

About Peer Review

The American Institute of CPAs (AICPA) established the Peer Review Program nearly 20 years ago to enhance the quality of accounting, auditing and attestation services performed by AICPA members in public practice. The AICPA Peer Review Program illustrates the accounting profession's dedication to integrity and protection of the public and is driven by adherence to the highest possible professional standards.

The AICPA Peer Review Program is well-respected by both practitioners, state boards of accountancy and other users of the peer review process, who recognize the program as an effective quality improvement tool.

Since 1977, over 50,000 CPA firms have undergone more than 160,000 peer reviews, resulting in reports that provide insight into participating firms' quality control standards and their real-world use of those standards. Approximately 32,000 firms are currently subject to peer review, with 41 individual state CPA societies serving as administering entities in the 55 licensing jurisdictions. Currently, 39 states require peer review as a condition of licensure.

What is Peer Review and Why is it Important?

Peer review provides a mechanism for a firm to engage a peer firm to review its system of quality control related to its application of professional accounting, auditing and attestation standards. The AICPA Peer Review Program is important because it strengthens member firms' quality control and encourages firms to improve processes and correct any shortcomings. Peer review enhances the quality of the profession and contributes to the public's confidence in the profession.

What are the Various Types of Peer Reviews?

There are three types of peer reviews: system reviews, engagement reviews and report reviews. The type of peer review that is performed on a CPA firm is dependent upon the type of work that a firm delivers to its clients.

What is a System Review and Which Firms Receive Them?

A system review is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a CPA firm's system of quality control to perform accounting and auditing ("A&A") work. The quality control system represents the policies and procedures that the CPA firm has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the quality control system is designed to ensure compliance with professional standards and whether the firm is following its system appropriately.

Firms that perform engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards (Yellow Book) or examinations of prospective financial statements under the Statements of Standards for Attestation Engagements (SSAEs) are subject to system reviews.

Approximately 15,000 firms are likely to have a system review over the next three years. 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 that they are associated with financial statements, such as reviews of tax provisions and accruals contained in financial statements.

What is an Engagement Review and Which Firms Receive Them?

This type of review is for firms that are not required to have a system review, and are not eligible to have a report review.

Unlike system reviews where a firm's system for quality control policies and procedures are evaluated, an engagement review evaluates the firm's financial statements and documentation with regard to conformance to AICPA professional standards. The reviewer does not express an opinion on the firm's compliance with its own quality control policies and procedures or compliance with AICPA quality control standards.

An engagement review provides reviewers with a reasonable basis for expressing limited assurance that:

- The financial statements or information and the related accountant's report on the accounting, review and attestation engagements the firm submits for review conform to professional standards
- The reviewed firm's documentation conforms with the requirements of professional standards

Firms that only perform services under Statements on Standards for Accounting and Review Services (SSARS) and/or services under the SSAEs not included in system reviews have engagement reviews.

More than 10,000 firms are likely to have an engagement review over the next three years.

What is a Report Review and Which Firms Receive Them?

A report review enables the reviewed firm to enhance the overall quality of its compilation engagements that omit substantially all disclosures. A report review does not provide the reviewer with a basis for expressing an opinion on the firm's system of quality control for its accounting and auditing practice but it does enable the reviewer to provide comments and make recommendations as to whether the submitted financial statements and related accountant's reports appear to conform with the requirements of professional standards.

Firms that only perform compilation engagements under SSARS where the firm has compiled financial statements that omit substantially all disclosures are subject to report reviews. Firms required to have a report review may also elect to have a system or engagement review.

Who is Involved in Peer Review?

Peer Review Board

The Peer Review Board ("Board") is the twenty member governing body of the AICPA Peer Review Program. It is responsible for conducting the program and carrying out its activities, which include establishing and updating the AICPA Standards for Performing and Reporting on Peer Reviews ("Standards") and issuing related guidance.

State Societies

The AICPA Peer Review Program is administered in cooperation with the state CPA societies and other administering entities. When a CPA firm is enrolled in the AICPA Peer Review Program, its peer review will be administered by the administering entity in the state in which the CPA firm's main office is located or, if that state CPA society has elected not to participate, by another administering entity. The AICPA Peer Review Board approves all

administering entities annually. Peer reviews are administered and accepted in accordance with the Standards and other guidance adopted by the Board.

Peer Review Committees

The Peer Review Committee of a particular state oversees the peer reviews administered and performed in that state or in other states it has agreed to administer. It establishes procedures for ensuring that peer reviews are performed in accordance with professional Standards and related guidance materials. It also establishes procedures to ensure consistent application of the Standards and guidance related to overdue reviews, follow-up actions, handling reviewer performance issues and disagreements. The Committee is responsible for ensuring that reviews are presented to a report acceptance body in a timely manner and for evaluating whether peer reviews have been performed in accordance with Standards and related guidance.

Peer Reviewers

Peer reviewers are active AICPA members in good standing, licensed to practice as certified public accountants, who have met certain knowledge, experience and training requirements. Peer reviewers conduct system, engagement and report reviews for firms when engaged to do so. There are two types of peer reviewers – team captains and team members.

Team captains are those who are qualified to perform all types of peer reviews.

Team members are those who are qualified to perform engagement and report reviews and may also assist team captains in various aspects of the system review.

In certain situations, it is also possible for a professional to be involved in peer review as a team member without the specialized training requirement, where they only review specific areas of quality control or engagements on a system review.

What are the Benefits of Being a Peer Reviewer?

When you become a peer reviewer, you:

- Are seen as an expert in your field and gain increased respect from your colleagues and clients
- Help firms achieve their A&A practice goals and enhance the quality of their A&A practices
- Identify best practices of other firms, which can be applied to other peer review clients and to your own firm
- Gain broader practice knowledge through the peer review process, which will help sharpen your skills and reinforce your strengths
- Create an opportunity to expand on your current services
- Often receive referrals for additional consulting services as a result of performing peer reviews
- Enhance the efficacy of the profession's self-regulatory efforts and contribute to the quality of our profession

What are the Qualifications Necessary to Become a Reviewer?

To qualify as a peer reviewer, you must:

- Be a member of the AICPA in good standing
- Be active in public practice at a supervisory level in the accounting or auditing function
- Have 5 years of public accounting experience

In addition, if you are a partner in your firm, you are qualified to be a team captain. For more information, visit: http://www.aicpa.org/members/div/practmon/become_peer_reviewer.htm or email HPeerReviewupdates@aicpa.org.

How do I Become a Peer Reviewer?

To become a peer reviewer:

- Meet all the reviewer requirements. A full list of requirements can be downloaded at http://www.aicpa.org/download/members/div/practmon/Reviewer_Qualifications.pdf
- Complete the AICPA two-day introductory reviewer training course, "How to Conduct a Review Under the AICPA Practice-Monitoring Program" ("How-to"). Check the AICPA course listings at http://www.aicpa.org/members/div/practmon/Reviewer_Training_Courses.htm or contact us at iacpa@iacpa.org or 1-800-659-6375 to obtain information about the introductory course. Please note that 16 hours of CPE credit is obtained by taking this course
- Peer reviewers must complete a peer review resume form. The form can be completed online at <http://peerreview.aicpaservices.org>. Once you enter your resume you will automatically be listed in the online searchable database. Please note: you will need your AICPA login to access the form.
- Undertake the business development activities suggested in a Peer Review Welcome package sent after you attend the How to course.

How Do I Learn More About Peer Review?

For more information on the AICPA Peer Review Program, contact your state society nscpa@nevadacpa.org or 1-800-554-8254, visit <http://www.aicpa.org> , e-mail the AICPA peer review staff at PeerReviewupdates@aicpa.org .