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Executive Director
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AICPA Peer Review Standards

All peer reviews will be performed under the AICPA Standards for Performing and Reporting on Peer Reviews (Standards). A copy of the Standards and Interpretations may be downloaded at <http://www.aicpa.org/RESEARCH/STANDARDS/PEERREVIEW/Pages/default.aspx>.

NEW – AICPA Noncooperation Revisions – Completeness of Peer Review Scope

Firms are required to accurately represent their accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, for the purposes of including them in peer review scope. Recently, AICPA staff has received public evidence that indicates some firms are not including all engagements in the scope of peer review. The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the nature of a firm's practice. Peer review scope is critical to the effectiveness of peer review.

Accordingly, the Peer Review Board has approved revisions to guidance when a firm omits, withholds, or misrepresents information about its accounting and auditing practice. The revised guidance:

- Adds failure to accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, and/or notify its administering entity of changes in that practice to the list of reasons for which a firm's enrollment in the AICPA Peer Review Program may be dropped, which may occur without a hearing, by the AICPA Peer Review Board to Interpretation 5h-1.
- Clarifies Interpretation 5h-1 to state that a firm's failure to cooperate once a review has commenced includes omission or misrepresentation of information relating to its accounting and auditing practice

as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, including, but not limited to, engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements] and will result in the termination of the firm's enrollment in the AICPA Peer Review Program, subject to a hearing.

- Adds to the letter for a firm does not have an accounting and auditing practice (No A&A letter), a representation that a failure to properly represent the firm's practice or immediately notify their administering entity of any changes in it may result in the firm's enrollment being dropped automatically.
- Adds to the representations that are made to the team captain or review captain completeness of the engagement listing provided to the reviewer, including, but not limited to, inclusion of all engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations Service Organizations Control (SOC) 1 and 2 engagements, as applicable.
- Adds the written representations from management of the reviewed firm to the documents to be maintained by the administering entity until the subsequent peer review's acceptance and completion.

Firms that find themselves in these or similar positions may correct the situation by immediately contacting their administering entity to determine the appropriate course of action in order to avoid their peer review enrollment being dropped, their membership being terminated, and referral to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA Code of Professional Conduct.

Changes to the Timing of Overdue Scheduling Requests

Administering entities, state boards of accountancy, and other stakeholders have expressed that the firm hearing process is too lengthy and that the length of the process does not further encourage compliance. In order to support the efforts implemented through the Enhancing Audit Quality Initiative, the AICPA has implemented a process which will expedite firm drops and hearings.

Effective May 1, 2016, the timing of scheduling requests, reviewer information (Exhibit 1) and other scheduling requests will be accelerated. Prior to May 1, the initial request was sent to firms with a 30 day response request – this will not change. However, the second and third request will provide only a 15 day response to 21 days. The referral to the AICPA, the warning letter and the drop notification to the firm have also been accelerated, so that a firm may be dropped from the Peer Review Program within 79 days rather than the current 133 days.

Please be sure to respond to scheduling requests promptly!

MFC Project

As of July 1, 2013 peer reviewers are required to submit Matters for Further Consideration forms electronically on the Peer Review Information Systems website – this applies only to AICPA firms at this point in time. While a reviewer may enter the firm's response electronically, the firms are encouraged to enter responses and sign the MFCs themselves. Visit the AICPA MFC Project website

(<http://www.aicpa.org/InterestAreas/PeerReview/Community/PeerReviewers/Pages/matters-for-further-consideration-project.aspx>) for further information.

Question & Answer Booklet / NEPR Website / Newsletters

The AICPA Question and Answer booklet is available for download at

<http://www.aicpa.org/InterestAreas/PeerReview/Resources/FAQs/DownloadableDocuments/gandaprp.pdf>. We believe you will find this booklet very useful in planning and preparing for your firm's upcoming peer review.

NEPR's web site contains an abundance of additional valuable information for firms, including review tips, reviewer lists and much more. Don't forget to check out our annual newsletters!

Reviewer List

For a current list of firms located in **Maine, New Hampshire, Rhode Island** and **Vermont** that are interested in performing reviews of other firms, please visit our website at <http://www.nepr.org/find-a-reviewer>. This list has been prepared solely as a convenience to you and does not represent any endorsement by the AICPA, your state CPA society or New England Peer Review, Inc. You may also select a qualified reviewer from any other state. The AICPA also maintains a nationwide online reviewer search at <http://peerreview.aicpaservices.org/resume/default.asp>,

When engaging an individual or team to conduct a review, it is important to note that your chosen reviewer/team must have **current knowledge in the areas and industries** in which your firm practices in order to qualify to perform your firm's review. The AICPA Peer Review Program Standards have specific requirements that a reviewing firm and reviewers must meet to be eligible to perform reviews of other firms. We urge you to review the *AICPA Standards for Performing and Reporting on Peer Reviews*. This information will allow you to determine whether a firm has the necessary qualifications to perform your firm's review. Exhibit 2 of the scheduling form should be completed and returned to NEPR after the selection of a reviewer has been determined and the reviewer has agreed to perform the review. After receipt by NEPR, the information will be entered into the AICPA computer system to ensure that the reviewer is qualified to perform your firm's review. The reviewer is not authorized to go forward with the review until the reviewer and the reviewed firm has received confirmation from NEPR.

Extensions

To avoid receiving overdue notices from NEPR, remember to schedule sufficient time to complete your peer review before your due date. It is important to complete your peer review timely, as many outside agencies, including your board of accountancy, require verification of the triennial completion of your peer review. If you need an extension and have **sufficient** reason as outlined below it must be requested in writing 60 days prior to your due date to be granted. **Extensions will not be granted if your review is already overdue.**

If granted you will receive a written approval and ordinarily the extension will not go beyond 90 days of the original due date. An extension may be granted if:

- The firm is a new firm as a result of a merger or dissolution
- The firm needs a few months to complete a major engagement (1 to 2 months)
- The firm is unable to have the review because of an absence, loss or turnover of personnel significant to the conduct of the review (applicable only to the smaller firms).
- The firm's records or offices have been severely damaged or destroyed because of a natural catastrophe.

- The firm needs more time because it has selected a reviewer that has a scheduling conflict and is unavailable to perform the review by the firm's due date, but is available to perform the review within 30 days of the due date. In these cases, NEPR will confirm the arrangements for the review with the review team.
- There is an incomplete engagement (which is an initial engagement) and there is no comparable engagement. (Interpretation 58-2)

Firms Performing Audits in Accordance with Government Auditing Standards

Public Peer Review Report

Government Auditing Standards (GAS) paragraph 3.61 states:

“An external audit organization should make its most recent peer review report publicly available; for example, by posting the peer review report on an external Web site or to a publicly available file designed for public transparency of peer review results. If neither of these options is available to the audit organization, then it should use the same transparency mechanism it uses to make other information public, and also provide the peer review report to others upon request. Internal audit organizations that report internally to management should provide a copy of the external peer review report to those charged with governance. Government audit organizations should also communicate the overall results and the availability of their external peer review reports to appropriate oversight bodies.”

As part of your peer review, your team captain will be checking for compliance with this requirement if you perform engagements under GAS.

Extensions

Extensions of due dates beyond three months for peer reviews of firms performing Yellow Book audits can only be granted by the GAO and should only be requested for extraordinary circumstances. To request an extension, please contact:

Michael C. Harapsky
Senior Project Manager, Government Auditing Standards
U.S. General Accounting Office
(202) 512-9535

Please be advised that if a firm is unable to complete its peer review by the assigned due date, and has not been granted an extension, any Yellow Book audit engagements completed or issued during the period between a firm's peer review due date and the date the peer review is completed (the date of the report) will be automatically considered to be substandard.

NEPR Scheduling & Evaluation Fee

Firms that are members of the AICPA or a state society are billed a scheduling & evaluation fee when they receive a letter from NEPR confirming the reviewer. This fee is due before the review commences. Should you receive a copy of a third request for payment of the NEPR scheduling & evaluation fee, please be aware that the reviewer is not authorized to proceed with the review until the firm has paid the fee.

Please note that you will also receive an invoice for the NEPR annual administrative fee in April of each year. This fee is due yearly, in addition to the scheduling & evaluation fee, which is due only in the year of a firm's peer review.

Firms that are not member of the AICPA or a state society will receive one invoice in the year of their peer review. See <http://www.nepr.org/non-member-fees> for further information.

Statement on Quality Control Standards No. 8

On October 10, 2007, the AICPA Auditing Standards Board issued Statement on Quality Control Standards No. 7 (SQCS 7), A Firm's System of Quality Control, which replaced all existing SQCS. The SQCS No. 7 was effective January 1, 2009.

Resulting from its Clarity Project, the Auditing Standards Board issued Statement on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control (Redrafted), to supersede SQCS No. 7, A Firm's System of Quality Control (AICPA, Professional Standards, vol. 2, QC sec. 10). SQCS No. 8 does not change or expand SQCS No. 7 in any significant respect. The provisions of this SQCS are applicable to a CPA firm's system of quality control for its accounting and auditing practice as of January 1, 2012.

Please view this link for more details: <http://www.nepr.org/quality-control>

What Do I Need to Submit to NEPR After I Receive the Reviewer's Report?

Firms are no longer required to submit a copy of the report if they have received a rating of pass on their peer review.

Firms that receive a rating of pass w/deficiency or fail are required to submit a copy of the report and their letter of response within thirty days of receipt of the report or by their due date, whichever is earlier.

When are the Results of My Peer Review Final?

The results of the firm's review are final when the NEPR RAB/Peer Review Committee accepts the report and the workpapers. This final step ensures that a panel of your peers agrees with your reviewers' conclusions. You should not publicize the results of the review or distribute copies of the report until NEPR has advised you that the report has been accepted.

Committee Meeting Dates

The NEPR Report Acceptance Body (RAB) meets at least four times a year, typically in January, May, September and November.

All applicable papers must be at the NEPR office a minimum of 30 days prior to a Report Acceptance Body (RAB) meeting in order to be considered at the next meeting. This is no guarantee that the review will be presented, as there may be issues with the workpapers that need to be cleared before presentation to the RABs.

We look forward to working with you! Should you have questions, concerns or comments, please feel free to contact us at (603) 623-3513 or pamela@nepr.org