separate attest firms that are owned by the same partners and share staff.

This question is often answered incorrectly. Consult with the AICPA if you are unsure if your firm has an APS. [Learn more...](#)

<input checked="" type="radio"/> Yes	<input type="radio"/> No
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If part of a platform APS, what is the name of the platform? If you're not part of a platform, enter N/A for not applicable. [Learn more...](#)

Are there any other firms associated with your APS or your investor(s)? If there are no other firms associated with your APS or investor(s) then enter None. [Learn more...](#)

The non-CPA owned entity question is being removed in the August 2026 release.

Capture Firm Info	Engagements			
▼ Engagement Levels of Service to Determine Review Type				
<p><i>Hint: If applicable, select the level of services your firm performed with periods ending from 05/01/2025 to 04/30/2026 whether issued or not, which may include multiple services for the same client. For example if your firm performs an audit and another attestation engagement (AUP), please include select both levels of service.</i></p> <p><i>For financial forecasts, projections and agreed-upon procedures, please select "Performed/Expect to Perform" for the relevant level of service if you have performed an engagement with a report date during that period.</i></p> <p><i>Only select "Expect to Perform" if your firm will perform the engagement before your firm's due date of 10/31/2026.</i></p> <p><i>If you have questions on the level of service that you perform, contact the A&A hotline at 877-242-7212.</i></p>				
Statements on Auditing Standards (SASs)				
Code & Level of Service	Response			
9 - Audits Under Statements on Auditing Standards	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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Government Auditing Standards (GAS)				
Code & Level of Service	Response			
25 - Financial Audits (GAS)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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26 - Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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27 - Performance Audits (GAS)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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International Standards				
Code & Level of Service	Response			
20 - International Standards on Auditing, Assurance Engagements and related Services (ISAs), or any other standards issued by the International Auditing and Assurance Standards Board (IAASB)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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21 - Any other international standards on audit, assurance or related services	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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22 - Any international accounting or reporting standards (except for International Financial Reporting Standards-IFRS)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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Code & Level of Service	Response			
14 - Audits Under PCAOB Standards, not covered by PCAOB permanent inspection program	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
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16 - Attest Engagements Under PCAOB Standards, not covered by PCAOB permanent inspection program	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		

Statements on Standards for Accounting and Review Services (SSARS)

Code & Level of Service	Response			
30 - Reviews of financial statements	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		
40 - Compilations of financial statements with disclosures	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		
45 - Compilations of financial statements that omit substantially all disclosures	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		
50 - Preparation of financial statements with disclosures (with or without disclaimer reports)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		
55 - Preparation of financial statements that omit substantially all disclosures(with or without disclaimer reports)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		

Statements on Standards for Attestation Engagements (SSAEs)

Code & Level of Service	Response			
61 - Examination Engagements (SSAE)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		
62 - Review Engagements (SSAE)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		
63 - Agreed-upon Procedures Engagements (SSAE)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Performed</td> <td style="width: 33%; text-align: center;">Expect to Perform</td> <td style="width: 33%; text-align: center;">Do not Perform</td> </tr> </table>	Performed	Expect to Perform	Do not Perform
Performed	Expect to Perform	Do not Perform		

PCAOB Reports

Did/will you submit a Form 2 to the PCAOB that has clients/engagements listed in [Part IV - Audit Clients And Audit Reports](#) (with period ends during your peer review year)? If 'Yes,' indicate which types of engagements were included on your Form 2, only include those engagements that have period ends during your peer review year.

Yes No

Audit Reports Issued by the Firm for Issuers.

Yes No

Audit Reports Issued by the Firm for Broker Dealers (including required attestation reports).

Yes No

Audit Reports for Issuers Where the Firm Played a Substantial Role in the Audit.

Yes No

Audit Reports for Broker Dealers Where the Firm Played a Substantial Role in the Audit.

Yes No

The first question will be changed (in the August 2026 release) to:

“Did/will you submit a Form 2 to the **Public Company Accounting Oversight Board (PCAOB)** that has clients/engagements listed in [Part IV - Audit Clients And Audit Reports](#) (with period ends during your peer review year)? If ‘Yes,’ indicate which types of engagements were included on your Form 2, only include those engagements that have period ends during your peer review year.”

Independence Standards

Which [Independence Standards](#) apply for engagements that you perform?

Select all

AICPA

DOL

GAGAS (GAO Yellow Book)

IESBA

PCAOB

SEC [Learn more...](#)

Other

▼ Must-Select & Must-Cover Engagements

Select the engagements your firm performed with periods ending during the year that require your firm to undergo a System Review, which may include multiple codes for a single engagement. [Learn more...](#)

Your firm is required to have a System Review if it performs engagements under the Statements on Auditing Standards (SASs), the Government Auditing Standards (Yellow Book), examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the PCAOB standards, that are not subject to permanent inspection by the PCAOB.

Employee Retirement Income Security Act (ERISA)

380 - Defined Contribution Plans

390 - Defined Benefit Plans

400 - ERISA Health & Welfare Plans

403 - ESOP Plans

Federal Deposit Insurance Corporation Improvement Act (FDICIA)

7 - FDICIA Audits of Federally Insured Depository Institutions (with more than \$500 million or greater, but not more than \$1 billion in beginning total assets) [Learn more...](#)

8 - FDICIA Audits of Federally Insured Depository Institutions (with more than \$1 billion in beginning total assets and required annual report on internal controls) [Learn more...](#)

Government Auditing Standards (Yellow Book)

5 - Engagements Under Government Auditing Standards (Yellow Book)(Excluding OMB Single Audit Engagements) [Learn more...](#)

13 - OMB Single Audit Engagements Under Government Auditing Standards (Yellow Book)

Other Government & Compliance Engagements

325 - State & Local Governments

Statement on Standards for Attestation Engagements (SSAE)

312 - Service organizations (SOC 1 Reports)

313 - Service organizations (SOC 2 Reports)

None-Must Select Must Cover Engagements

9998 - None of the Must-Select or Must-Cover Industries apply

▼ Other Industries

Wording changes for codes 7 and 8 are in process to be:

- Code 7 – FDICIA Audits of Federally Insured Depository Institutions (Requiring an annual audit report but not an integrated audit report)
- Code 8 – FDICIA Audits of Federally Insured Depository Institutions (Requiring both an annual audit report and integrated audit report)

The Must-Select & Must-Cover Engagements section only shows for System Reviews.

Other Industries

Select the industries of audits performed by your firm with periods ending during the year (more than one industry code may be used for a single engagement).

Depository and Lending Institutions

Select	Code & Description
<input type="checkbox"/>	125 - Banks, Savings Institutions, & Credit Unions
<input type="checkbox"/>	190 - Finance Companies
<input type="checkbox"/>	250 - Mortgage Banking

Entities with Oil and Gas Producing Activities

Select	Code & Description
<input type="checkbox"/>	180 - Extractive Industries--Oil and Gas
<input type="checkbox"/>	185 - Extractive Industries--Mining

Health Care Entities

Select	Code & Description
<input type="checkbox"/>	210 - Health Maintenance Organizations
<input type="checkbox"/>	216 - Hospitals
<input type="checkbox"/>	217 - Skilled Nursing, intermediate and related facilities
<input type="checkbox"/>	218 - Other healthcare entities

Insurance Companies

Select	Code & Description
<input type="checkbox"/>	200 - Property and Casualty Insurance Co.
<input type="checkbox"/>	240 - Life Insurance Companies
<input type="checkbox"/>	300 - Reinsurance Companies

Investment Companies

Select	Code & Description
<input type="checkbox"/>	230 - Investment Companies and Mutual Funds, including private equity
<input type="checkbox"/>	295 - Real Estate Investment Trusts

Other Government & Compliance Engagements

Select	Code & Description
<input type="checkbox"/>	186 - Federal Student Financial Assistance Programs
<input type="checkbox"/>	205 - Government Contractors
<input type="checkbox"/>	222 - Engagements Under the HUD Consolidated Audit Guide (generally for-profit entities) Learn more...
<input type="checkbox"/>	308 - Rural Utilities Service Borrowers
<input type="checkbox"/>	320 - School Districts
<input type="checkbox"/>	510 - Other Federal Compliance Audit and Attestation Engagements not otherwise identified

Other Industries

The Other Industries section only shows for System Reviews.

Other Industries

Select	Code & Description
<input type="checkbox"/>	110 - Agricultural, Livestock, Forestry & Fishing
<input type="checkbox"/>	115 - Airlines
<input type="checkbox"/>	120 - Auto Dealerships
<input type="checkbox"/>	145 - Gaming
<input type="checkbox"/>	150 - Colleges and Universities
<input type="checkbox"/>	155 - Common Interest Realty Associations
<input type="checkbox"/>	165 - Construction Contractors
<input type="checkbox"/>	195 - Franchisors
<input type="checkbox"/>	260 - Not-for-Profit Organizations (including voluntary health & welfare organizations)
<input type="checkbox"/>	268 - Personal Financial Statements
<input type="checkbox"/>	314 - Service Organizations (SOC 3 Reports)
<input type="checkbox"/>	330 - Telephone Companies
<input type="checkbox"/>	335 - Utilities
<input type="checkbox"/>	430 - CFTC Broker-Dealers
<input type="checkbox"/>	460 - Entities subject to Regulation Crowdfunding Learn more...
<input type="checkbox"/>	900 - Any type of engagement that would subject the accountant to SEC independence rules
<input type="checkbox"/>	902 - Cyber Security engagements subject to SSAE
<input type="checkbox"/>	903 - Service Organizations (SOC Supply Chain)
<input type="checkbox"/>	904 - Entities with significant roles in the digital assets ecosystem Learn more...
<input type="checkbox"/>	910 - Multiemployer Employee Benefit Plans Including Defined Contribution, Defined Benefit, Health & Welfare, or Apprenticeships with ERISA filing requirements

None of the Other Industries apply

Select	Code & Description
<input type="checkbox"/>	9999 - None of the Other Industries apply

Concentrations of Other Industries

Select the individual industries in which over ten percent of your firm's audit hours are concentrated.

Select	Code & Description
<input type="checkbox"/>	260 - Not-for-Profit Organizations (including voluntary health & welfare organizations)

The Concentrations section only shows for System Reviews.

Firm Governance & Leadership

Has there been any change(s) to the individual or individuals assigned ultimate responsibility and accountability for the firm's system of quality management (e.g., the firm's managing partner, quality management director, or equivalent)?

Yes
 No

The Firm Governance & Leadership section only shows for System Reviews.

Firm Personnel Information

Enter the number of personnel that provide A&A services (including Owners and/or Sole Practitioners) [Learn more...](#)

Partners (including Owners and/or Sole Practitioners)	Managers	Leased or Per Diem	Other professionals	Total A&A Personnel in Firm
<input type="text" value="2"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="2"/>	4

Hint: Minimum 1

Enter the total number of CPAs & PAs for all types of services (including non-A&A services) [Learn more...](#)

Total CPAs & PAs (Including Non-A&A CPAs & PAs)

The Firm Personnel Information section only shows when firms are undergoing a peer review.

▼ Acknowledgement

Accuracy of Information Provided - To the best of my knowledge and belief, the information submitted is true and correct.

The information submitted has been completed or reviewed by my firm's Peer Review Contact or Managing Partner. In addition, I understand I am required to update my firm's information on this form and other scheduling information for any changes.

This includes whether the firm subsequently

- performs an engagement in a new level of service or industry.
- expects to perform an engagement in a new level of service or industry.
- no longer expects to perform an engagement previously identified and indicated in this Peer Review Information Form as within the scope of peer review.

This also applies whether the year-end (or report date, for financial forecasts, projections, or agreed upon procedures) falls within the peer review year or the period subsequent to it.

I understand that failure to properly represent my firm's practice, may result in my firm's enrollment being dropped or terminated and, if dropped or terminated, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies.

▼ Scheduling Form

When do you want to complete the scheduling form?*

Agenda Item 1.4

Standing Task Force Updates

Why is this on the Agenda?

Each of the standing task forces of the PRB will provide this information to the Board at each open session meeting to gather feedback on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

Standards Task Force

Accomplished since last PRB meeting:

- Finalized and published PRSU No. 3, *Modernizing Peer Review Administration Requirements*. Accordingly,
 - the full suite of peer review standards, available on the [peer review standards webpage](#) and the Online Professional Library, has been amended for PRSU No. 3 provisions, and
 - conforming updates have been applied to Appendix C of section 210 regarding must-select engagements to align the stated FDICIA thresholds with current regulations.
- Published the April 2026 version of the Peer Review Program Manual.
- Discussed and reviewed a preliminary analysis of the standards for a new exposure draft (PRSU No. 4) to propose requirements and application and other explanatory material for certain alleged Code of Conduct violations to be addressed in the peer review process.
- Discussed and approved revisions to the Q&A for independence considerations in peer reviews (see **agenda item 1.4A**), to address situations involving firms with alternative practice structures.
- Held preliminary discussion of developing alternative or interim guidance that may be issued by the PRB without exposure, so that information can be provided timely to stakeholders regarding infrequent or nuanced situations in peer reviews.
 - Discussed a proposed process for publishing unexposed revisions to application and other explanatory material for transparency purposes, if changes are eventually approved by the PRB in the future.
- Continued discussion of document retention requirements, specifically related to QM documentation that may be retained by reviewers for purposes of efficiency in recurring peer reviews.
- Discussed preliminary concerns and potential implications of potentially allowing firms not located in the US to enroll in the peer review program.
- Performed a periodic review of the current list of must-select engagements in Appendix C of PR-C section 210, concluding that no changes are necessary at this time.

Upcoming tasks:

- Continuing discussion of modifications needed to peer review requirements and application and other explanatory material to develop the PRSU No. 4 exposure draft, currently planned for issuance by the PRB on September 16, 2026 with comments due by December 15, 2026 (90-day comment period). The proposal is expected to include:
 - guidance for certain alleged code of conduct violations (received from the AICPA Ethics Division) to be addressed in the peer review process, and

- to clarify or expand certain areas of existing guidance via technical enhancements.
- Continuing discussion of potentially modifying document retention requirements
- Continuing discussion of the development of a process to issue alternative or interim non-authoritative guidance.
- Continuing discussion of potentially allowing firms outside of the US to enroll in the program.
- Continuing to monitor feedback and frequent questions to ensure the standards remain easy to read, understand, and apply. This particularly relates to:
 - performing reviews under the QM standards, including the related QM checklists for peer reviewers
 - other areas in existing guidance that may need further clarification

Oversight Task Force

Accomplished since last PRB meeting:

- 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 and discussed feedback received
- 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
- Conducted orientations for new OTF members
- Approved AICPA Annual Report on Oversight

Upcoming tasks:

- Approve RAB observation reports
- OTF members will perform RAB observations
- Approve AE oversight responses
- Review AE benchmark summaries
- Approve, conditionally approve, or defer AE plans of administration for 2026
- 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

Education and Communication Task Force

Accomplished since last PRB meeting:

- Continued preparation for the 2026 Peer Review Conference to be held August 10-12, 2026 in Providence, Rhode Island. All speakers have been confirmed; the development of content is in process.
- 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).
- Continued monitoring our available courses to determine if improvements should be made to our overall training framework.
- Held the February 19, 2026 offering of the Peer Review Forum series for 117 participants.
- Published the updated Peer Review FAQ document.

Upcoming tasks:

- Continue development of session content for the 2026 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.
- Continue the development of course content including for:
 - the April 28, 2026 offering of the initial RAB Member training.
 - the May 13, 2026 offering of the Peer Review Forum series.
 - the May 21, 2026 live broadcast of “Are You Ready for Your Firm’s Peer Review?”.
 - This webcast will be rebroadcast on:
 - July 21, 2026
 - October 21, 2026.
 - the four scheduled AICPA-sponsored virtual offerings of the “Becoming an AICPA Peer Review Team or Review Captain: Case Study Application” seminar.

Dates are as follows:

 - the week of June 1,
 - the week of July 6,
 - the week of September 23, and
 - the week of November 16.
 - “Peer Review Update” content (i.e. training sessions designed to satisfy ongoing training requirements for team and review captains) for
 - Peer review session at ENGAGE.
 - Peer review training session held by state societies.
 - the “Unlocking Peer Review” ENGAGE session on the topic of identifying nonconforming engagements.
- Develop and publish the May 2026 Reviewer Alert.
- Develop and publish the Spring 2026 PR Prompts newsletter.



Questions and Answers:

Independence considerations for peer reviews

As of September 1, 2025

AICPA Peer Review Program

Review of a firm's system of quality management

There is a risk of impairing independence to perform peer reviews when a firm provides consultative assistance to another firm regarding its system of quality management, and it is critical for both firms to consider the nature and extent of consultation provided. For example, consultative assistance may include limited or preliminary reviews of documentation or providing general feedback about one or more aspects of a firm's system of quality management. In these situations, both firms will need to consider and assess the extent of procedures performed and the results of those procedures to conclude whether the firm providing consultative assistance has effectively become an integral part of the other firm's system of quality management. This assessment needs to be made by both firms prior to the commencement of the peer review, including consultation with the administering entity if needed.

(Q1) Question. Firm A is engaged by Firm B to perform a preliminary review of Firm B's quality management documentation that includes Firm B's quality objectives, assessed quality risks, and quality responses (processes or policies and procedures) regarding the information and communication component of Firm B's system of quality management. Based on the feedback from Firm A, Firm B made changes to include more detail of procedures described in its quality responses. Could Firm A then be engaged to perform a peer review of Firm B?

(A1) Answer. Yes. Preliminary reviews of quality management documentation including the firm's risk assessment containing its quality objectives, quality risks, and quality responses would not impair independence unless the services would cause Firm A to effectively become an integral part of Firm B's system of quality management.

(Ref: par. .16e of PR-C section 200)

(Q2) Question. Firm A is engaged by Firm B to assist with developing and reviewing Firm B's quality management risk assessment (including the identification and assessment of quality risks) and designing related quality responses. As a result, Firm B established most of its quality responses (processes or policies and procedures) based on the recommendations of Firm A. Could Firm A then be engaged to perform a peer review of Firm B?

(A2) Answer. No. By developing Firm B's risk assessment and designing the related quality responses, Firm A has effectively become an integral part of Firm B's system of quality management such that it would impair Firm A's independence.

(Ref: par. .16e of PR-C section 200)

Pre-issuance reviews

(Q3) Question. Firm B wants to engage Firm A to perform its peer review. Can Firm A perform the peer review of Firm B if Firm A performed a pre-issuance review of one of Firm B's reports and accompanying financial statements for an audit engagement with a period ending in the year immediately before or during Firm B's peer review year?

(A3) Answer. No. A reviewing firm is not permitted to perform a pre-issuance review on an accounting or auditing engagement with a period end (or, for financial forecasts, projections, and agreed-upon procedures engagements, a report date) within the year immediately before or during the reviewed firm's peer review year.

(Ref: par. .16f of PR-C section 200)

Services performed for reviewed firms

(Q4) Question. Firm A audits the financial statements of Firm B's pension plan. Could Firm A perform a peer review of Firm B?

(A4) Answer. Yes, if the fees incurred for the audit would not result in fee dependency as defined by the AICPA Code of Professional Conduct. An audit of financial statements is a customary service of an accounting firm.

(Ref: par. .16d of PR-C section 200)

(Q5) Question. Firm A is required to have an annual audit of its financial statements. Can Firm B perform the peer review and financial statement audit for Firm A?

(A5) Answer. Yes, if the fees incurred for the audit would not result in fee dependency as defined by the AICPA Code of Professional Conduct. An audit of financial statements is a customary service of an accounting firm.

(Ref: par. .16d of PR-C section 200)

(Q6) Question. A partner in Firm A serves as an expert witness for Firm B or for a party opposing Firm B. Are Firms A and B independent of each other?

(A6) Answer. Yes, if the fee is not material to either firm and the outcome of the matter, if adverse to Firm B, would not have a material effect on its financial condition or its ability to serve clients.

(Ref: par. .16f of PR-C section 200)

(Q7) Question. Firm A is engaged to perform the peer review of Firm B. Firm B's staff attends CPE programs developed by Firm A. Can Firm A perform a peer review of Firm B?

(A7) Answer. Yes, if Firm A has not effectively become part of Firm B's system of quality management. If Firm A, or any affiliates of or entities related to Firm A, develop, and customize CPE specifically to Firm B's needs, both firms would need to assess the extent and degree of customization to determine whether Firm A has become a part of Firm B's system of quality management or had a significant enough impact on that system such that Firm A's independence would be impaired. This assessment needs to be made by both firms prior to the commencement of the peer review and Firm B may consult with the administering entity if needed. Factors to consider include, but are not limited to the following:

- the degree of customization,
- the significance of the programs to Firm B's system of quality management such as the extent of hours relative to all of Firm B's CPE programs,
- whether Firm A was involved in determining the type of CPE programs that Firm B needs, and so on.

Based on the factors considered, if the nature of Firm A's relationship with Firm B effectively makes Firm A part of Firm B's system of quality management, Firm A's independence is impaired for the first peer review immediately subsequent to the training provided.

For example, if Firm A developed and presented CPE programs and training for Firm B that were customized to Firm B's practice, including using some of Firm B's engagements as examples and learning tools, Firm A's independence is impaired for the first peer review immediately subsequent to the training provided. However, Firm A would be permitted to perform any successive peer reviews.

(Ref: par. .16e of PR-C section 200)

(Q8) Question. Firm A occasionally consults with Firm B with respect to specific accounting, auditing, or financial reporting matters. Are Firms A and B independent of each other?

(A8) Answer. Yes, unless the frequency and extent of the consultation is such that Firm B is an integral part of Firm A's consultation process.

(Ref: par. .16e of PR-C section 200)

Reciprocal peer reviews

(Q9) Question. Firm A is engaged to perform the peer review of Firm B. Can Firm B then perform a peer review of Firm A?

(A9) Answer. No. Firm B would not be permitted to perform the next peer review of Firm A because that would be a reciprocal peer review.

(Ref: par. .16a of PR-C section 200)

(Q10) Question. Firm A performs a peer review of Firm B. Subsequently, Firm C performs a peer review of Firm B, and Firm D of Firm A. Would Firm B be independent to be review Firm A?

(A10) Answer. Yes. Although the standards state that reciprocal peer reviews are not permitted, that provision is intended only to prohibit back-to-back peer reviews when each firm has not had an intervening peer review by another firm or team. However, the effect on independence of other relationships and possible resulting loss of the appearance of independence could be considered by the administering entity as part of its oversight responsibilities.

(Ref: par. .16a and .17 of PR-C section 200)

(Q11) Question. A manager from Firm A served as a team member on the most recent peer review of Firm B. Can a reviewer from Firm B serve on the peer review team of Firm A?

(A11) Answer. No, because that would be a reciprocal peer review.

(Ref: par. .16a of PR-C section 200)

(Q12) Question. Can any individual from Firm A be engaged by Firm B to perform a peer review of Firm B and then be engaged in the immediate subsequent year to conduct an inspection of Firm B's accounting and auditing practice or perform a consulting review?

(A12) Answer. Yes. However, individuals from Firm A would not be eligible to perform Firm B's subsequent peer review if the monitoring of Firm B's accounting and auditing practice was performed for the year immediately before or during its peer review year.

(Ref: par. .16a of PR-C section 200)

Firms providing services together or using the work of another firm (including associations and networks)

(Q13) Question. Firm A included the qualifications of Firm B in a proposal for one or more specific engagements. Could either firm perform a peer review of the other following a successful proposal?

(A13) Answer. No, unless any fees paid to Firm B are not material to either of the firms; the firms do not share directly or indirectly, or participate in, the profits of the other; the firms do not share fees, office facilities, or personnel; the firms do not have joint ownership of a for-profit entity; and the firms do not exercise any direct or indirect management control over the professional or administrative functions of the other.

(Ref: par. .16d and .17 of PR-C section 200)

(Q14) Question. Regarding the independence requirements for an association and its member firms, what would be *objective and quantifiable* with respect to representations made in advertisements by an association of CPA firms, such as in promotional materials like brochures, pamphlets, and websites?

(A14) Answer. Representations made in advertisements by an association of CPA firms would be considered *objective and quantifiable* provided that the association of CPA firms maintains documentation to support the representations and such documentation is made available for review by the Peer Review Board (board) or its designee. Currently, the National Peer Review Committee is designated by the board to consider and approve all Association Information Forms, which include general information about the association, independence matters, and whether the association requests to be approved to assist its members in formation of review teams, provide technical assistance to such review teams, or do both.

For example, support for objective and quantifiable information needs to be made available in the following situations:

- If an association of CPA firms advertises that it is in the top 20 associations in terms of the number of offices, personnel, or revenue, some form of documentation needs to be provided in support of these numbers.
- If an association of CPA firms advertises that its members provide professional accounting and auditing services to a designated number of industry clients in a certain geographic area, some form of client listing needs to be maintained in support of the representation.
- If an association of CPA firms advertises that each of its member firms have passed peer review, letters from the entities accepting the peer review documents of those firms need be maintained.

Representations are not permitted by an association of CPA firms in its advertisements that designate the association or its member firms as “the best,” “the finest,” “uniquely qualified,” “prestigious,” “elite,” or other similar language. These superlative descriptions are generic words and terms that are too subjective. In this example, such representations in advertisements by an association of CPA firms cannot be readily supported by any form of documentation that can be reviewed.

(Ref: par. .48b of PR-C section 100)

(Q15) Question. A group of firms places an advertisement in a trade journal. The advertisement indicates the number and geographical location of the member firms and states that its members provide professional accounting and auditing services to over 2,500 industry clients nationwide and that each of the member firms passed its most recent peer review. A toll-free

telephone number or website is provided for contact. Can one firm in the group perform the peer review of another member firm in the same group?

(A15) Answer. Yes, because the representations are objective and quantifiable, provided that the group is not a network as defined by the AICPA Code of Professional Conduct; the group has submitted the Association Information Form (AIF) to the board; and the group has been notified by the board that the AIF was accepted.

(Ref: par. .48b, .49, and .52 of PR-C section 100)

(Q16) Question. Certain members of an association (that is, a parent association) may form a partnership or sub-association, which is a grouping of association member firms for the purpose of cooperating to enhance the firms' capabilities to provide professional services. Can members of the sub-association perform peer reviews on firms of the parent association that are not involved in the activities of the sub-association?

(A16) Answer. Although a member of a sub-association cannot peer review another member of the same sub-association, the existence of a sub-association by itself would not disqualify members of the sub-association from performing peer reviews of nonaffiliated member firms of the parent association. However, members of a sub-association are not permitted to perform peer reviews on firms of the parent association that are not involved in the activities of the subassociation if the parent association and sub-association belong to the same network as defined by the AICPA Code of Professional Conduct.

(Ref: par. .48c and .52 of PR-C section 100)

(Q17) Question. Firm A and Firm B have shared leasing arrangements of office facilities for the last several years. Due to the growth of both firms, Firm B moved into new offices on January 1, 20X4. In March 20X6, Firm A engaged Firm B to perform the peer review of Firm A. Firm A's peer review year-end is December 31, 20X5. Can Firm A perform the peer review of Firm B?

(A17) Answer. Yes, because the firms did not have shared leasing arrangements of office facilities within the current peer review year and any subsequent periods thereafter.

(Ref: par. .20 of PR-C section 100 and .16d of PR-C section 200)

(Q18) Question. Firm A purchases an accounting and auditing manual developed by an association that it belongs to as its primary reference source. Personnel from Firm B who are also peer reviewers aided the association with the development of the manual by authoring significant sections of the manual. The association receives annual approval to form review teams for its member firms. Can the association include reviewers from Firm B on the review team to peer review Firm A?

(A18) Answer. Yes, as long as the following personnel from Firm B are not included on the review team:

- Personnel directly involved in the development or maintenance of the association's accounting and auditing manual (such as those who authored sections of the manual)
- Personnel who report to those who were directly responsible for the development or maintenance of the manual

- Personnel who receive more than a *de minimus* amount of fees or other monies from the total revenues generated by the sale of the manual

(Ref: par. .48 and .49 of PR-C section 100)

(Q19) Question. ABC, Inc. (an affiliate of Firm A) is a provider of audit software, including tools for various industries. Firm B purchases an industry-specific software tool from ABC, Inc., to assist with performing audit engagements for a niche industry. The niche industry represents an insignificant portion of Firm B's overall audit and accounting practice, and Firm B does not purchase any other practice aids, software, or tools from ABC, Inc. Can Firm A perform the peer review of Firm B?

(A19) Answer. Yes, unless the niche industry grows to become a significant part of Firm B's overall practice and continues to use the same audit tool. In this situation, the software tool is integral to Firm B's system of quality management, and Firm A's independence would be impaired.

(Ref: par. .20 of PR-C section 100 and .16e of PR-C section 200)

(Q20) Question. Reviewers from Firm A provide technical consultation to a third-party quality management material provider. The extent of the consultation entails reviewing portions of various guides for technical accuracy and providing feedback (if any) to the provider. The reviewers have no control over whether their feedback is addressed or how it impacts the end products that are ultimately marketed as the guides. Firm B uses these guides developed by the provider as an integral part of its system of quality management. Can Firm A perform the peer review of Firm B?

(A20) Answer. Yes, Firm A would be independent for purposes of conducting the peer review of Firm B because the extent of the reviewers' contributions does not make them a part of the provider's system of quality management. However, when reviewers provide consulting or other services to third-party providers, they should assess whether their individual contributions were sufficiently significant to make them a part of the provider's system. Similarly, if the reviewers from Firm A authored or edited portions of a third-party provider's guides or other materials, they should also assess the degree and impact of their contributions.

(Ref: par. .20 of PR-C section 100 and .16c of PR-C section 200)

Review of Firms in an Alternative Practice Structure (APS) Arrangement

There is a risk of impairing independence to perform peer reviews when a firm (either the reviewing firm, the reviewed firm, or both) are in an APS arrangement. Several factors affect the determination of reviewer independence for firms in an APS arrangement, including the type of APS investment, the level of the investment, the relationship between the firms (reviewing and reviewed), as well as other factors. In line with the clarified standards for performing and reporting on peer reviews, the assessment of reviewer independence should follow the conceptual framework for independence (ET sec. 1.210.010) in determining that the reviewed firm and reviewing firm are independent. This assessment needs to be made by both firms prior to the commencement of the peer review, including consultation with the administering entity if needed.

(Q21) Question. Is independence impaired when the reviewers' firm and the firm subject to peer review are both in an APS arrangement and share the same non-attest entity?

(A22) Answer. Yes, independence is impaired, and the firms involved with the non-CPA owned entity are precluded from reviewing each other or participating in the peer review of each other or any other firms with the same related non-attest entity.

(Ref: par. .20 of PR-C section 100)

(Q22) Question. Firm A and Firm B operate in an APS with non-attest entities that have investments from the same platform. Could firm B perform a peer review firm A?

(A22) Answer. No, Firm B would not be permitted to perform the peer review of Firm A because these firms are considered a network and would not be independent of each other.

(Ref: par. .16d and .16e of PR-C Section 200 and .52 of PR-C Section 100)

(Q23) Question. Firm A and Firm B are both PE backed by the same investor, who has a controlling interest in the related non-attest entity of each firm. Could firm B perform a peer review firm A?

(A23) Answer. No, Firm B would not be permitted to perform the peer review of Firm A because these firms are considered a network and would not be independent of each other.

(Ref: par. .16e of PR-C Section 200 and .52 of PR-C Section 100)

(Q24) Question. Firm A audits fund of a PE Investor who has an investment interest in the non-attest entity related to Firm B. Can Firm B perform the peer review of Firm A?

(A24) Answer. Possibly, but it depends on certain factors. The conceptual framework for evaluating independence should be applied in this scenario to determine if independence in fact or appearance is impaired. Factors that would affect this determination include the following:

- Level of influence that the investor has over the reviewed firm
 - If the investor had a controlling interest in the non-attest entity, independence would be impaired (specifically independence in fact would be impaired due to these firms being considered network firms)
 - If the investor had a significant interest or less than significant interest, the conceptual framework for evaluating independence should be applied to determine if independence in appearance is impaired
- Whether the investment in Firm B is material to the fund
- Whether the investor has representation on the non-attest entity board of Firm B and if so, the extent of this representation
- Whether the investor representation of the non-attest entity board of Firm B is directly involved in Firm A's audit of the investor
- The nature of the relationship between Firm A and the investor and whether it is material or significant to Firm A

In response to threats to independence identified during the application of the conceptual framework for evaluating independence (such as the factors identified above), safeguards should be considered in concluding on reviewer independence

(Ref: par. .A37 of PR-C Section 100 and .16f of PR-C Section 200)

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.

Report from Senior Director – Ethics and Peer Review Operations

In addition to the communications detailed in the ECTF report in Agenda Item 1.4, staff developed and executed a communications campaign on the upcoming required Annual Practice Questionnaire (APQ), including Facebook and LinkedIn posts, and articles in the CPA Letter and AICPA & CIMA Update! Please keep an eye out for future APQ communications and if you're so inclined, like and share our social media posts. If you are interested in more information on the APQ, see the [FAQ](#).

I'm pleased to share that we've contracted with the Signia Indianapolis for the 2027 Peer Review Conference. This hotel is so new, it hasn't even opened yet! It will open in November 2026, which will give them plenty of time to iron out any issues before we arrive. Please mark your calendars to attend the conference from August 9-11, 2027.

Last call for the Annual Customer Satisfaction Survey! We have about 100 responses, and would like more. Please access this [link](#) to respond. We'll close the survey on Friday, May 29. We want to hear from you as your feedback drives improvements we make in peer review.

I'd also like to ask you to complete the Pre-conference survey to help drive content for this year's sessions. Respond with this [link](#) to make sure your questions get answered. Please respond by Friday, May 22.

Report from State CPA Society CEOs

There is nothing to report in advance from a State CPA Society CEO perspective at this time. Ms. McPherson will provide a verbal update during open session, if necessary.

Update on the National Peer Review Committee

The NPRC last met on February 26, 2026. Two large firm reviews were presented and accepted.

Since the February PRB meeting, the NPRC has held five RAB meetings. During those meetings:

- 51 Reviews have been presented, including
 - 45 Pass
 - 4 Pass with Deficiencies and
 - 2 Fail

Since February 28, 2026 (the effective date of PRSU No. 3), 14 firms with alternative practice structures have scheduled (or are in the process of scheduling) peer reviews that will be administered by the NPRC.

The NPRC's next meeting will be held on May 14, 2026.



AICPA[®]

Peer Review
Program

ANNUAL REPORT ON OVERSIGHT

**Issued
April 20, 2026**

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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 2023–2025, 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 2025. Information presented in this report pertains to peer reviews accepted¹ during the calendar years 2023–2025, 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.

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 2025, 187 oversights were performed by the AEs. See page 10, “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 page 11, “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 10 AEs in 2023, 9 AEs in 2024, and 11 AEs in 2025. 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 AICPA staff, focus on whether the report acceptance process is being conducted in accordance with standards and guidance. In 2025, RAB observations were performed on 58 RAB meetings

¹ 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.

and 218 peer reviews were selected during these observations. See page 6 “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 7–9 “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. Each AE’s POA is approved once all required information has been submitted.

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 2025, the OTF concluded the objectives of the PRB oversight program were met.

Respectfully submitted,

Jodey Altier

Jodey Altier, 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 16,500 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 1,400 firms enrolled in the program that indicated they do not currently perform any engagements subject to peer review. Between 2023–2025, approximately 6,300 peer reviews were performed annually by 740 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 2023–2025, approximately 18,100 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 some firms were unenrolled from the program after their peer review was accepted. Additionally, firms may have more than one review accepted during the period. [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 2023–2025 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.

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 communication 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 oversighted 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 2023–2025, 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, 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 2023–2025, 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 2023–2025 are as follows:

	2023	2024	2025
RAB meetings observed	56	53	58
Peer reviews selected during observations	198	199	218
Peer reviewers	146	154	162
Based on observers' comments:			
Acceptance delayed or deferred	17	19	14
Feedback forms issued to reviewers	1	0	3

The number of reviews delayed or deferred as a result of the RAB observers' comments was 8.6% in 2023, 9.5% in 2024, and 6.4% in 2025.

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.

Peer reviewers are generally 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. Most oversights are performed on employee benefit plan, single audit, and *Government Auditing Standards* engagements as these are the most common must-select engagements. In 2025, significant focus was placed on SOC 2[®] engagements resulting in an increase in the number of oversights. 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 for the past 10 years.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
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%

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2024	93	29	31%	17	59%
2025**	108	29	27%	12	41%

* 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 2025 overall enhanced oversight sample is 77% complete.

The following table summarizes the annual results for the random sample for the past 10 years.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
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	70	24	34%	14	58%
2025**	42	16	38%	5	31%

* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020. Oversights resumed in September 2021; however, no random oversights were performed.

** As of the date of this report, the 2025 random enhanced oversight sample is 66% complete.

[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 2025, AEs conducted oversight on 187 reviews. There were 117 system and 70 engagement reviews oversighted. 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 2025.

Exhibit 1
Results by type of peer review and report issued

The following shows the results of the program between 2023–2025 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

	2023		2024		2025		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,208	80	2,430	83	2,135	82	6,773	82
<i>Pass with deficiency(ies)</i>	344	13	339	12	296	12	979	12
<i>Fail</i>	195	7	162	5	165	6	522	6
Subtotal	2,747	100	2,931	100	2,596	100	8,274	100

Engagement Reviews

	2023		2024		2025		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,881	85	2,932	86	2,586	84	8,399	85
<i>Pass with deficiency(ies)</i>	326	10	331	10	316	10	973	10
<i>Fail</i>	179	5	155	4	164	6	498	5
Subtotal	3,386	100	3,418	100	3,066	100	9,870	100

Exhibit 2

Type and number of reasons for report deficiencies

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 2023–2025 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	2023	2024	2025
Leadership responsibilities for quality within the firm (“the tone at the top”)	88	60	85
Relevant ethical requirements	36	29	30
Acceptance and continuance of client relationships and specific engagements	52	64	50
Human resources	245	219	227
Engagement performance	392	370	334
Monitoring	246	227	233
TOTALS	1,059	969	959

Exhibit 3
Number of nonconforming engagements

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 in 2025.

In 2025, we discovered an error in the PRIMA report that resulted in overstated numbers of nonconforming engagements shown in this table. We determined root cause and corrected the error. However, we cannot accurately reconstruct or rely on prior years' data due to firm mergers and acquisitions that removed historical information from the report. Therefore, only data from reviews accepted in 2025 are presented.

Engagement Type	2025		
	Total engagements reviewed (#)	Total non-conforming (#)	%
Audits:			
Single Audits	1,123	276	25%
Government Auditing Standards - All Other	1,362	199	15%
ERISA	1,527	179	12%
FDICIA	65	6	9%
Other	3,668	473	13%
Reviews	3,996	487	12%
Compilations & Preparations:			
With Disclosures	2,308	146	6%
Omit Disclosures	6,199	338	5%
Forecasts & Projections	5	0	0%
SOC® Reports	216	34	16%
Agreed Upon Procedures	861	52	6%
Other SSAEs	156	15	10%
Totals	21,486	2,205	10%

Exhibit 4
Summary of required follow-up actions

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 2023–2025 reviews, the following represents the required follow-up actions.

Type of follow-up action	2023	2024	2025
Agree to take/submit proof of certain CPE	1,901	1,813	1,703
Submit to review of remediation of nonconforming engagements	250	272	254
Agree to pre-issuance reviews	362	332	332
Agree to post-issuance reviews	475	457	464
Agree to hire outside party to review completion of intended remedial actions	73	90	74
Agree to hire an outside party to review the firm's internal monitoring or inspection report	104	95	97
Submit to outside party revisit	2	0	0
Elect to have accelerated review	1	2	0
Submit evidence of proper licensure	76	60	43
Firm represented in writing they no longer perform engagements in the industry or level of service	69	56	40
Agree to hire outside party to perform inspection	25	35	23
Outside party to review Quality Control Document	33	26	20
Submit proof of purchase of manuals	11	6	9
Agree to join an Audit Quality Center	23	24	17
Other	62	57	54
TOTALS	3,467	3,325	3,130

Exhibit 5
Administering Entities approved to administer the Program in 2025

Administering Entity	Licensing jurisdiction(s)
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, New Hampshire, 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

Exhibit 6
Oversights of Administering Entities
performed by the AICPA Oversight Task Force

For the years 2023–2025, an OTF member performed an oversight of each of the following AEs. The most recent oversight results are available on the [AICPA's website](#).

2023	2024	2025
Coastal Peer Review, Inc.	California	Connecticut
Colorado	Georgia	Florida
Connecticut	Massachusetts	Ohio
Louisiana	Michigan	Oklahoma
Minnesota	Missouri	Oregon
Oklahoma	National Peer Review Committee	Partners in Peer Review
Peer Review Alliance	Nevada	Pennsylvania
Puerto Rico	New England Peer Review, Inc.	Puerto Rico
Texas	New Jersey	Tennessee
Virginia		Texas
		Virginia

Exhibit 7

Comments from oversights of Administering Entities performed by the AICPA Oversight Task Force

The following represents a summary of comments by the OTF for the 2023–2025 AE oversights. The comments are not indicative of every AE and may have been a single occurrence that has since been corrected.

Administrative procedures

- After staff turnover, AE did not timely notify AICPA staff to disable computer system access.
- 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.
- The AE was notifying state boards of accountancy when firms resigned from the peer review program which is not allowed to be disclosed to anyone who is not administering or carrying out the program.
- A PROC member observing a RAB meeting was improperly provided confidential information when they had a conflict of interest.
- A decision letter sent to the firm incorrectly indicated the peer review acceptance was delayed when the committee voted to defer the review.
- The AE developed a backup plan to support the administrator, technical reviewer, and CPA on staff if they become unable to serve in their respective capacities was developed; however, the backup plan should be revised to better support the administrative responsibilities for the program when that position is vacant.

Technical reviewer procedures

- Technical reviewer did not initially identify or sufficiently address issues prior to presentation to the RAB, resulting in delay or deferral of reviews.
- During the year, over 10% of peer reviews presented were deferred by the RAB, at times due to matters not initially identified or addressed by the technical reviewer.
- Reviews were not consistently presented to the RAB within 120 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

- 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.
- No individuals with current experience in a must-select category included in a review were scheduled to participate in the RAB meeting.
- A committee member did not meet all qualifications established in the standards and this was not identified by administering entity staff.
- 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.
- Evaluations for technical reviewers were not completed annually as required.

Exhibit 7, continued**Comments from oversights of Administering Entities
performed by the AICPA Oversight Task Force**

- 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.
- 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.
- Committee members did not meet all the qualifications established in the standards.
- After reviewing meeting minutes, it was identified that the RAB voted to accept a peer review via email; however, standards require reviews considered for acceptance to be discussed during a RAB meeting.
- The committee implemented a policy to give the committee chair authority to approve certain firm requests to waive corrective actions or implementation plans; however, standards indicate the RAB should consider these requests.
- Procedures regarding RAB/committee evaluations of firms receiving consecutive non-pass peer review reports did not consistently follow guidance, including not performing evaluations timely, emailing the committee for a vote to determine whether the firm should be referred for a hearing for noncompliance with the program, and sending a letter to a firm indicating a decision not to refer the firm to a hearing for noncompliance before the evaluation was complete.

Oversight program

- The AE's Oversight policy was not updated timely to align with current program standards and guidance.
- One of the required peer review oversights was not performed resulting in the minimum oversight requirements not being met.

Exhibit 8
Comments from RAB observations
performed by AICPA staff and Oversight Task Force members

The following are example comments generated from RAB observations performed by OTF members and AICPA staff for 2023–2025. 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 occurrence 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.
- 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.
- 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.
- Firm's response on the FFC or letter of response did not appropriately address changes in the firm's system of quality control to remediate the finding or deficiency.
- Peer review report did not appropriately identify a matter as a design or compliance deficiency.
- RAB or PROC members had conflicts of interest with peer reviews presented for acceptance that were not previously identified; however, once identified, those individuals were appropriately recused.

Exhibit 9
Material departures from professional standards identified in the enhanced oversight process

The following are example material departures from professional standards identified by the SMEs in the 2023–2025 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 properly read or obtain a substantially complete Form 5500 to identify any material inconsistencies prior to dating the auditor’s report.
- 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.

Exhibit 9, continued
Material departures from professional
standards identified in the enhanced oversight process

System and Organization Controls (SOC) engagements

- Failure to properly test or document testing of the operating effectiveness of controls to achieve the criteria.
- The system description does not include the specific principal service commitments and system requirements.
- Inappropriately identified a criterion as “not applicable” when it was being addressed by a subservice organization.
- Report included complementary user entity controls that should have been identified as user entity responsibilities.

Exhibit 10
Summary of oversights performed by Administering Entities

The following shows the number of oversights performed by each AE for 2025.

Administering Entity	2025		
	System	Engagement	Total
California	18	4	22
Coastal Peer Review	3	4	7
Colorado	4	3	7
Connecticut	2	2	4
Florida	6	4	10
Georgia	2	2	4
Louisiana	2	2	4
Michigan	2	2	4
Minnesota	2	2	4
Missouri	2	2	4
National Peer Review Committee	30	0	30
Nevada	3	2	5
New England Peer Review	3	2	5
New Jersey	3	2	5
Ohio	5	2	7
Oklahoma	2	2	4
Oregon	2	2	4
Partners in Peer Review	5	3	8
Peer Review Alliance	4	8	12
Pennsylvania	7	6	13
Puerto Rico	2	2	4
Tennessee	2	2	4
Texas	4	7	11
Virginia	2	3	5
Total	117	70	187

Exhibit 11
Summary of benchmark results for 2025

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 2025.

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#) 2025
Administrators		
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.	1
Admin 2	Provide RAB materials to RAB members at least seven calendar days before RAB meetings.	0
Technical Reviewers		
TR 1	Meet all qualifications established in guidance, including training and ethical requirements.	0
TR 2	Perform the technical review in accordance with guidance.	1
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.	5
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.	5
TR 7	Evaluate reviewer performance history, and if it has an impact on the current review, then summarize it for the RAB.	0
TR 8	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.	0

Exhibit 11, continued
Summary of benchmark results for 2025

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#) 2025
TR 9	Comply with the requirements of the technical reviewer's role and be available to the RAB regarding their technical reviews being presented to answer questions to avoid deferrals or delays.	0
Committee/RAB		
Comm/RAB 1	Meet all qualifications established in guidance, including training and ethical requirements.	1
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.	0
Comm/RAB 4	Issue reviewer performance feedback forms and performance deficiency letters when appropriate.	1
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"> • Be performed at the appropriate time, • Include the previous peer review documents, and • Include documentation of each consideration in the relevant guidance. 	7
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.	2
CPA on staff		
CPA 1	Submit this benchmark form signed by CEO and CPA on staff to OTF by due date.	0
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.	1

Exhibit 11, continued
Summary of benchmark results for 2025

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)
		2025
CPA 4	Verify a minimum of three RAB members evaluate each item related to a peer review that requires RAB consideration.	0
CPA 5	Monitor and address conflicts of interest in accordance with guidance, including recusals and limiting access to RAB materials for PROC members, when applicable.	0
CPA 6	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	0
CPA 7	Scheduling error overrides are appropriate and approved in accordance with guidance.	4
CPA 8	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.	0
CPA 9	Respond to requests from OTF or AICPA staff by due date.	2
CPA 10	Submit complete Plan of Administration signed by the CEO and CPA on staff including all AE oversight requirements by April 1.	2
CPA 11	Submit complete Plan of Administration signed by the CEO and CPA on staff by November 1.	0
CPA 12	Meet all qualifications of the CPA on staff, including training and ethical requirements.	0
CPA 13	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

Appendix 1

History of Peer Review at the AICPA

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

Appendix 1, continued

History of Peer Review at the AICPA

PCAOB. Because many SBOAs and other governmental agencies require peer review of a firm's entire auditing and accounting practice, the CPCAIF 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 CPCAIF 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 CPCAIF PRP was discontinued, and the program became the single program for all AICPA firms subject to peer review. Upon the dissolution of the CPCAIF 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:²

- 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

² 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.

Appendix 1, continued
History of Peer Review at the AICPA

- Date of the letter acknowledging the peer review was scheduled
- Estimated dates of the peer review commencement and presentation to a RAB

Appendix 2

AICPA Peer Review Program overview

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* is defined by the standards as “a practice that performs engagements under Statements on Auditing Standards (SASs), 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, or 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 SASs 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 quality control standards issued by the AICPA, 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 audits or other similar work and perform work only under the SSARSs and the SSAEs, other than examinations, as their highest levels of service. 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 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

Appendix 2, continued
AICPA Peer Review Program Overview

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 options are (1) self-administer; or (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. The PRB approved 24 state CPA societies, groups of state societies, or specific-purpose committees, known as AEs, to administer the Program in 2025. 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 engage an experienced CPA on staff to lead and manage the program, and to establish a peer review committee to oversee the administration, acceptance, and completion of peer reviews, as well as the performance of peer reviewers.

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.

Glossary

<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 (SSARSs), 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 (SSARSs) and Statements on Standards for Attestation Engagements (SSAEs).

Glossary, continued

<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).

Glossary, continued

<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)	<p>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.</p> <p>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.</p>
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.

Glossary, continued

<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"> • <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. • <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.
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"> • Engagements under <i>Government Auditing Standards</i>, including compliance audits subject to the Single Audit Act • Audits of Employee Benefit Plans under ERISA • Audits under FDICIA • Examinations of Service Organizations

Glossary, continued

<u>Term</u>	<u>Definition</u>
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.
Peer review committee (committee)	A group of individuals appointed by an AE to oversee the administration, acceptance, and completion of peer reviews and performance of peer reviewers.
Peer Review Integrated Management Application (PRIMA)	An online system that is accessed to carry out the program administrative functions.
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.
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 and experience for service as reviewers as set forth in the standards.

Glossary, continued

<u>Term</u>	<u>Definition</u>
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> .
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	<p>Policies and procedures designed and implemented to provide a firm with reasonable assurance that:</p> <ol style="list-style-type: none"> a. The firm and its personnel comply with professional standards and applicable legal and regulatory requirements and b. Reports issued by the firm are appropriate in the circumstances.
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, 2026 and March 31, 2026

Enrollment in the Program for the following firms was dropped for noncooperation. Those reenrolled as of April 6, 2026 are denoted by an "*" following the firm name.

Firm Number	Firm Name	State
900010133776	Morrison & Associates CPA LLC	AL
900010155646	TaylorChandler LLC*	AL
900255351031	The Phillips CPA Group, LLC	AL
900255351821	Central Arkansas Tax & Accounting	AR
900004564978	Integrated Audit Group PLLC	AZ
900255349888	Li, Friezen, & Grossetta, CPAs, P.C.*	AZ
900256000029	Allmon DiBernardo & Associates, CPAs & Wealth Strategists, LLP	CA
900005694128	Bill Torres & Company, Inc	CA
900256001863	Chris Hoyle CPA	CA
900005717304	George W Teats Jr CPA	CA
900005448572	GEPC Accountancy Corporation	CA
900010092093	James Howard, An Accountancy Corporation	CA
900255350884	Joan O. Tan, CPA	CA
900010141074	L. Ray Ashworth	CA
900011935335	Lawrence Nathanson, CPA	CA
900009054373	Morey CPA & Associates, Inc	CA
900255347980	Motalebi & Associates, Inc.	CA
900255187030	Samuel E. Arthur	CA
900010129583	Savage & Company*	CA
900255186782	Wayne W. Smith, An Accountancy Corporation*	CA
900010084898	WNR CPAs, Inc.	CA
900009646856	Xavier Yu & Associates, CPA	CA
900004964946	Gilman & Co. CPAs*	CO
900004361216	Abella Garcia Guell & Co LLP	FL
900011666032	Alberto J. Ibarra, P.A.	FL
900008616243	George Stiell, CPA LLC	FL
900010083661	Mendive & Garcia, LLC	FL
900255351698	Miguel E. Turbay, CPA	FL
900010140255	R Figueroa, P.A.	FL
900011666194	Victor M. Mestre	FL
900255350484	Cedar Hill CPA's and Advisors*	GA
900005506794	Charles A. Hall, P.C.	GA
900007875611	JLZ Service, Inc.	GA
900081013334	Linda Sue Ross	GA

Firm Number	Firm Name	State
900001064078	Mersereau, Lazenby & Rockas, LLC*	GA
900004540308	R. Larry Sumner, CPA P.C.	GA
900255248209	Rogers & Rudisill CPAs PC	GA
900255348949	Thad E. Hughes CPA LLC dba Hughes & Associates	GA
900005479810	Raak & Associates, Inc.	IA
900256001691	CJC and Associates	IL
900256001654	ComplyGenie PLLC	IL
900255349831	SK Tax Associates LLC	IL
900010084440	GBN, P.A.	KS
900005379822	Hensley & Throneberry, PLLC dba Hensley & Throneberry CPAs	KY
900010093490	Bruno & Tervalon, LLP, CPAs	LA
900010066390	Anthony & Dodge, P. C.	MA
900010003326	Barneke and Anderson	MA
900011739994	David Sontag, CPA PC	MA
900010148669	Deborah A. Conner	MA
900255329302	Nicholas A. Papakyrikos, CPA, PC	MA
900255347558	Chosen Financial Services*	MD
900011787035	Kenneth G. Menzies Jr., P.A.	MD
900011784036	Martin F. Gill, CPA	MD
900256001239	MEED Accounting Services, LLC*	MD
900010116941	Disselkoen & Company	MI
900005868703	Ira K Hairston CPA PA	MS
900005929760	Mitch Boleware	MS
900005010698	Dawkins & Murray CPA PA*	NC
900255193520	H. R. Rusty Godwin, CPA, PC*	NC
900256001299	Kunal Verma CPA PLLC*	NC
900256000790	Michael B. Townsend, CPA	NC
900008804507	Michael L. Dunn, CPA, P.A.	NC
900255349265	Thomas W Schleisman, CPA	NE
900003877507	Calvin L Hayes CPA LLC	NJ
900006135675	D. F. O'Brien & Co.	NJ
900255273881	Ginsberg Consulting, LLC	NJ
900001073037	Gilbert L. Sanchez	NM
900256001969	Abacus CPA Advisory PLLC	NV
900255165634	Lee E, Ogden, CPA LLC	NV
900255350421	Antonio Guadagnino CPA PC	NY
900006843068	Gioffre & Co., LLP	NY
900255348135	Herman Yiu CPA PLLC	NY
900010130876	Keith Lazarus CPA, PC	NY
900010080281	Kreitzman & Kreitzman	NY

Firm Number	Firm Name	State
900001143266	Orest P. Baransky, CPA P.C.	NY
900010093719	Samuel Goldstein & Co., P.C*	NY
900001067124	Scott C. Singer CPA	NY
900256000023	Virmani, CPA, P.C.	NY
900010149948	Alex & Company, CPAs	OH
900010010520	Campbell, Rose & Co.	OH
900002282803	Conte Company CPA Inc.	OH
900256000814	Meadows, Reisenberg & Widmer LLC	OH
900256001192	Primrose Bookkeeping, Accounting and Consulting, LLC*	OH
900005440120	Ray S. Pooley CPA	OH
900002130710	Thomas W. Brankamp, CPA	OH
900001033559	Bernards & O'Rourke, P. C.	OR
900010113282	Bernard A. Fagnani, LLC CPAs	PA
900004468301	Colon Cuebas & Laguna, CPA, PSC*	PR
900008927996	CPA Annette Sanchez Rodriguez, LLC	PR
900010146465	Jose L. Cardona & Co., P.S.C.*	PR
900001042240	UHY Del Valle & Nieves PSC*	PR
900004053338	Ronald Carmark CPA	RI
900010027253	Harry B. Gregory & Associates, CPAs, P. A.	SC
900005157701	Gentry & Associates, P.C.	TN
900255352215	Vetter Professional Services, LLC	TN
900255183422	Bruce Lawrence, PLLC	TX
900010053895	Jerry T. Paul CPA*	TX
900255082297	Sen & Associates, PLLC	TX
900255350922	Kofford & Associates, Inc. DBA STRIV	UT
900256001289	Blantyre Business Services PLLC	WA
900010104983	Webb Accountancy Corp., P. S.	WA

Firms Terminated from the AICPA Peer Review Program for Noncooperation or Noncompliance between January 1, 2026 and March 31, 2026

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>.

Failing to respond to inquiries once the review has commenced

The firm did not respond to inquiries once its peer review had commenced.

- Herrick, Ltd. – Burlington, VT

Failing to complete its peer review after it has commenced

The firms did not timely submit documents required to complete the acceptance process of their peer review to their administering entity.

- Aimlon CPA P.C. – New York, NY
- Broadhurst, Hamilton, & Company, CPAs – Crowley, LA
- Jerome A. Bellotti & Associates – Los Gatos, CA
- Owen J. Flanagan & Co. – New York, NY
- Perry Hay LLP – Westlake Village, CA

Failing to acknowledge required corrective actions

The firm did not acknowledge its agreement to perform remedial actions as required as a condition of accepting its peer review.

- Bowling & Associates CPA Firm, Ltd. – Mc Leansboro, IL

Failure to complete a corrective action

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

- Darin R. Crull CPA, LLC – Lees Summit, MO
- Dufour & Schmitt, Ltd. – Providence, RI
- Eastern Utah CPAs PLLC – Vernal, UT
- J.R. Helms & Associates, P.C. – Indianapolis, IN
- Jay V. Harper, CPA – Wilson, NC
- John E. Turner P.C. – Houston, TX
- Michael W Sanders CPA – Tulsa, OK

Consecutive non-pass reports in system reviews

The firm failed to design a system of quality control, and/or sufficiently complying with such a system, that would provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

- Kemp CPA, PC – Overland Park, KS

Noncompliance related to omission or misrepresentation of information

The firm either omitted or misrepresented information that should have been provided to their peer reviewer relating to its accounting and auditing practice.

- Eck Tax & Accounting, LLC – Park Ridge, NJ

Failing to correct deficiencies or significant deficiencies after consecutive corrective actions

The firm failed to correct deficiencies after consecutive corrective actions on the same peer review required by the peer review committee.

- Liebman, Goldberg & Hymowitz LLP – Garden City, NY

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

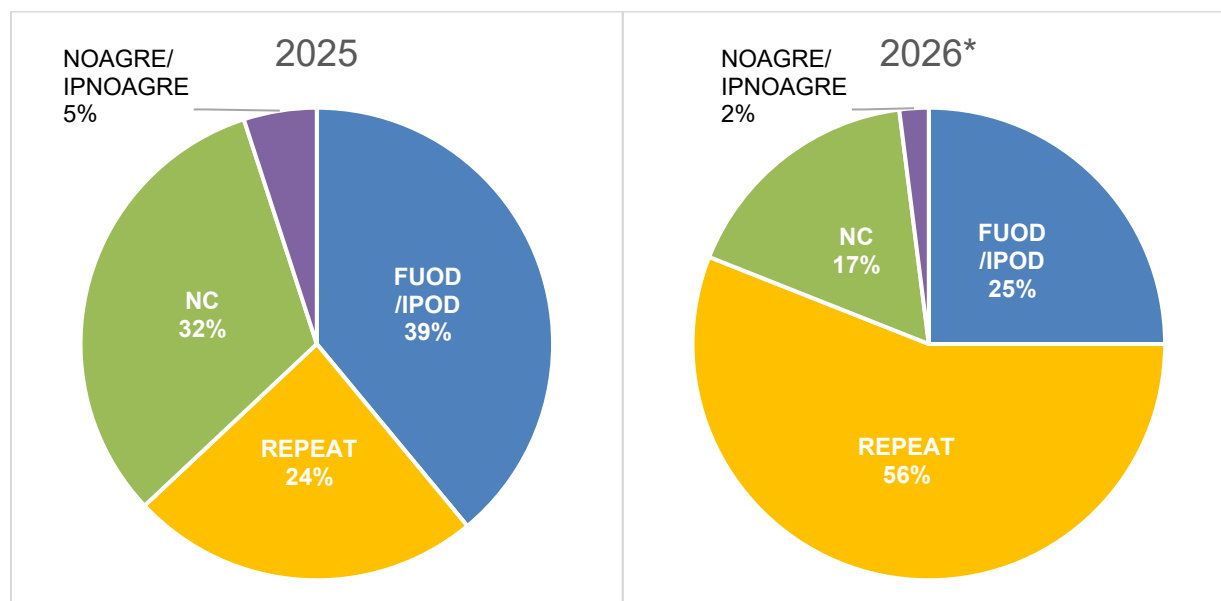
Referrals are firm noncooperation or noncompliance cases for which the administering entity (AE) has submitted documentation to the AICPA sufficient to proceed with a termination hearing. Termination hearings align closely with the Enhancing Audit Quality (EAQ) initiatives. The table below shows overall hearing referral volume through March 31, 2026:



* As of March 31, 2026

The number of firm referrals through March 31, 2026 reflects a temporary timing difference. With additional resources now in place, volume is expected to align with prior years.

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



* As of March 31, 2026

Legend:	
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 and 2026, 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. As previously noted, the increase in the first quarter of 2026 is a temporary timing difference. Increased resources allocated 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](#) (paragraphs 12 and .A7-.A8 of PR-C Section 300).

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 unanimous consent. Once approved, dropped firms are reported in a monthly communication to state boards of accountancy Executive Directors and State Society

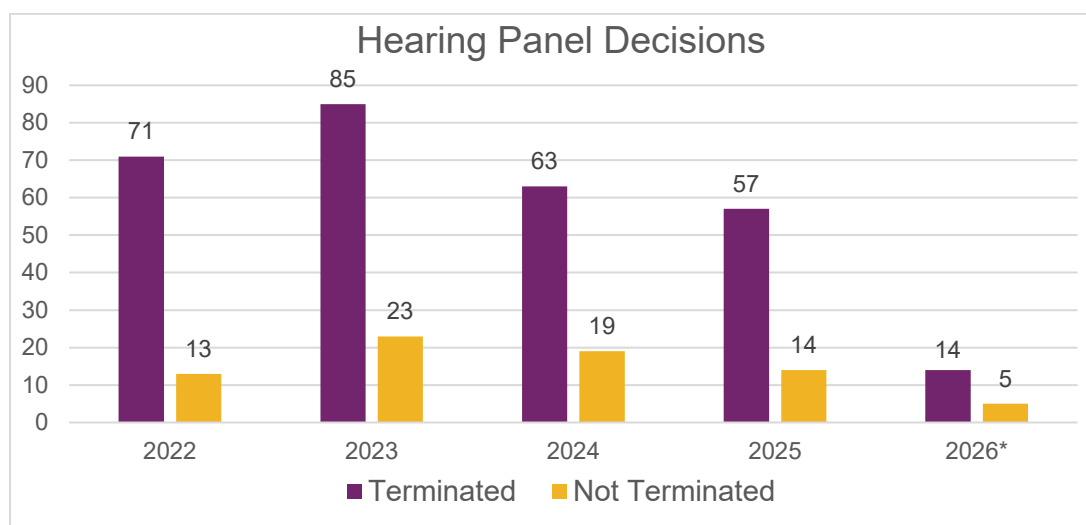
CEOs and maintained on a list for AEs. Dropped firms with AICPA members are reported in PRB open session materials. Firms may appeal an enrollment drop from the PRP and mediation is attempted for firms filing an appeal. In 2026, four drop appeals were received.

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](#) (paragraph 13 of PR-C Section 300) (previously in the [Peer Review Board Termination Resolution](#) (Interpretation 5h-1) on [aicpa-cima.com](#)). 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 list for AEs. Terminated firms with AICPA members are reported in PRB open session materials and [published on aicpa-cima.com](#).

This agenda item includes statistics of firms with and without AICPA members.

A summary of firm hearing panel decisions over the past five years is shown below:



* As of March 31, 2026

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 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 (paragraphs 16 and .A15 of PR-C Section 300). These include firms:

- Dropped for not accurately representing its accounting and auditing practice;
- Terminated for:
 - Omitting or misrepresenting 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. Through March 31, 2026, two reenrollment requests were considered, resulting in one denial and one approval with required conditions.



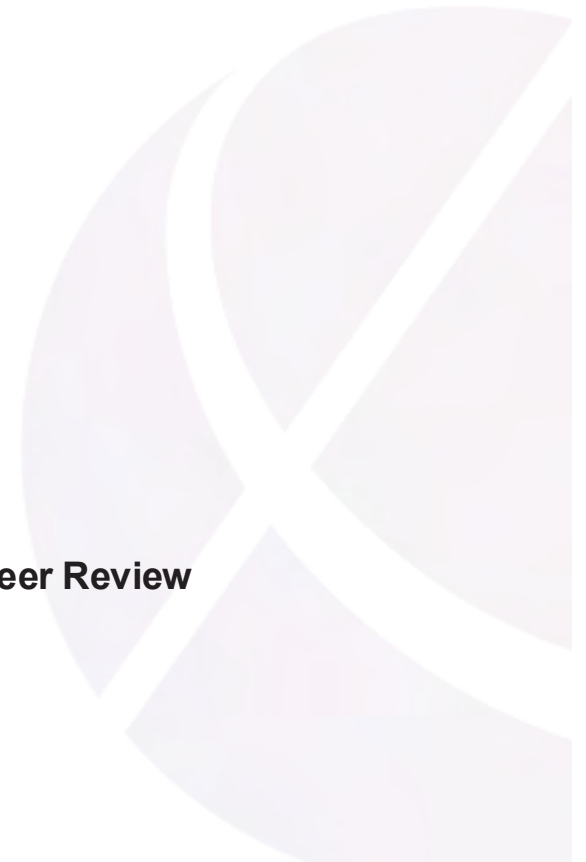
AICPA[®]

Peer Review
Program



AICPA Enforcement

Toni Lee-Andrews, CPA,CGMA | Senior Technical Director – Ethics & Peer Review



Peer review and ethics enforcement

2

Proposal to address certain ethics matters as part of the peer review process

- Not a bylaw proposal but an AICPA Council resolution
- The Professional Ethics Division receives ~60 A&A and related independence complaints per year
- Investigation and remediation focuses solely on the individual
 - A&A engagements are the product of a firm's system of quality management
- Resolution of cases can take 5+ years
 - Timeliness of case resolution is a top stakeholder concern (complainants, investigated individuals and their firms)
- Proposal
 - Address issues identified in complaints by Peer Review process rather than Ethics Division investigation

Proposal to address certain ethics matters as part of the peer review process

- Applies only to:
 - CPA Firms
 - Services in the scope of Peer Review (A&A/independence)
- No change to treatment of alleged violations outside the scope of Peer Review, including those involving:
 - Behavioral issues
 - Financial reporting matters by CPAs in management accounting
 - Tax matters

Benefits of proposal

- Enhances A&A quality through:
 - More effective remediation
 - Focus on firm's system of quality management, in addition to individual, for improvement
 - More timely remediation
 - Peer review has a three-year cycle and issues will be addressed well within that period
- Supported by:
 - Regulators who submit Ethics complaints
 - Peer Review Board and Professional Ethics Executive Committee

Impacts on peer review

Stakeholder	Level of effort required
Peer reviewers	Minimal increase, <1% of reviews affected
AICPA Peer Review staff	Minimal increase
Firms	Minimal or no increase
Administering entities	Minimal or no increase

Next Steps

- Consideration of all 3 proposals by AICPA Board (April)
- Presentation for discussion and [approval] at AICPA Spring Council (May)*
- Bylaws vote within 180 days of AICPA Council [if approved]
- Implementation



Thank you

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2025 Annual Report

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About the PCAOB

The Public Company Accounting Oversight Board (PCAOB or “the Board”) is a nonprofit corporation established by Congress to oversee the audits of public companies. The PCAOB also oversees the audits of certain brokers and dealers registered with the U.S. Securities and Exchange Commission (SEC).

The five members of the Board are appointed to staggered five-year terms by the SEC, after consultation with the Chair of the Board of Governors of the Federal Reserve System and the Secretary of the Treasury. The SEC has oversight authority over the PCAOB, including the approval of the Board’s rules, standards, and budget.

Mission

The PCAOB oversees the audits of public companies and SEC-registered brokers and dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

Visit the PCAOB website – www.pcaobus.org – to learn more about how the PCAOB works each day to accomplish its mission.



MESSAGE FROM THE CHAIRMAN

I am pleased to present the PCAOB's 2025 Annual Report.

As required by the Sarbanes-Oxley Act of 2002 – the law that created the PCAOB – this report shares the PCAOB's audited financial statements for the fiscal year ended December 31, 2025. As further required by the Act, it includes a summary of the PCAOB's standard-setting activities in 2025 and a discussion of the Board's engagement with advisory groups during the year. It also provides:

- Highlights of the PCAOB's efforts to protect investors and drive audit quality in 2025; and
- Links to key resources that may be of interest to investors, auditors, audit committee members, and other stakeholders.

I thank Erica Y. Williams, George R. Botic, Christina Ho, Kara M. Stein, Anthony C. Thompson, and the PCAOB's dedicated staff for their work last year.

In January 2026, the PCAOB entered a new era of leadership with the SEC's appointment of a new Board. My fellow Board Members and I took on our new roles with a strong commitment to refocusing on the PCAOB's core statutory mission: protecting investors and furthering the public interest in the preparation of informative, accurate, and independent audit reports.

Independent oversight of auditors, which the PCAOB embodies in its mission and day-to-day work, is a critical pillar of the investor confidence that powers the U.S. capital markets. In partnership with the SEC and the PCAOB's talented staff – and with a renewed dedication to innovation and responsiveness – we are doing all that we can to build that confidence and execute our statutory responsibilities efficiently and effectively.

Respectfully,

Demetrios (Jim) Logothetis

Chairman

Public Company Accounting Oversight Board

Washington, DC, March 30, 2026



Demetrios (Jim) Logothetis
Chairman



George R. Botic
Board Member



Steven D. Laughton
Board Member



Mark A. Calabria
Board Member

2025 HIGHLIGHTS

Inspections

www.pcaobus.org/inspections

- During 2025, PCAOB staff inspected over 200 registered public accounting firms, reviewing over 880 audit engagements of public companies and SEC-registered brokers and dealers. Seventy of these firms (responsible for over 200 audits) were located outside of the United States.
- Leveraging inspection observations to drive improved audit quality, PCAOB staff posted several [publications](#) related to common audit deficiencies, good practices, important reminders for auditors, and other insights.
- To support smaller registered public accounting firms, the PCAOB aggregated its Audit Focus publication series and other helpful resources on a new [Information for Smaller Firms](#) resources page.

Registration

www.pcaobus.org/registration

- At the end of 2025, there were 1,444 audit firms registered with the PCAOB, including 646 domestic firms and 798 non-U.S. firms located in 80 jurisdictions. The 2025 total of registered public accounting firms was down 6% from the total as of December 31, 2024, when there were 1,544 firms registered with the PCAOB. Audit firms that withdrew from registration in 2025 cited reasons including performing no work requiring registration with the PCAOB (58% of withdrawing firms), a business combination or the dissolution of the firm (12%), and increased regulations (7%). Two firms reported an ongoing investigation or other action by the SEC or PCAOB, and one firm cited sanctions against Russia. Twenty percent of firms that withdrew provided no reason for their withdrawal.

Standards

www.pcaobus.org/standards

- To support the implementation of new PCAOB standards, PCAOB staff provided guidance,¹ publications, videos, workshops, and other resources to help registered public accounting firms of all sizes update their methodologies and train their staff on necessary changes. The Board issued a policy statement to assist auditors in implementing paragraph .10A of AS 1105, *Audit Evidence*. (See *Results of PCAOB Standard-Setting Responsibilities* on page 8 below.)
- After considering stakeholder input regarding QC 1000, *A Firm's System of Quality Control* – the PCAOB's new quality control standard – the PCAOB postponed the effective date by one year (to December 15, 2026) to provide registered public accounting firms with additional time to address implementation challenges. During 2025, staff also conducted extensive outreach with registered public accounting firms to better understand their implementation progress and challenges and to respond to questions regarding the requirements of the new standard.

¹ See, [Staff Guidance – Insights for Auditors Examples of Evaluating the Reliability of External Information Provided by the Company in Electronic Form](#) (October 2025), [Staff Guidance – QC 1000: A Firm's System of Quality Control](#) (September 2025), and [Staff Guidance – AS 2901: Responding to Engagement Deficiencies After Issuance of the Auditor's Report](#) (September 2025).

Enforcement

www.pcaobus.org/enforcement

- The PCAOB issued 37 public disciplinary orders in 2025 to hold registered public accounting firms and associated persons accountable for misconduct involving audit failures, quality control violations, and other issues.
- The PCAOB continued to conduct investigations, both in the United States and abroad, of potential violations of PCAOB rules and standards.

International

www.pcaobus.org/international

- Building on its longstanding commitment to cross-border cooperation as a means to protect investors in U.S. capital markets, the PCAOB entered into [cooperative arrangements](#) with audit regulators in Cyprus, Lithuania, Romania, and the Slovak Republic. The PCAOB also amended existing agreements with audit regulators in Denmark and Spain.
- The PCAOB advanced its collaboration and engagement with audit regulators from around the world, notably through its participation in the International Forum of Independent Audit Regulators and by hosting the [International Institute on Audit Regulation](#) in Washington, DC. Audit regulators from 33 non-U.S. jurisdictions attended the 2025 Institute.

Other Activities in Support of the PCAOB's Mission

www.pcaobus.org/about

- The PCAOB strengthened its stakeholder engagement, notably with the launch of the [Smaller Firms Resource Group](#). Comprised of professionals from smaller registered public accounting firms, the group was established to provide the PCAOB staff with feedback specific to smaller firms.
- PCAOB Board Members hosted and PCAOB staff participated in a series of five [forums across the country](#) to interact directly with smaller registered public accounting firms by sharing guidance and perspectives on key audit topics.
- The PCAOB launched a new publication series – [Data Points](#) – presenting concise, data-driven insights relevant to audits. Each edition of Data Points offers neutral, factual information drawn from PCAOB datasets and other available sources.
- To foster rigorous economic research in topics that are relevant to the PCAOB's mission, the PCAOB hosted two academic conferences: the PCAOB/Management Science Registered Reports Conference and the Conference on Auditing and Capital Markets. Each event drew over 100 researchers to Washington.
- The PCAOB [announced](#) that 685 students, nominated by their U.S. colleges and universities, were selected to each receive a \$15,000 merit-based scholarship for the 2025-2026 academic year. The Sarbanes-Oxley Act provides that funds from the collection of civil monetary penalties imposed by the PCAOB must be used to fund a merit scholarship program for students in accredited accounting degree programs. In 2025, the PCAOB enhanced its engagement with PCAOB Scholars, notably via a dedicated LinkedIn group for Scholars that during the year grew to over 1,000 members and held its first online Q&A event with a PCAOB Board Member.

PCAOB-Registered Public Accounting Firms

As of December 31, 2025

	U.S. firms	Non-U.S. firms	Total
Firms issuing audit reports for issuers¹ (by number of audit reports issued)			
1-5	87	159	246
6-10	29	20	49
11-25	43	23	66
26-50	13	8	21
51-100	10	6	16
More than 100	12	0	12
Firms issuing audit reports for broker-dealers only²	112	0	112
Substantial-role-only firms³	0	59	59
Firms not performing issuer, broker-dealer, or substantial-role audits	340	523	863
Total	646	798	1,444

¹ The term "issuer" has the meaning as defined in Section 2(a)(7) of the Sarbanes-Oxley Act of 2002 (SOX).

² The Dodd-Frank Act of 2010 amended SOX to, among other things, authorize the PCAOB to oversee audits of broker-dealers registered with the SEC.

³ SOX permits the PCAOB to inspect an audit firm that plays a substantial role in an audit, even if that firm does not issue the audit report, and Board rules require the PCAOB to inspect at least 5% of substantial-role-only firms each year.

PCAOB-Registered Public Accounting Firms by Jurisdiction

As of December 31, 2025

Jurisdiction	Number of registered public accounting firms
United States	646
India	86
United Kingdom*	44
China	42
Canada, Singapore	37 each
Hong Kong	30
Germany, Malaysia	24 each
Australia, France	22 each
Chile, Peru	21 each
Brazil, Turkey	20 each
Mexico	17
Israel	16
Italy, South Korea	15 each
Taiwan	13
Argentina, Spain	12 each
Colombia, Ireland, Japan, Netherlands	11 each
Indonesia, Philippines, Sweden	10 each
Pakistan, Russia, South Africa	9 each
Belgium	8
Greece, Nigeria, Switzerland, United Arab Emirates, Uruguay	7 each
Poland	6
Austria, Hungary, Luxembourg, Thailand, Venezuela	5 each
Denmark, Kazakhstan, New Zealand, Norway, Portugal, Ukraine	4 each
Czechia, Finland, Panama, Vietnam	3 each
Bahamas, Bahrain, Bolivia, Costa Rica, Egypt, El Salvador, Ghana, Guatemala, Paraguay, Saudi Arabia	2 each
Armenia, Belize, Cyprus, Dominican Republic, Ecuador, Iceland, Jamaica, Kenya, Kuwait, Lithuania, Malta, Mauritius, Qatar, Romania, Slovakia, Tanzania, Tunisia	1 each
Total	1,444

* The number of registered public accounting firms in the United Kingdom includes firms located in Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man, and Jersey.

RESULTS OF PCAOB STANDARD-SETTING RESPONSIBILITIES

Under federal law, the PCAOB establishes auditing and related professional practice standards for registered public accounting firms to follow in the preparation of audit reports for public companies, other issuers, and broker-dealers. Effective standards are foundational to high audit quality and to the PCAOB's oversight, including inspections and enforcement. The Sarbanes-Oxley Act requires the PCAOB's Annual Report to discuss the results of its standard-setting responsibilities for the year.

In 2025, the PCAOB's standard-setting activities were focused largely on implementation of recently adopted standards, such as QC 1000, *A Firm's System of Quality Control*; AS 2310, *The Auditor's Use of Confirmation*; and amendments adopted to clarify auditor responsibilities when using technology-assisted analysis. Among the PCAOB's standard-setting efforts were the following:

- A new effective date for QC 1000:** In August 2025, the PCAOB [announced](#) it would postpone for one year (to December 15, 2026) the effective date for QC 1000 and other new and amended PCAOB standards, rules, and forms adopted by the Board on May 13, 2024. The new effective date provides registered public accounting firms with additional time to design and implement robust QC 1000-compliant systems.
- Implementation-related policy statement and guidance:** In September 2025, the PCAOB released a [Board policy statement](#) – followed by related [staff guidance](#) – to assist auditors in implementing new provisions (adopted by the Board in 2024) of AS 1105, *Audit Evidence*. Specifically, the Board policy statement addressed certain circumstances in which the Board will not treat the absence of separate testing under paragraph .10A(b) as noncompliance with PCAOB auditing standards. The staff guidance provided illustrative examples that can help registered public accounting firms implement the paragraph .10A requirements.
- Implementation-related videos:** The PCAOB posted several staff presentation videos designed to help firms and auditors with implementation of QC 1000. The videos covered a range of topics, including the risk assessment process ([January 2025](#)), the monitoring and remediation process ([March 2025](#)), and roles and responsibilities, ethics and independence, people resources, and technological and intellectual resources ([May 2025](#)).

Pending Issues Agenda for Future Standard-Setting Projects

As part of establishing and maintaining PCAOB standards, the PCAOB considers current and emerging audit issues and determines the need for engaging in standard setting or conducting research on standards-related issues. The projects are informed by a range of activities, such as the PCAOB's oversight of registered public accounting firms; engagement with investors and other stakeholders, including through the PCAOB's advisory groups; discussion with SEC staff; activities of other regulators and standard setters; and other relevant inputs and developments.

The standard-setting agenda is primarily focused on enhancing investor protection by prioritizing the areas where improvements to PCAOB standards could have the most significant impact on audit quality and the public interest.

The PCAOB's **standard-setting agenda** can be found on the PCAOB website.

- **Implementation-related workshops:** The PCAOB hosted workshops aimed at assisting smaller firms with implementation of QC 1000. The in-person workshops provided in-depth information and hands-on activities led by PCAOB staff for auditors of smaller firms who are directly responsible for implementing QC 1000. The workshops were held in May 2025 in Washington, DC, and in June 2025 in Irving, TX. In July, PCAOB staff also led virtual, interactive workshops on QC 1000. Video content from the virtual workshops was [posted to the PCAOB website](#).
- **Knowledge checks for new standards:** The PCAOB posted several “knowledge checks” – informal quizzes designed to help auditors gauge their understanding of important aspects of new standards. The knowledge checks covered [QC 1000](#) and [AS 2310](#).

THE WORK OF THE PCAOB’S ADVISORY GROUPS

Advisory groups provide advice and insight to the Board on matters related to the PCAOB’s work. The PCAOB’s convening of these groups is mandated by the Sarbanes-Oxley Act, which also requires that the PCAOB include discussion of its work with advisory groups in its Annual Report. More information related to the PCAOB’s [advisory groups](#) is available on the PCAOB website.



Investor Advisory Group (IAG)

The IAG held two public meetings – in **April** and **September** 2025 – to provide the Board with the views of investors on topics such as the pipeline for accounting talent and its impact on financial reporting, as well as potential opportunities and challenges presented by artificial intelligence in the audit and financial reporting context. The meetings also included discussions about the application of auditing standards related to internal control over financial reporting and about private market valuation practices. The IAG reviewed select critical audit matters (CAMs) and key audit matters (KAMs) from the prior year, following **a call for public input** on CAMs and KAMs, and presented analysis regarding decision-usefulness of the CAMs and KAMs.



Standards and Emerging Issues Advisory Group (SEIAG)

The SEIAG’s public meeting in **May 2025** included discussion of emerging issues, implementation of new and amended standards, and the importance of audit firm culture. In **November 2025**, the SEIAG addressed artificial intelligence and cryptocurrency.

FINANCIAL REVIEW

This financial review, together with the 2025 audited financial statements and the accompanying notes, provides financial information related to our programs and activities. Our financial statements are presented in accordance with accounting principles generally accepted in the United States of America and reflect the specific reporting requirements of not-for-profit organizations. The following discusses the highlights of our activities and financial position as presented in the accompanying audited financial statements. Unless noted otherwise, dollar amounts in this financial review and the 2025 audited financial statements and the accompanying notes are rounded in millions.

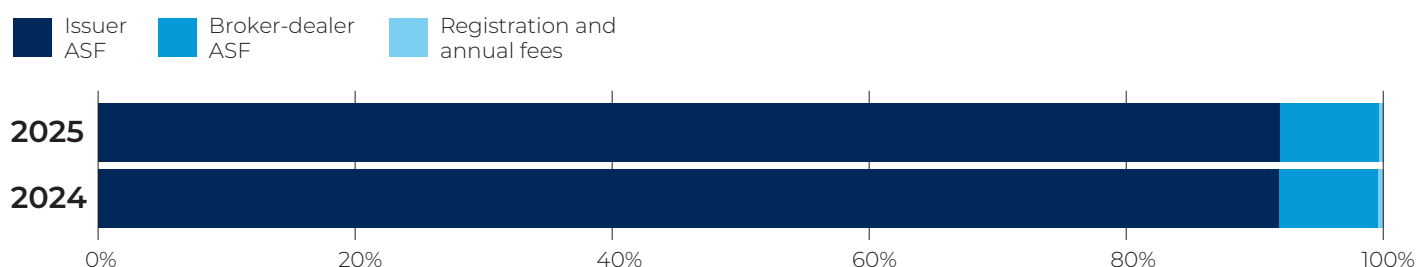
Financial Highlights

Results of Operations

Net Operating Revenue

Most of our revenue is generated from the accounting support fee (ASF), which is assessed annually on issuers and U.S. Securities and Exchange Commission (SEC)-registered broker-dealers. The ASF is calculated during the annual budget process based on an estimate of annual expenses for the budget year and an estimate of expenses for the first five months of the subsequent year, and certain other adjustments. The ASF is allocated among issuers and broker-dealers based on the estimated headcount for issuer-audit related activities and broker-dealer-audit related activities for a given year. The ASF is subject to review and approval by the SEC concurrent with each annual budget.

Percentage of operating revenues by type 2025 vs. 2024



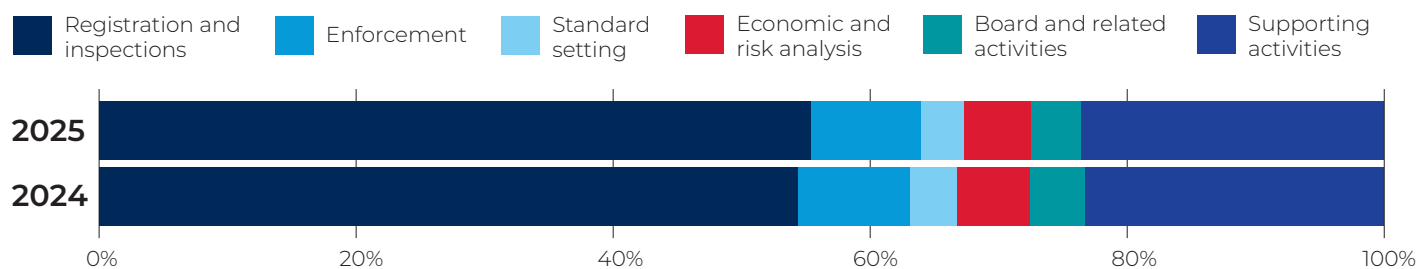
Our net operating revenue increased by \$16.0 million, or 4%, from the prior year, primarily due to the increase in the issuer ASF in 2025. The ASF increase was largely related to estimated increases in personnel costs and increased estimated costs associated with maintaining and enhancing the PCAOB's IT applications and infrastructure, as well as increased estimated travel expenses to perform inspections in the offices of registered public accounting firms.

The table below presents our net operating revenue by line item for each of the years ended December 31, 2025 and 2024:

(\$ in millions)	2025	2024
Issuer accounting support fee	\$346.1	\$331.0
Broker-dealer accounting support fee	28.8	27.8
Registration fees and annual fees from PCAOB-registered public accounting firms	1.2	1.3
Total net operating revenue	\$376.1	\$360.1

Operating Expenses

Percentage of operating expenses by functional classification 2025 vs. 2024



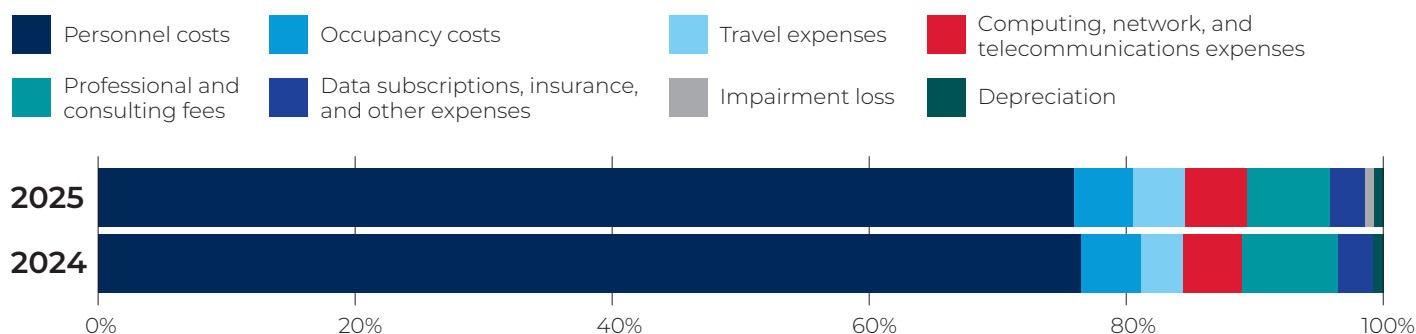
Personnel costs represented 76% of our total operating expenses, with more than half of these costs related to our registration and inspections program.

Overall, operating expenses decreased by \$0.3 million, or less than 1%, from the prior year. Costs for program services decreased by \$1.2 million compared to the prior year, primarily due to decreased professional and consulting fees and lower headcount resulting in decreased personnel costs, offset by increased travel for inspections compared to the prior year. For supporting activities, the increase of \$0.9 million was primarily attributed to administration and general personnel costs and consulting fees for both administration and general and information technology. The increase was partially offset by lower information technology personnel costs primarily due to lower headcount and salary expenses.

The table below presents operating expenses (by program services and supporting activities) for each of the years ended December 31, 2025 and 2024:

(\$ in millions)	2025	2024
Program services:		
Registration and inspections	\$205.2	\$201.3
Enforcement	31.5	32.4
Standard setting	12.5	13.8
Economic and risk analysis	19.4	20.8
Board and related activities	14.2	15.7
Total program services	282.8	284.0
Supporting activities:		
Administration and general	71.0	66.7
Information technology	16.4	19.8
Total supporting activities	87.4	86.5
Total operating expenses	\$370.2	\$370.5

Percentage of operating expenses by natural classification 2025 vs. 2024



The table below presents operating expenses (by natural classification) for each of the years ended December 31, 2025 and 2024:

(\$ in millions)	2025	2024
Personnel costs	\$281.4	\$283.5
Occupancy costs	16.7	17.3
Travel expenses	15.4	12.0
Computing, network, and telecommunications expenses	17.7	17.1
Professional and consulting fees	23.9	27.7
Data subscriptions, insurance, and other expenses	9.9	10.0
Impairment loss	2.6	-
Depreciation	2.6	2.9
Total operating expenses	\$370.2	\$370.5

Personnel costs decreased by \$2.1 million, or 1%, compared to the prior year, primarily due to a decrease in program services headcount compared to prior year. This decrease was partially offset by an increase in administration and general headcount compared to the prior year.

Travel expenses increased by \$3.4 million compared to the prior year, primarily due to increased in-person inspections compared to the prior year.

Professional and consulting fees decreased by \$3.8 million compared to the prior year, primarily due to consulting fees related to the development of a new registration and inspections system in the prior year for a cloud computing implementation project that was cancelled in 2025 (see related impairment loss discussion below). This decrease was partially offset by increased language translation costs associated with international inspections.

An impairment loss of \$2.6 million was recorded for the write-off of deferred implementation costs for a cloud computing implementation project that was cancelled in 2025. See Note 2 to the financial statements for additional discussion.

See Note 8 to the financial statements for additional details of expenses by program services and supporting activities.

Operating Income

The lower-than-budgeted expenditures for 2024 resulted in a higher cash reserve at the start of 2025. Pursuant to PCAOB Rule 7106, excess funds of the Board in one fiscal year shall reduce the total ASF in the next fiscal year. The actual expenses required to support PCAOB's operations in 2025 were slightly lower than in the prior year. This, combined with the increased ASF calculated and assessed in 2025, resulted in operating income in 2025.

Other Revenue (Expense)

The table below presents components of other revenue (expense) for each of the years ended December 31, 2025 and 2024:

(\$ in millions)	2025	2024
Interest income and other	\$9.7	\$11.6
Monetary penalties, net	20.8	38.6
Scholarship payments, net	(9.8)	(10.0)
Total other revenue	\$20.7	\$40.2

Monetary penalties, net, decreased by \$17.8 million compared to the prior year. Revenue from monetary penalties depends on the amount of monetary penalties imposed in a given year.

Statements of Financial Position

Assets

The table below presents our total assets by type as of December 31, 2025 and 2024, respectively:

(\$ in millions)	2025	2024
Cash and cash equivalents	\$194.6	\$183.3
Restricted cash and cash equivalents	77.0	66.3
Short-term investment	20.7	22.8
Accounts and other receivables, net of allowance for credit losses of \$1.8	2.1	1.0
Prepaid expenses and other assets	23.4	23.7
Furniture and equipment, leasehold improvements, and technology, net	6.3	7.0
Operating lease right-of-use assets	37.8	49.6
Total assets	\$361.9	\$353.7

Cash and cash equivalents increased by \$11.3 million from the prior year, primarily due to the increased ASF in 2025 and net proceeds from the reinvestment of the U.S. Treasury Bill at year end.

Restricted cash and cash equivalents increased by \$10.7 million compared to the prior year, due to collection of \$17.7 million in monetary penalties and \$3.1 million interest income in 2025, partially offset by scholarships paid. See Note 7 to the financial statements for additional discussion.

Operating lease right-of-use (ROU) assets decreased by \$11.8 million from the prior year, due to the lease amortization for our office leases. This was partially offset by an increase in ROU assets for a new office space lease for our Ashburn, Virginia, location due to the expiration of the prior lease. We also extended the lease for our data center space in Ashburn, Virginia, in August 2025 by exercising the option to renew the lease for 12 months upon the expiration of the term in early 2026, as well as adding a second data center space lease in Ashburn, Virginia. See Note 5 to the financial statements for additional discussion.

Liabilities

Our total liabilities decreased by \$18.4 million from the prior year, primarily driven by a \$13.9 million decrease related to the payment of our operating lease liabilities. The remaining decrease primarily related to accrued payroll and related benefits, including early separation incentives offered in 2024 to eligible employees that were paid out in 2025. The table below presents total liabilities by type as of December 31, 2025, and 2024, respectively:

(\$ in millions)	2025	2024
Accrued payroll and related benefits	\$33.5	\$38.4
Accounts payable and accrued expenses	4.5	4.1
Operating lease liabilities	47.1	61.0
Total liabilities	\$85.1	\$103.5

Liquidity

We are primarily funded by the ASF assessed on issuers and SEC-registered broker-dealers. Certain of our assets are subject to statutory restrictions for scholarships and sequestration or contractual restrictions under an agency agreement. The primary goal of our liquidity management policy is to structure our financial assets to maintain liquidity to meet our general expenditures, liabilities, and other obligations as they become due. Due to the timing required to complete the annual ASF billing and collections cycle, we maintain a working capital reserve to cover our estimated expenditures for the first five months of the following fiscal year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Board of the
Public Company Accounting Oversight Board

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying statement of financial position of the Public Company Accounting Oversight Board (PCAOB) as of December 31, 2025 and 2024, the related statements of activities and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively referred to as the financial statements). We also have audited the PCAOB's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control—Integrated Framework* (2013), as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly—in all material respects—the financial position of the PCAOB as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the PCAOB maintained—in all material respects—effective internal control over financial reporting as of December 31, 2025, based on the criteria established in *Internal Control—Integrated Framework* (2013) issued by COSO.

Basis for Opinions

The PCAOB's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Financial Reporting Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the PCAOB's financial statements and an opinion on the PCAOB's internal control over financial reporting based on our audits. We are required to be independent with respect to the PCAOB in accordance with the relevant ethical requirements relating to our audits.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement—whether due to error or fraud—and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements—whether due to error or fraud—and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that:

- 1) pertain to the maintenance of records that—in reasonable detail—accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that both the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the PCAOB Board and that:

- 1) relate to accounts or disclosures that are material to the financial statements; and
- 2) involved our especially challenging, subjective, or complex judgments.

We determined that there are no critical audit matters.

We have served as the PCAOB's auditor since 2021.

Sibich CPA LLC

Alexandria, Virginia
March 30, 2026

FINANCIAL STATEMENTS

Statements of Financial Position

As of December 31, 2025 and 2024

(\$ in millions)	2025	2024
Assets		
Cash and cash equivalents	\$194.6	\$183.3
Restricted cash and cash equivalents	77.0	66.3
Short-term investment	20.7	22.8
Accounts and other receivables, net of allowance for credit losses of \$1.8	2.1	1.0
Prepaid expenses and other assets	23.4	23.7
Furniture and equipment, leasehold improvements, and technology, net	6.3	7.0
Operating lease right-of-use assets	37.8	49.6
Total assets	\$361.9	\$353.7
Liabilities and net assets without donor restrictions		
Liabilities		
Accrued payroll and related benefits	\$33.5	\$38.4
Accounts payable and accrued expenses	4.5	4.1
Operating lease liabilities	47.1	61.0
Total liabilities	85.1	103.5
Net assets without donor restrictions		
Undesignated	176.7	162.0
Statutorily designated for scholarships	77.3	66.3
Statutorily designated for sequestration	22.8	21.9
Total net assets without donor restrictions	276.8	250.2
Total liabilities and net assets without donor restrictions	\$361.9	\$353.7

The accompanying notes are an integral part of the financial statements.

Statements of Activities

For the years ended December 31, 2025 and 2024

(\$ in millions)	2025	2024
Changes in net assets without donor restrictions		
Net operating revenue		
Issuer accounting support fee	\$346.1	\$331.0
Broker-dealer accounting support fee	28.8	27.8
Registration fees and annual fees from PCAOB-registered public accounting firms	1.2	1.3
Total net operating revenue	376.1	360.1
Operating expenses		
Program services		
Registration and inspections	205.2	201.3
Enforcement	31.5	32.4
Standard setting	12.5	13.8
Economic and risk analysis	19.4	20.8
Board and related activities	14.2	15.7
Supporting activities		
Administration and general	71.0	66.7
Information technology	16.4	19.8
Total operating expenses	370.2	370.5
Operating income (loss)	5.9	(10.4)
Other revenue (expense)		
Interest income and other	9.7	11.6
Monetary penalties, net	20.8	38.6
Scholarship payments, net	(9.8)	(10.0)
Total other revenue	20.7	40.2
Increase in net assets without donor restrictions	26.6	29.8
Net assets without donor restrictions — Beginning of year	250.2	220.4
Net assets without donor restrictions — End of year	\$276.8	\$250.2

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(\$ in millions)	2025	2024
Cash flows from operating activities		
Cash received from issuers	\$346.1	\$331.6
Cash received from broker-dealers	28.3	28.5
Cash received from PCAOB-registered public accounting firms	1.2	1.2
Interest income and other	9.8	11.5
Cash received from monetary penalties	20.8	38.7
Cash paid to fund scholarships, net	(10.0)	(10.0)
Cash paid for operating expenses	(375.0)	(369.6)
Net cash provided by operating activities	21.2	31.9
Cash flows from investing activities		
Purchases of furniture and equipment, leasehold improvements, and technology	(1.4)	(0.8)
Purchase of short-term investment	(20.6)	(22.8)
Proceeds from maturity of short-term investment	22.8	21.9
Net cash provided by (used in) investing activities	0.8	(1.7)
Increase in cash and cash equivalents, and restricted cash and cash equivalents	22.0	30.2
Cash and cash equivalents, and restricted cash and cash equivalents — Beginning of year	249.6	219.4
Cash and cash equivalents, and restricted cash and cash equivalents — End of year	\$271.6	\$249.6
Supplemental disclosures:		
Fixed asset purchases acquired but not paid for as of year-end	-	\$0.1
Fixed asset purchases acquired through the use of leasehold incentives	\$0.4	-

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1—Organization

The Public Company Accounting Oversight Board (PCAOB or “Board”) is a District of Columbia nonprofit corporation established by the Sarbanes-Oxley Act to oversee the audits of public companies and U.S. Securities and Exchange Commission (SEC)-registered broker-dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

We are overseen by the SEC, which has the authority to appoint Board Members and to approve our rules, standards, and budget. The Sarbanes-Oxley Act established funding for our activities primarily through an accounting support fee (ASF) assessed on issuers based on their relative average monthly market capitalization and on SEC-registered broker-dealers based on their relative average quarterly tentative net capital. The annual ASF is approved by the SEC.

Our operations consist of program services and supporting activities. Our program services for financial reporting purposes are: registration and inspections; enforcement; standard setting; economic and risk analysis; and Board and related activities. Our supporting activities are: administration and general activities and information technology activities. Refer to Note 8 for additional details related to our program services and supporting activities.

Note 2—Summary of Significant Accounting Policies

Presentation—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and are presented pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Cash and Cash Equivalents—The term cash and cash equivalents, as used in the accompanying financial statements, includes demand deposits with domestic high-credit-quality financial institutions, money market funds, and investments in securities made pursuant to an overnight automated investment sweep agreement. All non-restricted highly liquid instruments purchased with an original maturity of three months or less are cash equivalents.

Money market funds — Our money market funds are available on-demand and valued using quoted prices in active markets and consist primarily of high-quality investments in U.S. Treasury securities and/or repurchase agreements secured by U.S. government obligations. We consider these money market funds to be Level 1 financial instruments (see fair value measurements table below).

Automated Investment Sweep — Pursuant to a sweep agreement, we invest excess cash at the end of each business day in a money market fund that invests in high-quality money market instruments (primarily U.S. Treasury securities and repurchase agreements). Purchased money market fund shares are held by the financial institution, as an agent, on an overnight basis and are liquidated by the financial institution on the next business day at an agreed-upon price. In the event of the financial institution’s failure or default, we could experience a delay in disposing of such securities.

Restricted Cash and Cash Equivalents—The term restricted cash and cash equivalents, as used in the accompanying financial statements, consists of cash or money market funds to be used to fund our Scholarship Program, established pursuant to Section 109(c)(2) of the Sarbanes-Oxley Act, as well as funds held for FASB under an agency agreement, as discussed in the Cash Held for Others Under Agency Agreement section below.

Short-term Investment—The term investment, as used in the accompanying financial statements, consists of a U.S. Treasury Bill that matures within one year of purchase. See Note 7 for additional

discussion of funds statutorily designated for sequestration. Our investments are recorded at fair value. We estimate fair value based on pricing from observable trading activity for similar securities. We have classified these instruments as Level 2 fair value measurements (see fair value measurements table below). The purchase and sale of a security is recorded on a trade date basis. Interest income and net gains and losses are recorded on an accrual basis and are included in interest income and other on the accompanying statements of activities.

Fair Value of Financial Instruments—The fair values of cash and cash equivalents, restricted cash and cash equivalents, accounts and other receivables, and accounts payable approximate their carrying values due to the short-term nature of these items.

The following table presents our assets measured at fair value as of December 31, 2025 and 2024:

(\$ in millions)	Fair Value Measurements		
	Level 1	Level 2	Total
2025			
Money market funds			
Cash and cash equivalents	\$194.3	-	\$194.3
Restricted cash and cash equivalents	\$77.0	-	\$77.0
U.S. Treasury Bill			
Short-term investment		\$20.7	\$20.7
2024			
Money market funds			
Cash and cash equivalents	\$183.1	-	\$183.1
Restricted cash and cash equivalents	\$66.2	-	\$66.2
U.S. Treasury Bill			
Short-term investment	-	\$22.8	\$22.8

Concentration of Credit Risk—Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents. We mitigate this risk in two ways. We invest the majority of cash in money market funds that consist primarily of high-quality investments in U.S. Treasury securities and/or repurchase agreements secured by U.S. government obligations. We also maintain certain cash deposits that exceed the amount of insurance provided on such deposits. These cash deposits are subject to daily overnight investment sweep agreements and maintained in a domestic high-credit-quality financial institution. We have not experienced nor expect to incur any credit-risk related losses in these accounts.

Accounts and Other Receivables, Net of Allowance for Credit Losses—Accounts and other receivables are carried at the amount billed or accrued, net of an allowance for credit losses. The allowance for credit losses is estimated based on management's consideration of credit risk and analysis of receivables aging, specific identification of certain receivables that are at risk of not being paid, past collection experience, as applicable, current conditions, and reasonable and supportable forecasts.

The allowance for credit losses under the current expected credit losses (CECL) methodology is determined using the loss rate approach and measured on a collective (pool) basis when similar risk characteristics, such as financial asset type and the historical or expected credit loss pattern, exist. Where financial instruments do not have similar risk characteristics, they are evaluated on an individual basis. The allowance for credit losses is based on relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. The loss rate approach does not apply to individually assessed receivables. The allowance for credit losses as of December 31, 2025 and 2024 was \$1.8 million, which mostly related to specifically identifiable issuers, broker-dealers, registered public accounting firms, and their associated persons. Less than \$0.1 million related to receivables with similar risk characteristics.

Cloud Computing Arrangements—We incur costs to implement cloud computing arrangements that are hosted by a third-party vendor as we move certain on-premises systems and services to the cloud. Implementation costs incurred during the application development stage are generally capitalized and amortized over the term of the hosting arrangement on a straight-line basis.

We capitalized \$6.5 million and \$8.3 million of costs incurred to implement cloud computing arrangements as of December 31, 2025 and 2024, respectively. These costs are generally related to the development of, or significant enhancements to, certain cloud applications supporting the PCAOB's mission. During the year ended December 31, 2025, we recognized an impairment loss of \$2.6 million as discussed in the Long-Lived Assets section below.

The deferred cloud implementation costs of \$2.8 million and \$5.8 million as of December 31, 2025 and 2024, respectively, net of \$3.7 million and \$2.5 million of accumulated amortization, respectively, are included within prepaid expenses and other assets on the statements of financial position and will be expensed over the term of the related cloud computing arrangements. Amortization expense of capitalized implementation costs for cloud computing arrangements totaled \$1.2 million and \$0.9 million for each of the years ended December 31, 2025 and 2024, respectively, and is included in computing, network, and telecommunications expenses as presented in Note 8.

Long-Lived Assets—Long-lived assets, which include deferred cloud implementation costs, discussed above; furniture and equipment, leasehold improvements, and technology; and operating right-of-use assets, are reviewed for impairment annually or more frequently, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

During the year ended December 31, 2025, we recognized an impairment loss of \$2.6 million related to the write-off of deferred implementation costs for a cloud computing implementation project that was cancelled in 2025. Management determined that the \$2.6 million of deferred implementation costs related to the cancelled project would no longer provide any future economic benefit. The impairment loss is included in registration and inspections operating expenses in the statements of activities and is included in the Impairment loss caption in Note 8. No indicators of impairment were identified as of December 31, 2024.

Furniture and Equipment, Leasehold Improvements, and Technology, Net—Furniture and equipment, leasehold improvements, and technology, net, are stated at cost, less accumulated depreciation and amortization, computed using the straight-line method utilizing a half-year convention. Furniture and equipment and technology are depreciated over their estimated useful lives of three to five years. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the asset. Costs incurred during the application development stage for internally developed software are capitalized and amortized using the straight-line amortization method over the estimated useful life of the applicable software. Repairs and maintenance are charged to expense when incurred.

Leases—We lease space for our 10 office locations and two data centers. We determine if a contractual arrangement contains a lease at the inception of the arrangement. As part of the lease determination process under ASC Topic 842, Leases, we assess several factors, including, but not limited to, whether we have the right to control and direct the use of the asset and whether the other party has a substantive substitution right. After a lease is identified, if there are multiple components, we identify separate lease components based on whether the right to use the underlying assets is distinct and neither highly dependent nor highly interrelated with other rights in the contract. We also evaluate whether there are any nonlease components in the arrangement. For our office leases (see Note 5 to the financial statements for additional details), if separate lease and nonlease components are identified, we allocate the consideration in the contract to the lease and nonlease components using the relative stand-alone price method at lease inception. For all other classes of underlying assets, we have elected the available practical expedient to not separate nonlease components from lease components.

Many of our leases include options to renew at our sole discretion. Renewal and termination options, as applicable, are considered in the determination of the lease term at the commencement date when we are reasonably certain the options will be exercised, subject to reassessment in certain circumstances. When assessing the likelihood of electing these options, we consider the length of the renewal period, market conditions, plans for our facilities, the existence of a termination penalty, as well as other factors. Our lease agreements do not contain any material residual value guarantees, restrictive covenants, or variable lease payments that would be included in the operating lease liability.

Right-of-use (ROU) assets represent our right to use an underlying asset for the term of the lease, and lease liabilities represent our obligation to make lease payments throughout the term of the lease. ROU assets and lease liabilities are recognized as of the commencement date of the lease based on the present value of contractual lease payments due over the term of the lease. We elected to use the risk-free rate for all classes of underlying assets to determine the present value of the lease payments as the rate implicit in the respective leases was not readily determinable. ROU assets also include, if applicable, prepaid lease payments and initial direct costs, less lease incentives received.

ROU assets and lease liabilities resulting from operating leases are presented on our statements of financial position. We did not have any subleases as of December 31, 2025 and 2024.

Operating lease expense is recognized on a straight-line basis over the term of the lease. Some of our leases include tenant improvement allowances, which are recorded when we are reasonably certain to utilize the allowance and are amortized on a straight-line basis over the shorter of the lease terms or the asset lives. Leases with an initial lease term of twelve months or less are considered short-term leases. Short-term leases are not presented on our statements of financial position. Expenses associated with short-term leases are recognized on a straight-line basis over the term of the lease. Short-term lease costs were immaterial for each of the years ended December 31, 2025 and 2024.

Revenue Recognition—The Sarbanes-Oxley Act established funding for our activities primarily through the annual ASF assessed on issuers and SEC-registered broker-dealers. The annual ASF is approved by the SEC. We also assess registration fees and annual fees on registered public accounting firms and may impose monetary penalties as prescribed by the Sarbanes-Oxley Act.

Annual ASF—The annual ASF is assessed on issuers, as defined in the Sarbanes-Oxley Act, and on broker-dealers registered with the SEC. The purpose of the fees is to fund our mission to oversee the audits of public companies and SEC-registered broker-dealers to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The ASF is established annually by the Board based on our approved operating budget for each calendar year and adjusted to reflect amounts estimated to fund our operations for the first five months of the subsequent year, as well as other adjustments. The ASF is recognized as operating revenue in the year in which it is assessed.

Registration Fees—Each public accounting firm must pay a registration fee when it applies for registration with us. Registration fees are recognized as operating revenue in the year the application is submitted.

Annual Fees—All registered public accounting firms are required to file annual reports with us and pay annual fees to us. Annual fees are recognized as operating revenue in the year they are assessed.

Monetary Penalties, Net—Our sanctions may include monetary penalties imposed pursuant to Section 105 of the Sarbanes-Oxley Act. Monetary penalties are recognized as other revenue generally in the year (1) disciplinary orders are settled or (2) adjudicated final Board actions imposing sanctions in disciplinary proceedings are effective.

Monetary Penalties, Net and Scholarship Payments, Net—Amounts collected from monetary penalties are required to be used to fund merit scholarships awarded to students of accredited accounting degree programs, after congressional appropriation for such use of the monetary penalties. Amounts not paid out as of year-end are included in restricted cash and cash equivalents in the statements of financial position. In the statements of financial position, the net change in penalties assessed, including related interest income, and paid out as merit scholarships is reported as an increase or decrease in net assets without donor restrictions statutorily designated for scholarships in accordance with Section 109(c)(2) of the Sarbanes-Oxley Act.

Interest Income and Other—Interest income and net gains and losses are recorded on an accrual basis. Interest income consists of interest income earned on our cash and cash equivalents and restricted cash and cash equivalents, investment income on our short-term investment, interest fee income from issuers and broker dealers who were assessed accounting support fees, and collection fees for invoicing and collecting the FASB ASF.

Cash Held for Others under Agency Agreement—We serve as the collection agent for invoicing and collecting the FASB ASF and are paid a collection fee by FASB for serving as its collection agent. As FASB's collection agent, we received a collection fee of \$0.2 million in each of 2025 and 2024. Pursuant to the collection agent agreement, we collected \$32.9 million on behalf of FASB and remitted \$32.7 million to FASB in 2025, and collected \$43.1 million and remitted \$42.9 million in 2024. Funds received and not remitted to the FASB by year-end are included in restricted cash and cash equivalents, with a corresponding amount included in accounts payable and accrued expenses. The collection fees are included in interest income and other in the accompanying statements of activities and statements of cash flows.

Taxes—We are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Use of Estimates—The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements and accompanying notes. These estimates and assumptions are based on management's best knowledge of current and future events. Estimates and assumptions are used in accounting for, among other items, the allowance for credit losses, useful lives of furniture and equipment, certain accrued benefits, and allocation of expenses to program services and supporting activities. Actual results could differ from these estimates.

Statements of Cash Flows—We use the direct method of reporting net cash provided by or used in operating activities in the statements of cash flows.

The total of cash and cash equivalents and restricted cash and cash equivalents in the statements of financial position is shown in the statements of cash flows as of December 31, 2025 and 2024 as follows:

(\$ in millions)	2025	2024
Cash and cash equivalents	\$194.6	\$183.3
Restricted cash and cash equivalents	77.0	66.3
Total cash and cash equivalents and restricted cash and cash equivalents shown in the statements of cash flows	\$271.6	\$249.6

Note 3—Accounts and Other Receivables, Net

Accounts and other receivables, net consist of the following as of December 31, 2025 and 2024:

(\$ in millions)	2025	2024
Accounts receivable—issuer and broker-dealer accounting support fees and annual fees	\$1.3	\$0.9
Accounts receivable—other	1.7	1.0
Other receivables—monetary penalties	0.9	0.9
Accounts and other receivables, gross	3.9	2.8
Less: Allowance for credit losses	(1.8)	(1.8)
Accounts and other receivables, net of allowance for credit losses	\$2.1	\$1.0

The changes in our allowance for credit losses for accounts and other receivables are as follows:

(\$ in millions)	Year ended December 31, 2025				Year ended December 31, 2024			
	Issuer and broker-dealer accounting support fees and annual fees	Accounts receivables – other	Other receivables – monetary penalties	Total	Issuer and broker-dealer accounting support fees and annual fees	Accounts receivables – other	Other receivables – monetary penalties	Total
Beginning of period balance	\$ (0.7)	\$ (0.3)	\$ (0.8)	\$ (1.8)	\$ (1.1)	\$ (0.1)	\$ (0.7)	\$ (1.9)
(Provision for) / recovery of expected credit losses	(0.1)	(0.1)	-	(0.2)	(0.1)	(0.2)	(0.1)	(0.4)
Write-offs	0.2	-	-	0.2	0.5	-	-	0.5
End of period balance	\$ (0.6)	\$ (0.4)	\$ (0.8)	\$ (1.8)	\$ (0.7)	\$ (0.3)	\$ (0.8)	\$ (1.8)

Note 4—Furniture and Equipment, Leasehold Improvements, and Technology, Net

Furniture and equipment, leasehold improvements, and technology, net consist of the following as of December 31, 2025 and 2024:

(\$ in millions)	2025	2024
Technology		
Hardware	\$8.1	\$9.1
Purchased and developed software	8.2	11.9
Leasehold improvements	18.2	18.0
Furniture and equipment	6.0	6.5
Technology development and construction in process	0.4	0.4
Total furniture and equipment, leasehold improvements, and technology	40.9	45.9
Less: Accumulated depreciation and amortization	(34.6)	(38.9)
Furniture and equipment, leasehold improvements, and technology, net	\$6.3	\$7.0

Depreciation and amortization expense was \$2.6 million and \$2.9 million for the years ended December 31, 2025 and 2024, respectively.

Note 5—Leases

As of December 31, 2025, operating leases consisted of space for 10 office locations and two data centers with various expiration dates ranging from 2026 through 2031. Most of the leases contain escalation clauses and option(s) to renew. These renewal terms can extend the lease term from 1 year to 10 years at prevailing market rental values. These renewals are included in the lease term when it is reasonably certain that the PCAOB will exercise the option.

During 2024, the leases for five of our offices expired. We relocated and entered into new leases for our offices in San Francisco, California; Denver, Colorado; Atlanta, Georgia; and Dallas, Texas. The Irvine, California, office lease was amended in 2023 and commenced in July 2024. We also extended the lease for our data center space in Ashburn, Virginia, in October 2024 by exercising the option to renew the lease for 12 months upon the expiration of the initial term in early 2025. The Irvine, California, office lease amendment and data center lease extension were accounted for as lease modifications.

During 2025, the lease for our Ashburn, Virginia, office expired. We relocated and entered into a new lease for our Ashburn, Virginia, office. We also extended the lease for our existing data center space in Ashburn, Virginia in August 2025 by exercising the option to renew the lease for another 12 months upon the expiration of the term in early 2026. The data center lease extension was accounted for as a lease modification. We also entered into an agreement at the end of 2024 that commenced in 2025 for a second data center space in Ashburn with a reasonably certain lease term of two years.

Supplemental information related to leases is presented in the table below (in millions, except weighted-average remaining lease term and discount rate):

Years ended December 31	2025	2024
Operating lease cost	\$14.6	\$15.2
Cash paid for amounts included in the measurement of operating lease liabilities	17.1	17.4
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	\$1.8	\$5.2
As of December 31	2025	2024
Weighted-average remaining lease term — operating leases	2.8 years	3.7 years
Weighted-average discount rate — operating leases	1.9%	1.8%

Maturities of operating lease liabilities are as follows:

(\$ in millions)	
Year ending December 31,	Operating Leases
2026	\$17.7
2027	17.1
2028	11.8
2029	1.4
2030	0.5
2031	Less than \$0.1 million
Total lease payments	48.5
Less: imputed interest ¹	(1.4)
Present value of lease liabilities	\$47.1

¹ Imputed interest was calculated using the risk-free rate applicable for each lease arrangement.

As of December 31, 2025 and 2024, there were no material finance leases in which the PCAOB was a lessee.

Note 6—Retirement Benefit Plan

We have a defined contribution retirement plan that covers all eligible employees. For each of the years ended December 31, 2025 and 2024, we matched 100% of employee contributions up to 7% of eligible compensation. Our contributions vest immediately. We recognized personnel costs of \$13.8 million and \$13.6 million, for the years ended December 31, 2025 and 2024, respectively, related to our matching contributions.

Note 7—Net Assets Without Donor Restrictions

Our net assets are not subject to any donor-imposed restrictions. Our net assets include a working capital reserve that we maintain to fund our operations during the five-month period subsequent to December 31, 2025, prior to the collection of the issuer ASF for 2026. Our net assets also include funds designated for specific uses, as described below.

Designated for the PCAOB Scholarship Program—In 2025, we awarded 685 merit-based scholarships of \$15,000 each to eligible students for the 2025-2026 academic year. In 2024, we awarded 676 merit-based scholarships of \$15,000 each to eligible students for the 2024-2025 academic year.

Statutorily designated funds for scholarships are included in restricted cash and cash equivalents. The activity of the statutorily designated funds for the years ended December 31, 2025 and 2024, was as follows:

(\$ in millions)	
Statutorily designated funds, as of December 31, 2023	\$37.7
Monetary penalties assessed in 2024, net	38.6
Less scholarship payments for the 2024–2025 academic year, net of amounts unused or deferred	(10.0)
Statutorily designated funds, as of December 31, 2024	\$66.3
Monetary penalties assessed in 2025, net	20.8
Less scholarship payments for the 2025–2026 academic year, net of amounts unused or deferred	(9.8)
Statutorily designated funds, as of December 31, 2025	\$77.3

Of the \$77.3 million in statutorily designated funds for scholarships as of December 31, 2025, \$68.9 million (of which \$68.6 million is included in restricted cash and cash equivalents and \$0.3 million is included in accounts and other receivables, net) has already been appropriated by Congress and may be used for awarding scholarships in 2026 or subsequent years. Prior to 2018, Congress had appropriated each year the full amount of monetary penalties collected in the previous year and made them available for scholarships. In 2018, Congress limited the appropriation it provided for scholarships to \$1 million of the total monetary penalties collected in 2017. All penalties collected in 2018 and 2019 were appropriated by Congress. In 2019, Congress appropriated in advance all penalties collected in 2020 and future years for disbursement. As of December 31, 2025, Congress has not appropriated \$8.4 million of the remaining monetary penalties collected in 2017, including subsequent investment earnings. As a result, as of December 31, 2025, \$8.4 million of the \$77.3 million in statutorily designated funds was not available to distribute for scholarships. As of December 31, 2024, \$8.1 million of the \$66.3 million in statutorily designated funds was not available to distribute for scholarships.

Designated for Sequestration—The statements of financial position include funds statutorily designated for sequestration. In March 2013, the Office of Management and Budget (OMB) determined that we are subject to sequestration pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, 2 U.S.C. § 901a. In November 2013, OMB determined that our sequestered funds represent temporary reductions, such that funds that are sequestered in one year become available in subsequent years.

On March 11, 2024, OMB issued a report, “OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2025,” specifying that our sequestration percentage in 2025 was 5.7% of our approved 2025 budget, or \$22.8 million. These sequestered funds remained unspent as of December 31, 2025, and are included in short-term investment in the accompanying statements of financial position. In a separate report issued on May 30, 2025, “OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2026,” OMB specified that our sequestration percentage in 2026 was 5.7% of our approved 2026 budget, or \$20.6 million. We used the \$22.8 million sequestered in 2025 to offset the \$20.6 million sequestered for 2026. The excess reduces our 2026 ASF by \$2.2 million from what it otherwise would have been. The scholarship funds were not subject to sequestration in 2025 or 2024.

Note 8—Expenses by Program Services and Supporting Activities

The statements of activities reflect program services related to registration and inspections, enforcement, standard setting, economic and risk analysis, and Board and related activities. Program services consist of the following:

- Registration and inspections executes the Board’s registration and inspections authority under the Sarbanes-Oxley Act. Registration and inspections processes and makes recommendations to the Board on applications from public accounting firms to register with the PCAOB. Registration and inspections also inspects registered public accounting firms to assess compliance with the Sarbanes-Oxley Act, the rules of the Board and the SEC, and professional standards, in connection with the performance of audits, issuance of audit reports, and related matters involving issuers and broker-dealers audited by the registered firms.
- Enforcement conducts investigations and recommends instituting disciplinary proceedings concerning registered public accounting firms and their associated persons related to possible violations of the Sarbanes-Oxley Act, the rules of the Board and the SEC, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations of accountants with respect to audit reports, and professional standards.
- Standard setting advises the Board on establishing or amending auditing, quality control, ethics, independence, and attestation standards applicable to registered public accounting firms in the preparation and issuance of audit reports as required by the Sarbanes-Oxley Act or the SEC, or as may be necessary for the protection of investors and the public interest, and supports the implementation of the standards and rules through conducting stakeholder outreach, publishing guidance, conducting webinars, responding to external inquiries, and performing other activities to improve the quality of audit services.
- Economic and risk analysis conducts economic analysis and research, risk assessment, and data analysis to inform our other program services.
- Board and related activities primarily consists of the programmatic activities of the Board and the Office of International Affairs (OIA). Supported by the other program services, the Board issues inspection reports on registered public accounting firms; approves registration applications of public accounting firms; initiates formal investigations and enforcement actions; and establishes or amends auditing, quality control, ethics, independence, and attestation standards for registered public accounting firms. Under the direction and supervision of the Board, OIA promotes our mission internationally by developing and fostering bilateral relationships and negotiating bilateral cooperative arrangements with non-U.S. regulators to facilitate our international inspections and investigations.

Program expenses include salaries, benefits, occupancy, program-specific technology costs, and other direct and indirect operating expenses. The statements of activities also reflect costs associated with supporting activities such as accounting and finance, legal, human resources, enterprise risk, communication and engagement, and information technology. Indirect costs, including certain occupancy and depreciation costs, are allocated to program services and supporting activities proportionately based on headcount.

The statements of activities report certain categories of expenses that are attributable to more than one program service or supporting activity. These expenses are allocated on a reasonable basis that is consistently applied. In particular, these expenses have been allocated to program services and supporting activities based on direct usage or benefit, where identifiable, with the remainder allocated on a pro rata basis of headcount or other measures such as time and effort. The expenses that are allocated in this manner include: personnel costs, including fringe benefits and payroll taxes; occupancy costs; computing, network, and telecommunications expenses; and depreciation.

For the year ended December 31, 2025
(\$ in millions)

	Program services						Supporting activities			Total
	Registration and inspections	Enforcement	Standard setting	Economic and risk analysis	Board and related activities	Programs subtotal	Administration and general	Information technology	Supporting subtotal	
Personnel costs	\$157.9	\$24.7	\$10.5	\$15.1	\$11.5	\$219.7	\$50.9	\$10.8	\$61.7	\$281.4
Occupancy costs	6.7	2.2	0.8	1.2	0.9	11.8	4.0	0.9	4.9	16.7
Travel expenses	14.3	0.1	-	0.1	0.5	15.0	0.3	0.1	0.4	15.4
Computing, network, and telecommunications expenses	8.8	1.8	0.5	0.9	0.5	12.5	3.6	1.6	5.2	17.7
Professional and consulting fees	11.2	1.6	0.4	0.6	0.3	14.1	7.5	2.3	9.8	23.9
Data subscriptions, insurance, and other expenses	2.4	0.8	0.2	1.3	0.4	5.1	4.2	0.6	4.8	9.9
Impairment loss	2.6	-	-	-	-	2.6	-	-	-	2.6
Depreciation and amortization	1.3	0.3	0.1	0.2	0.1	2.0	0.5	0.1	0.6	2.6
Total operating expenses	\$205.2	\$31.5	\$12.5	\$19.4	\$14.2	\$282.8	\$71.0	\$16.4	\$87.4	\$370.2

For the year ended December 31, 2024
(\$ in millions)

	Program services						Supporting activities			Total
	Registration and inspections	Enforcement	Standard setting	Economic and risk analysis	Board and related activities	Programs subtotal	Administration and general	Information technology	Supporting subtotal	
Personnel costs	\$156.7	\$24.8	\$11.4	\$16.0	\$13.0	\$221.9	\$47.5	\$14.1	\$61.6	\$283.5
Occupancy costs	7.1	2.3	0.9	1.2	0.9	12.4	3.8	1.1	4.9	17.3
Travel expenses	10.6	0.2	-	0.1	0.6	11.5	0.4	0.1	0.5	12.0
Computing, network, and telecommunications expenses	8.1	2.1	0.4	1.2	0.4	12.2	3.3	1.6	4.9	17.1
Professional and consulting fees	14.4	1.9	0.8	0.9	0.3	18.3	7.3	2.1	9.4	27.7
Data subscriptions, insurance, and other expenses	3.0	0.8	0.2	1.2	0.4	5.6	3.8	0.6	4.4	10.0
Depreciation and amortization	1.4	0.3	0.1	0.2	0.1	2.1	0.6	0.2	0.8	2.9
Total operating expenses	\$201.3	\$32.4	\$13.8	\$20.8	\$15.7	\$284.0	\$66.7	\$19.8	\$86.5	\$370.5

Note 9—Liquidity

We are primarily funded by the ASF, with certain assets being subject to statutory restrictions or contractual restrictions under an agency agreement. The primary goal of our liquidity management policy is to structure our financial assets to be available as our general expenditures, liabilities, and other obligations come due.

As of December 31, 2025, we held cash and cash equivalents of \$194.6 million, which were available on demand to pay general expenditures. As of December 31, 2025, we held a short-term investment of \$20.7 million, which is designated for sequestration in 2026. As of December 31, 2025, \$68.6 million of restricted cash and cash equivalents were available to pay for future scholarship awards, with an additional \$8.4 million that is required to be appropriated by Congress prior to their use to fund scholarships (as discussed in Note 7).

Note 10—Contingencies

The PCAOB is not currently a party to any legal proceeding that it believes would have a material adverse impact on its financial statements.

Note 11—Subsequent Events

We have evaluated subsequent events through March 30, 2026, which represents the date the audited financial statements were available to be issued.

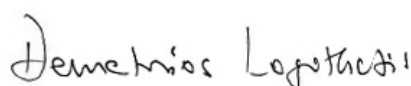
FINANCIAL REPORTING MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The PCAOB's financial reporting management, including the Chief Operating Officer and the Chief Financial Officer, under the direction of the Chair (collectively, "financial reporting management"), is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.


The PCAOB's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the PCAOB; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the PCAOB are being made only in accordance with authorizations of management of the PCAOB; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the PCAOB's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The PCAOB's financial reporting management assessed the effectiveness of the PCAOB's internal control over financial reporting as of December 31, 2025. In making this assessment, financial reporting management used the criteria established in *Internal Control—Integrated Framework* (2013 version), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, the PCAOB's financial reporting management concluded that the organization's internal control over financial reporting was effective as of December 31, 2025.

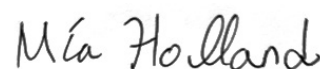
March 30, 2026



Demetrios Logothetis
Chairman



Randy Thornton
Acting Chief Operating Officer



Mia Holland
Acting Chief Financial Officer



Thomas Cordell

From: Newel Linford <newel@linfordco.com>
Sent: Monday, March 2, 2026 5:37 PM
To: CPABD
Subject: Formal Correspondence: The Systemic Erosion of Independence in the Assurance Industry
Attachments: The Commoditization of Trust - How the Assurance Industry is Selling Out.pdf; Cover Letter.pdf

Dear Executive Director/Board Chair:

On behalf of Linford & Company LLP, I am submitting the attached formal correspondence and article for your review and for distribution to the Board.

The enclosed article, titled "**The Commoditization of Trust: How the Assurance Industry is Selling Out**" highlights critical concerns regarding the erosion of auditor independence and professional skepticism within the CPA profession—specifically concerning cybersecurity and SOC 2 examinations.

We respectfully request that your Board and its relevant review committees consider these observations regarding the current trajectory of the assurance industry and the rise of "audit mills" and other conflicts associated with matters of independence.

We welcome the opportunity to discuss these matters further at your convenience.

Respectfully,
 Newel Linford
 Managing Partner

Attachments:

- Cover Letter – Formal Correspondence and Overview
- Article – "The Commoditization of Trust - How the Assurance Industry is Selling Out"

Newel Linford | Partner
 CPA, CISA

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newel@linfordco.com



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[Unsubscribe](#)



TO: Executive Director/Board Chair
FROM: Linford & Company LLP

DATE: February 24, 2026

RE: FORMAL CORRESPONDENCE – Open Letter Regarding the Systemic Erosion of Independence and Quality in the Assurance Industry

Dear Members of the Board,

Please find enclosed an open letter titled *"The Commoditization of Trust: How the Assurance Industry is Selling Out."* We are submitting this document as a formal correspondence to the Board to highlight critical concerns regarding the current trajectory of the CPA profession specifically within the realm of cybersecurity and SOC 2 examinations.

As a firm deeply committed to the integrity of the CPA credential, we believe it is our professional duty to bring to the Board's attention and call for action in the face of a growing crisis of auditor independence and professional skepticism.

The enclosed letter details several alarming trends that we believe require immediate regulatory attention:

- The Rise of "Audit Mills": The proliferation of firms competing solely on volume, price, and speed, effectively abandoning the rigorous investigative processes mandated by the AICPA Trust Services Criteria.
- Conflicts of Interest in "Bundled" Compliance: The emergence of software-driven business models where audit firms enter into referral or "partner" arrangements with automation platforms. These arrangements create a financial disincentive for auditors to find fault with the tools feeding them deal flow, directly violating the principle of independence.
- The Devaluation of the License: The systemic "rubber-stamping" of controls without effective testing, which leads to "clean" reports for entities that subsequently suffer significant breaches. This trend erodes public trust in the CPA license as a hallmark of objectivity.

We respectfully call upon the Board and its peer review committees to increase oversight of firms operating in the high-growth compliance automation space. It is our position that the profession



must aggressively identify and discipline firms that treat the Code of Professional Conduct as a suggestion rather than a mandate.

The CPA designation is a promise to the public. If we allow that promise to be commoditized and sold to the lowest bidder, we risk the irrelevance of the profession as a whole.

We welcome the opportunity to discuss these industry observations with the Board or provide further documentation regarding the specific market behaviors we are witnessing.

Respectfully,

Newel Linford, Managing Partner

linford&co llp



The Commoditization of Trust: How the Assurance Industry is Selling Out

This article was originally published at <https://linfordco.com/blog/soc-audit-quality-vs-cost/> on February 11, 2026.

“There is hardly anything in the world that someone cannot make a little worse and sell a little cheaper, and the people who consider price alone are that person’s lawful prey. It’s unwise to pay too much, but it’s worse to pay too little. When you pay too much, you lose a little money — that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot — it can’t be done. If you deal with the lowest bidder, it is well to add something for the risk you run, and if you do that you will have enough to pay for something better.” ~ *John Ruskin*

The Hollow Victory of the "Check-the-Box" Economy

Ruskin’s warning is not merely an old adage; it is an indictment of the current state of cybersecurity compliance. We are witnessing the systematic hollowing out of the SOC 2 audit, a standard designed to be a rigorous stress test of organizational security that has been reduced to a retail commodity.

The market is currently flooded with startups and enterprise vendors desperate to "get a SOC 2" to unblock sales pipelines. They do not seek security; they seek a certificate. And, inevitably, a parasitic sub-industry has emerged to feed this demand. We see audit firms engaging in a race to the bottom, competing aggressively on price and speed while completely abandoning the rigor that gives an audit its value.

This is not a victimless crime. When an audit is treated as a transactional hurdle rather than an investigative process, the resulting report is worse than useless—it is a deception. We have normalized the idea that a comprehensive review of a company’s risk posture can be accomplished



in days, for pennies, with zero friction. This is a lie. You cannot buy a fortress for the price of a shack, and pretending otherwise creates a dangerous delusion of safety that pervades the entire supply chain.

The Invisible Divide in Quality

The most dangerous aspect of this commoditization is the opacity of the market. To the uninitiated procurement manager, all SOC 2 reports look identical. They invoke the name of the AICPA, cite the same trust services criteria and carry the signature of a licensed CPA. But beneath the surface, the industry is fractured into two distinct and irreconcilable bands of quality.

- **The High Assurance Tier:** We are not alone in valuing quality. Across the industry, there are many reputable firms—competitors we respect—who refuse to sell out. These firms treat the audit as a craft. They operate with professional skepticism, interrogating evidence and challenging management's assertions. They refuse to accept screenshots at face value. We stand alongside these peers in the belief that an audit must be rigorous to be relevant. This work is difficult and often expensive, but that is because *verification* is inherently difficult.
- **The Certification Mills:** Conversely, there exists a growing tier of "volume mills." These firms have industrialized the rubber stamp. They operate on thin margins, relying on templates and unchecked automation to churn out reports. They do not investigate; they strictly compile. They create a veneer of legitimacy over chaotic security environments.

The tragedy is that the "lawful prey" Ruskin speaks of are the downstream customers, the businesses that trust these vendors based on a report that isn't worth the pixels it is displayed on.

The Systemic Erosion of Public Trust

This race to the bottom is not just an economic issue; it is an ethical breach that endangers the public trust. The role of the independent auditor is to serve as the conscience of the market. When auditors compromise their integrity to secure volume business, they become complicit in the security failures that follow.

We are seeing a disturbing trend of third-party breaches occurring at vendors holding "clean" SOC 2 reports. This is the direct result of "check-the-box" auditing. When an auditor signs off on a control they didn't truly test, they are effectively leaving the back door unlocked while hanging a "Secure" sign on the front. This negligence allows vulnerabilities to metastasize. When the inevitable breach occurs, the damage extends far beyond the compromised vendor; it erodes faith in the entire concept of third-party assurance.



The Independence Failure of "Bundled" Compliance

The most egregious manifestation of this corruption is the rise of software-bundled audits, a practice that flouts the fundamental principles of auditor independence.

We have seen the proliferation of compliance automation platforms that market themselves as a "one-stop-shop," offering software subscriptions that include an audit from a "preferred partner" for a bundled fee. This arrangement presents a glaring, unmanageable conflict of interest.

- **The Conflict:** When an audit firm relies on a software vendor for their deal flow, their client is no longer the company being audited, nor is it the public trust—it is the software vendor feeding them leads. They are financially disincentivized to find fault with the software's evidence collection or the client's implementation.
- **The Consequence:** This model reduces the auditor to a subsidiary of the software tool. We see instances where the software marks a control as "passing" based on rudimentary logic (e.g., "MFA is toggled on"), and the partner auditor signs off without ever testing the implementation's effectiveness or coverage.

It creates a closed loop of validation where the software says "Good," the auditor nods, and the client remains dangerously exposed.

The Reality of the "Discount" Experience

Beyond the ethical conflicts, we frequently hear from clients who have fled these low-quality firms. Their stories paint a consistent, grim picture of what happens when you view an audit as a commodity.

- **Incompetence by Design:** Clients report being paired with auditors who are woefully inexperienced, often lacking a basic understanding of the specific controls they are auditing and the technologies and processes leveraged by the client. You are not paying for expertise, you are paying for a junior staff member to learn on your dime.
- **The "Ghost" Auditor:** Communication is often poor to non-existent. We hear of engagements where the client never once speaks to a human being. The entire "audit" is conducted via Slack messages or impersonal email exchanges. It is a transaction, not a relationship.
- **The Revolving Door:** The turnover in these firms is staggering (but not surprising at all). Clients complain that they never have the same auditor twice. Worse, auditors often rotate off the engagement mid-stream, forcing the client to waste hours "training" a new auditor on their business halfway through the project.
- **Dismal Report Quality:** Finally, the deliverable itself is often embarrassing. We have seen reports that appear to be the result of a "Find and Replace" error—generic templates that



contain absolutely nothing relevant to the organization other than the name and logo on the cover page.

The Rot is Industry-Wide

Do not mistake this for a critique solely of the SOC 2 framework. In fact, despite the abuse it suffers, SOC 2 remains one of the most accessible and adaptable mechanisms for demonstrating trust—if you can find a provider who respects the craft.

The problem is not the framework, it is the mindset of the market. And this rot extends far beyond the AICPA's jurisdiction.

The "Blinders" of Prescriptive Frameworks

While SOC 2 suffers from commoditization, other rigid frameworks (e.g., ISO 27002 or FedRAMP) suffer from bureaucratic myopia. These frameworks are often so excessively prescriptive that they encourage auditors to wear blinders. We see auditors so obsessed with checking a specific, microscopic compliance box that they step right over a gaping security hole because it technically falls "out of scope." A prescriptive framework often creates a false sense of order, where the paperwork is perfect, but the house is burning down.

The Penetration Testing Mirage

This race to the bottom plagues technical testing just as severely. We frequently see automated vulnerability scans sold under the guise of "penetration tests." Let us be clear: running a commercial scanner and printing a PDF is *not* a penetration test. That is a commodity service that could be performed by an intern on their first day. A true penetration test requires a career's worth of offensive security knowledge, advanced tooling, and human intuition to chain together complex exploits. We frequently find ourselves as the bearer of bad news, informing a client that the "comprehensive test" they paid for was nothing more than a surface-level scan that missed every meaningful attack vector.

The HIPAA "Wild West"

If SOC 2 has a quality band, HIPAA is a free-fall. It is a completely unregulated space. There is no oversight board. There is no certification body. Unlike SOC 2, which requires a licensed CPA firm, *anyone* can issue a HIPAA assessment. The quality variance here is extreme. We see "assessments" sold for peanuts by unqualified generalists that are effectively legal hallucinations. They offer zero protection and zero validity, yet they are sold to healthcare startups as a "compliance solution."



The "Pay-to-Play" Gatekeeping

Finally, we have the proprietary frameworks that hide their standards and assessment models behind massive paywalls. These organizations charge exorbitant fees just to access the rulebook, treating safety protocols as intellectual property rather than public necessities. Security must be democratized to be effective. By hoarding best practices behind a cash register, these frameworks deny the community the ability to peer-review, challenge, and improve the standards. True resilience is born in the open, where knowledge is shared freely to create a collective defense; locking that knowledge away weakens the entire ecosystem for the sake of profit.

Our Line in the Sand—Linford's Approach to Radical Independence

In an industry racing toward the bottom, we have chosen to run in the opposite direction. We refuse to participate in the commoditization of security. We believe that an audit is only as valuable as the independence of the firm performing it. Therefore, we have drawn a hard line in the sand regarding how we operate.

1. Zero "Partner" Entanglements – We do not, and will not, enter into formal or informal "partner" agreements or arrangements with software vendors or automation platforms. We are auditors, not resellers. We neither accept nor pay referral fees, kickbacks, or volume guarantees. When we recommend a path forward, it is because it is the correct solution for the client's specific needs—not because a vendor is padding our margins. In many cases, we find that expensive automation software is unnecessary bloat; a well-structured manual process is often more effective and less expensive. We preserve the freedom to tell you that truth.

2. Fiercely Tool-Agnostic – We do not force our clients into a box. We are strictly tool-agnostic. If you have already invested in a GRC platform or compliance automation tool, we will work with you to leverage that investment to the fullest extent allowed by AICPA guidance. We audit the control environment you have, not the one a vendor wants you to buy.

3. No Forced Ecosystems – Unlike firms that mandate the use of proprietary portals to lock you into their service, we do not require clients to use any specific tooling—including our own. While we provide advanced tools to facilitate a smooth engagement, their use is entirely optional. We believe you should hire us because of our expertise and our rigor, not because your data is held hostage in our software.

We charge for the risk we run and the value we provide, just as Ruskin advised. We offer the "something better" that comes from paying the right price for uncompromised integrity.

A Call to Standards

It is time for the industry to take a hard look in the mirror. We are losing our way, trading the sanctity of the public trust for the quick revenue of the commodity market or in other words, selling



our souls to feed our bellies. We challenge our peers to remember why this profession exists: not to sell paper, but to validate truth.

This introspection must extend to our regulators. We call upon the AICPA and the State Boards of Accountancy to end the era of passivity. It is time to sharpen the teeth of the peer review program and stop tolerating negligence under the guise of professional courtesy. We demand the aggressive identification and immediate revocation of licenses for auditors who treat independence as a suggestion rather than a mandate. The CPA credential is a promise of objectivity and independence; allowing firms to commoditize that promise without consequence devalues the license for us all. If an auditor cannot respect the rules of professional conduct, they have forfeited the right to practice.

To our prospective clients, we offer this invitation: Join us in maintaining the highest standards of integrity.

We are not the firm for everyone, and we are comfortable with that. We do not pursue clients who are looking for the path of least resistance. If your goal is a rubber stamp, a "check-the-box" exercise, or the absolute lowest bidder, we are not the right fit for you. The market is full of vendors who will happily take your money to tell you what you want to hear.

But if you are a leader who values the craft of security; if you are looking for experienced auditors who will shepherd your team through the complexity of compliance; and if you are committed to actually improving your information security practices year over year—then let's talk.

We are here to serve the public trust. We hope you will join us.

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