



AICPA[®]

Peer Review
Program

ANNUAL REPORT ON OVERSIGHT

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Introduction

Purpose of this report

The Annual Report on Oversight (report) provides a general overview and information on the results of the AICPA Peer Review Program (program) oversight procedures. This report concludes whether the objectives of the AICPA Peer Review Board's (PRB) oversight program were met.

Scope and use of this report

This report contains data pertaining to the program and should be reviewed in its entirety to understand the full context. Information presented in this report pertains to peer reviews accepted during calendar years 2022–2024, which covers a full three-year peer review cycle. Oversight procedures included in this report are performed on a calendar-year basis.

Letter to the AICPA Peer Review Board

To the members of the AICPA Peer Review Board:

This report includes oversight procedures performed in 2024. Information presented in this report pertains to peer reviews accepted¹ during the calendar years 2022–2024, which covers a full three-year peer review cycle. In planning and performing our procedures, we considered the objectives of the oversight program, which state there should be reasonable assurance that (1) administering entities (AEs) are complying with the administrative procedures established by the PRB; (2) the reviews are being conducted and reported upon in accordance with the *AICPA Standards for Performing and Reporting on Peer Reviews* (standards); (3) the results of the reviews are being evaluated on a consistent basis by all AE peer review committees; and (4) the information disseminated by AEs is accurate and timely.

Our responsibility is to oversee the activities of AEs that elect and are approved to administer the program, including the establishment and results of each AE's oversight processes. The COVID-19 pandemic impacted oversight procedures in 2022. Certain procedures were not performed in 2022 and others continued with a reduced scope. These impacts are described throughout this report.

Oversight procedures performed by the AEs in accordance with the *AICPA Peer Review Program Oversight Handbook* included the following:

- *Oversight of peer reviews and peer reviewers.* Oversight of various reviews, selected based on reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2024, 177 oversights were performed at the AE level. See pages 10–11, "Oversight of peer reviews and peer reviewers."
- *Benchmarks.* AEs monitor and regularly report on compliance with AE benchmarks, which are qualitative, objective, and measurable criteria to enhance overall quality and effectiveness of program administration. See pages 11–12, "Evolution of peer review administration."

The Oversight Task Force (OTF) utilizes subgroups, known as focus groups, to monitor and perform procedures in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook*. These focus groups report to the full OTF.

AE Oversight Focus Group

The AE Oversight Focus Group monitors the results of AE oversights performed by OTF members which occur on a rotating basis. These oversights include testing the administrative and report acceptance procedures established by the PRB. OTF members oversighted 14 AEs in 2022, 10 AEs in 2023, and 9 AEs in 2024. See pages 5–6 "Oversights of the Administering Entities" for further information.

Report Acceptance Body (RAB) Observation Focus Group

The RAB Observation Focus Group reviews and approves RAB observation reports, including any responses received from the AEs. Periodically, the focus group will review the process, including applicable checklists. RAB observations, which are performed by OTF members and

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.

AICPA staff, focus on whether the report acceptance process is being conducted in accordance with standards and guidance. In 2024, RAB observations were performed on 53 RAB meetings and 199 peer reviews were selected during these observations. See pages 6–7 “RAB Observations” for a detailed description of the process.

Enhanced Oversight Focus Group

Enhanced oversights are performed by approved subject matter experts (SMEs) on must-select engagements and include the review of financial statements and working papers for such engagements. The Enhanced Oversight Focus Group reviews and evaluates the results of enhanced oversights and the oversight reports with comments, then provides input and feedback to AICPA staff and SMEs. The focus group also evaluates the reviewer performance feedback issued by AE peer review committees as a result of these oversights and recommends that the Reviewer Performance Focus Group consider issuing feedback when necessary. See pages 7–10 “Enhanced Oversight” for a detailed description of the process.

Evolution Focus Group

The Evolution Focus Group developed the AE benchmark criteria approved by the PRB. AEs submit three benchmark summary forms during the year, each covering a four-month period. The focus group reviews the results of the benchmark summary forms submitted by the AEs, evaluates AE performance, and provides feedback to AEs as necessary. The focus group also considers whether modifications to the benchmarks are needed.

Plan of Administration (POA) Focus Group

The POA Focus Group reviews and annually approves the plans submitted by the AEs agreeing to administer the program in compliance with standards and guidance. Information is submitted in two parts. The first part is due each November and typically includes various acknowledgments, policies, and procedures. The second part is due each April and reports on compliance with oversight requirements. Final approval of the POA is evaluated after the completion of the second submission.

Reviewer Performance Focus Group

The Reviewer Performance Focus Group reviews the reviewer performance monitoring report prepared by AICPA staff. This report summarizes AICPA staff’s procedures to evaluate and monitor peer reviewers and AEs for compliance with standards. The focus group evaluates the results to determine if further action should be taken when performance continues to be unsatisfactory or not in compliance with standards.

Conclusion

Based on the results of the oversight procedures performed in 2024, the OTF concluded the objectives of the PRB oversight program were met.

Respectfully submitted,

Kim D. Meyer

Kim D. Meyer, Chair
Oversight Task Force
AICPA Peer Review Board

AICPA Peer Review Program

The AICPA Peer Review Program is an important part of the AICPA's Enhancing Audit Quality (EAQ) initiative. Data gathered from the program is used to identify where quality challenges may arise and evaluate whether the EAQ initiatives result in the desired outcomes.

There are approximately 17,700 firms currently enrolled in the program within the United States and its territories, that have a peer review performed once every three years. In recent years, the AICPA has noted a decrease in the number of firms enrolled in the program. This is attributed to firm mergers and firms no longer performing accounting and auditing engagements that would subject them to a peer review. There are also approximately 1,500 firms enrolled in the program that indicated they do not currently perform any engagements subject to peer review. Between 2022–2024, approximately 6,700 peer reviews were performed annually by 800 individuals acting as captains for system or engagement reviews. Refer to Appendix 2 for an additional overview of the program and information about the AEs.

Results of AICPA Peer Review Program

Overall results

Between 2022–2024, approximately 19,600 peer reviews were accepted in the program. During this three-year period, more peer reviews were accepted than the number of firms currently enrolled as peer review due date extensions related to the COVID-19 pandemic caused some firms to have more than one peer review accepted. Additionally, some firms resigned from the program after their peer review was accepted. Exhibit 1 shows a summary of these reviews by type of peer review and report issued. The overall results of the reviews accepted during the three-year period by report type were:

	System Reviews	Engagement Reviews
Pass	82%	85%
Pass with deficiency(ies)	12%	10%
Fail	6%	5%

A list of recent examples of matters noted in peer review is available on the [AICPA's website](#). Although this list is not all-inclusive and is not representative of all peer review results, it contains examples of noncompliance with professional standards (both material and immaterial) that were most frequently identified during the peer review process.

Exhibit 2 summarizes the number and type of reasons by quality control element as defined by the Statements on Quality Control Standards (SQCS), for report deficiencies (that is, pass with deficiency[ies] or fail) on system reviews accepted between 2022–2024 in the program.

Nonconforming engagements identified

The standards state that a nonconforming engagement is an engagement not performed or reported on in accordance with the requirements of applicable professional standards in all material respects. Materiality refers to misstatements, including omissions, where there is substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user. Exhibit 3 shows the total number of individual engagements reviewed for both system and engagement reviews, along with those identified as nonconforming.

The percentage of nonconforming engagements identified each year between 2022–2024 (for system and engagement reviews combined) were:

Year	% of nonconforming engagements
2022	13%
2023	12%
2024	12%

The percentage of nonconforming audit engagements each year were:

Year	% of nonconforming audits
2022	23%
2023	19%
2024	18%

Corrective actions and implementation plans

During the report acceptance process, an AE’s peer review committee determines the need for, and type of, corrective actions or implementation plans (both herein after referred to as follow-up actions) by considering the nature and significance of findings, deficiencies, or significant deficiencies. It also considers whether the reviewed firm’s actions taken or planned to remediate nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible.

Corrective actions are remedial in nature and are intended to strengthen the performance of the firm. The firm acknowledges that it will perform and complete the required corrective action plan as a condition of its peer review acceptance. The firm’s peer review is not complete until the AE is satisfied that the corrective actions were sufficiently performed.

In addition to corrective actions, there may be instances in which an implementation plan is required to be completed by the firm as a result of findings. There can be multiple corrective actions and implementation plans required on an individual review. For implementation plans, the firm is required to acknowledge that it will perform and complete the implementation plan as a condition of cooperation with the AE and the PRB. Agreeing to and completing such a plan is *not* tied to the acceptance of the peer review. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to fair procedures that could result in the termination of the firm’s enrollment in the program.

See Exhibit 4 for a summary of follow-up actions required.

Oversight process

The PRB is responsible for oversight of all AEs. In turn, each AE is responsible for overseeing peer reviews and peer reviewers for the jurisdictions it administers. See Exhibit 5 for a list of approved AEs. This responsibility includes having written oversight policies and procedures.

All states and jurisdictions that require peer review accept the program as satisfying their peer review licensing requirements. Most state boards of accountancy (SBOAs) actively monitor peer

review results and have the ability to oversight AEs' administration of the program. This report does not describe or report on that process.

Objectives of PRB oversight process

The PRB appointed the OTF to oversee the administration of the oversight program and make recommendations regarding oversight procedures. The main objectives of the OTF are to provide reasonable assurance that:

- AEs comply with the administrative procedures established by the PRB,
- Reviews are conducted and reported upon in accordance with the standards,
- Results of the reviews are evaluated on a consistent basis by all AE peer review committees, and
- Information disseminated by AEs is accurate and timely.

The oversight program also establishes a communications link with AEs and builds a relationship that enables the PRB to:

- Obtain feedback from AEs' peer review committees and staff,
- Provide consultation on matters applicable to specific AEs, and
- Develop guidance on a national basis, when appropriate.

OTF oversight procedures

The following program oversight procedures were performed:

Oversights of the Administering Entities

Description

Each AE is 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 2022–2024, a member of the OTF performed an oversight for the AEs listed in Exhibit 6. See Exhibit 7 for a summary of comments from the oversights performed.

RAB observations

Description

The primary objectives of RAB observations are to determine whether:

- Reviews are conducted and reported on in accordance with the standards,
- Results of reviews are evaluated on a consistent basis within an AE and in all jurisdictions,
- Administrative procedures established by the PRB are being followed, and
- Administrators, technical reviewers, peer review committee/RAB members and the CPA on staff are complying with applicable benchmarks monitored through RAB observations.

RAB observations allow for real-time feedback to RABs and AEs, which helps improve overall quality and consistency of the RAB process. The process for RAB observations is similar to the process used during the AE oversights. Prior to the meeting, the RAB observer receives the materials that will be presented to the RAB, selects a sample of reviews of firms enrolled in the program, and reviews the materials. During the meeting, the RAB observer offers comments at the close of discussions on issues or items noted during his or her review of the materials. All significant items that were noted by the RAB observer, but not the RAB, are included as comments in the RAB observation report, which is reviewed and approved by the OTF. The final report is sent to the AE's peer review committee chair and CPA on staff. Peer review committees may respond after the final report is issued by the OTF.

Results

For 2022–2024, most AEs had at least two RAB observations each year. RAB observations were performed by OTF members or AICPA staff. Recurring comments generated by RAB observations are summarized in Exhibit 8. Individual peer reviews selected during an observation incorporate an element of risk and are not reflective of the entire population. RAB observation results for 2022–2024 are as follows:

	2022	2023	2024
RAB meetings observed	79	56	53
Peer reviews selected during observations	290	198	199
Peer reviewers	199	146	154
Based on observers' comments:			
Acceptance delayed or deferred	23	17	19
Feedback forms issued to reviewers	0	1	0

The number of reviews delayed or deferred as a result of the RAB observers' comments increased from 7.9% in 2022 to 8.6% in 2023 and 9.5% in 2024.

Enhanced oversights

Description

Enhanced oversights are performed by subject matter experts (SMEs). SMEs include current or former members of the applicable Audit Quality Center executive committee and expert panels, current or former PRB members, individuals from firms that perform a large number of engagements in a must-select category, individuals recommended by the Audit Quality Center executive committees and expert panel members, and other individuals approved by the OTF. Enhanced oversights are one element of the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative.

The enhanced oversights identify areas that need improvement and provide meaningful data to inform other EAQ activities. As a result of these oversights, the PRB has approved multiple initiatives to improve reviewer performance on must-select engagements, such as additional training requirements for reviewers. The results of the enhanced oversight findings are shared with other teams at the AICPA to further the goal of improving audit quality.

Enhanced oversight samples

One objective of the enhanced oversight program is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether engagements are properly identified as nonconforming. Ordinarily this objective is achieved through the selection of two samples.

- *Random sample* – Selected from all peer reviews that include at least one must-select engagement. Each peer review included in the population has an equal chance of being selected for oversight.
- *Risk-based sample* – Selected based on certain criteria established by the OTF.

The oversight samples are selected from peer reviews with must-select engagements performed during the calendar year.

Beginning in 2021, peer reviewers generally were limited to being selected for oversight, no more than once per year. These oversights neither replace nor reduce the minimum number of oversights required by AEs.

Enhanced oversight scope

Enhanced oversights focus exclusively on must-select engagements. Prior to 2021, when *Government Auditing Standards* engagements with single audits were selected, the oversight focused only on the single audit portion of the audit. Beginning in 2021, the entire engagement was reviewed as part of these oversights. Most oversights are performed on employee benefit plan, single audit, and *Government Auditing Standards* engagements as these are the most common must-select engagements. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight.

Enhanced oversight process

After the peer review working papers and report are submitted to the AE, AICPA staff notifies the peer reviewer and the firm of the oversight.

The SME reviews the same engagement financial statements and working papers and compares his or her results to those of the peer reviewer. The SME issues a report, with comments, if applicable, detailing any material items not identified by the peer reviewer that cause the engagement to be considered nonconforming. If the report includes comments, the peer reviewer has an opportunity to provide a letter of response explaining whether he or she agrees with the oversight report and any additional procedures that he or she will perform.

The enhanced oversight report and the peer reviewer's letter of response (if applicable) are provided to the AE for consideration during the peer review report acceptance process. If the peer reviewer disagrees with the results of the oversight, the AE will follow the disagreement guidance in the standards.

AICPA staff monitors the effects of the oversights on the peer review results (report rating change from "pass" to "pass with deficiency" or "pass with deficiency" to "fail"), and the type of reviewer performance feedback (feedback form or performance deficiency letter) issued to the peer reviewer, if any.

OTF review of enhanced oversight reports

The OTF reviews and approves the draft enhanced oversight reports prepared by the SMEs, for consistency and to verify that the items identified by the SMEs are material departures from professional standards.

Feedback issued from the enhanced oversight process

The OTF monitors the types of feedback issued when a nonconforming engagement was not originally identified by the peer reviewer or when the peer reviewer identified the engagement as nonconforming but did not identify additional material items. If an AE does not issue feedback, the OTF considers if any further actions are necessary, including whether to issue feedback as a performance finding or performance deficiency, or a performance deficiency letter to the peer reviewer.

- *Performance finding* – Issued when a peer reviewer does not identify a nonconforming engagement but demonstrates sufficient knowledge and experience required to review the engagement.

- *Performance deficiency* – Issued when a peer reviewer does not identify a nonconforming engagement and does not demonstrate sufficient knowledge and experience required to review the engagement.
- *Performance deficiency letter* – Issued when a peer reviewer has a pattern of performance findings, or more than one performance deficiency is noted.

Results

The table below summarizes the annual combined results for the random and risk-based samples.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2015	190	104	55%	42	40%
2016	108	38	35%	18	47%
2017	87	43	49%	27	63%
2018	185	108	58%	68	63%
2019	79	46	58%	37	80%
2020	*	*	*	*	*
2021	34	14	41%	7	50%
2022	105	45	43%	28	62%
2023	67	23	34%	12	52%
2024**	75	20	27%	12	60%

* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020 and resumed in September 2021.

** As of the date of this report, the 2024 overall enhanced oversight sample is 77% complete.

The following table summarizes the annual results for the random sample.

Year	Sample size	Total nonconforming engagements identified by SME	%	Number of nonconforming engagements identified by peer reviewer	% of Nonconforming engagements identified by peer reviewer
2015	85	47	55%	26	55%
2016	41	18	44%	9	50%
2017	54	21	39%	13	62%
2018	95	47	49%	33	70%
2019	77	44	57%	35	80%
2020	*	*	*	*	*
2021	*	*	*	*	*
2022	81	36	44%	26	72%
2023	62	23	37%	12	52%
2024**	53	16	30%	10	63%

* The OTF suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020. Oversights resumed in September 2021; however, no random oversights were performed.

** As of the date of this report, the 2024 random enhanced oversight sample is 76% complete.

The PRB's focus on oversight and reviewer education has led to improvements in peer reviewer performance, which resulted in improved firm performance and higher audit quality.

Exhibit 9 lists items identified by SMEs that were not identified by the peer reviewer that, either individually or in the aggregate, led to a nonconforming engagement.

Oversight by the AEs' peer review committees

The AEs' peer review committees are responsible for monitoring and evaluating peer reviews of those firms whose main offices are in the jurisdiction(s) the AE administers. Peer review committees may designate a task force to be responsible for monitoring its oversight program.

In conjunction with AE staff, the peer review committee establishes oversight policies and procedures that at least meet the minimum requirements established by the PRB to provide reasonable assurance that:

- Reviews are administered in compliance with the administrative procedures established by the PRB,
- Reviews are conducted and reported on in accordance with the standards,
- Results of reviews are evaluated on a consistent basis,
- Open reviews are monitored on a timely and consistent basis, and
- Information disseminated by the AE is accurate and timely.

AEs are required to submit their oversight policies and procedures to the OTF on an annual basis. The following oversight procedures are performed as part of the AE oversight program:

Oversight of peer reviews and peer reviewers

Description

Throughout the year, the AE selects various peer reviews for oversight. The selections for oversight are made by the peer review committee chair or designated task force of peer review committee members, based on input from AE staff, technical reviewers, and peer review committee members and can be on a random or targeted basis. The oversight may consist of completing a full working paper review after the review has been performed but prior to presenting the peer review documents to the peer review committee. The oversight may also consist of having a peer review committee member or designee perform certain procedures, either while the peer review team is performing the review or after the review. It is recommended that the oversight be performed prior to presenting the peer review documents to the peer review committee, as this allows the peer review committee to consider all the facts before accepting the review. However, a RAB may review the peer review documents and decide an oversight should be performed before they can accept the peer review.

As part of its oversight process, the peer review committee considers various factors and criteria when selecting peer reviews for oversight, such as the following.

- *Firm based* – Selection considers various factors, such as the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement review), and whether the firm conducts engagements in high-risk industries.
- *Reviewer based* – Selection considers various factors, including random selection, an unusually high percentage of pass reports compared to non-pass reports, conducting a significant number of reviews for firms with audits in high-risk industries, or performing a

high volume of reviews. Oversight of a reviewer can also occur due to previously noted performance deficiencies or a history of performance deficiencies, such as issuing an inappropriate peer review report, not considering significant matters or failure to select an appropriate number and cross-section of engagements.

- *Minimum requirements* – At a minimum, typically each AE is required to conduct oversight on two percent of all reviews accepted in a 12-month period (ordinarily the previous calendar year), and within the two percent selected, there must be at least two system and two engagement reviews.
- *Exception* – AEs that administer fewer than 25 engagement reviews annually are required to perform a minimum of one engagement review oversight. Waivers may be requested in hardship situations, such as a natural disaster or other catastrophic event.

Results

For 2024, AEs conducted oversight on 177 reviews. There were 102 system and 75 engagement reviews 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 2024.

Exhibit 1
Results by type of peer review and report issued

The following shows the results of the program between 2022–2024 by type of peer review and report issued. This data reflects the results based on the report acceptance date of the peer review.

System Reviews

	2022		2023		2024		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	2,682	81	2,208	80	2,430	83	7,320	82
<i>Pass with deficiency(ies)</i>	419	13	344	13	339	12	1,102	12
<i>Fail</i>	200	6	195	7	162	5	557	6
<i>Subtotal</i>	3,301	100	2,747	100	2,931	100	8,979	100

Engagement Reviews

	2022		2023		2024		Total	
	#	%	#	%	#	%	#	%
<i>Pass</i>	3,180	84	2,881	85	2,932	86	8,993	85
<i>Pass with deficiency(ies)</i>	436	11	326	10	331	10	1,093	10
<i>Fail</i>	182	5	179	5	155	4	516	5
<i>Subtotal</i>	3,798	100	3,386	100	3,418	100	10,602	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 2022–2024 summarized by each element of quality control as defined by QC section 10. Since pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in Exhibit 1, *"Results by type of peer review and report issued."*

REASON	2022	2023	2024
Leadership responsibilities for quality within the firm ("the tone at the top")	89	88	60
Relevant ethical requirements	26	36	29
Acceptance and continuance of client relationships and specific engagements	64	52	64
Human resources	288	245	219
Engagement performance	465	392	370
Monitoring	277	246	227
TOTALS	1,209	1,059	969

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 between 2022–2024 in the program.

Engagement Type	2022			2023			2024		
	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%	Total engagements reviewed (#)	Total non-conforming (#)	%
Audits:									
Single Audits	1,238	402	32%	1,272	385	30%	1,294	429	33%
Government Auditing Standards - All Other	1,592	357	22%	1,460	260	18%	1,578	288	18%
ERISA	2,085	462	22%	1,926	423	22%	1,821	374	21%
FDICIA	53	17	32%	62	3	5%	56	4	7%
Other	4,252	857	20%	4,102	631	15%	4,347	586	13%
Reviews	4,934	579	12%	4,316	515	12%	4,464	488	11%
Compilations & Preparations:									
With Disclosures	2,975	242	8%	2,512	172	7%	2,623	138	5%
Omit Disclosures	8,030	551	7%	6,864	391	6%	7,181	431	6%
Forecasts & Projections	9	1	11%	8	1	13%	13	0	0%
SOC® Reports	214	15	7%	236	37	16%	216	41	19%
Agreed Upon Procedures	1,290	95	7%	935	94	10%	1,041	103	10%
Other SSAEs	181	18	10%	147	34	23%	168	9	5%
Totals	26,853	3,596	13%	23,840	2,946	12%	24,802	2,891	12%

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 2022–2024 reviews, the following represents the type of corrective actions and/or implementation plans required.

Type of follow-up action	2022	2023	2024
Agree to take/submit proof of certain CPE	2,280	1,901	1,813
Submit to review of remediation of nonconforming engagements	292	250	272
Agree to pre-issuance reviews	423	362	332
Agree to post-issuance reviews	488	475	457
Agree to hire outside party to review completion of intended remedial actions	115	73	90
Agree to hire an outside party to review the firm's internal monitoring or inspection report	159	104	95
Submit to outside party revisit	44	2	0
Elect to have accelerated review	1	1	2
Submit evidence of proper licensure	79	76	60
Firm represented in writing they no longer perform engagements in the industry or level of service	63	69	56
Agree to hire outside party to perform inspection	24	25	35
Outside party to review Quality Control Document	24	33	26
Submit proof of purchase of manuals	10	11	6
Agree to join an Audit Quality Center	24	23	24
Other	69	62	57
TOTALS	4,095	3,467	3,325

Exhibit 5
Administering Entities approved to administer the Program in 2024

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 ² , New Hampshire ² , 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

² Effective May 2024. Previously administered by the Massachusetts Society of CPAs.

Exhibit 6
Oversights of Administering Entities
performed by the AICPA Oversight Task Force

For the years 2022 - 2024, an OTF member performed an oversight of each of the following AEs. The most recent oversight results are available on the [AICPA's website](#).

2022	2023	2024
California	Coastal Peer Review, Inc.	California
Florida	Colorado	Georgia
Georgia	Connecticut	Massachusetts
Michigan	Louisiana	Michigan
Missouri	Minnesota	Missouri
National Peer Review Committee	Oklahoma	National Peer Review Committee
Nevada	Peer Review Alliance	Nevada
New England Peer Review, Inc.	Puerto Rico	New England Peer Review, Inc.
New Jersey	Texas	New Jersey
Ohio	Virginia	
Oregon		
Partners in Peer Review		
Pennsylvania		
Tennessee		

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 2022, 2023, and 2024 AE oversights. The comments are not indicative of every AE and may have been a single occurrence that has since been corrected.

Administrative procedures

- Appropriate signed versions of confidentiality agreements were not obtained based on the individual's role (e.g., administrator, technical reviewer, CPA on staff or committee member), did not adhere to the current templates, or were not obtained timely.
- AE did not timely notify AICPA staff to disable computer system access of technical reviewers after their resignation.
- Open reviews, including those with overdue corrective actions or implementation plans did not appear to be actively monitored for completion.
- Prior review documents for some peer reviews were not included in the materials for the RAB as required.
- The AE's website contained several instances of outdated information.
- A hearing referral decision letter regarding a firm's consecutive non-pass peer review report was sent before the committee determined whether to refer the firm.

Technical reviewer procedures

- Technical reviewer did not initially identify or sufficiently address issues noted by the OTF member.
- During the year, over 10% of peer reviews presented were deferred by the RAB, at times due to matters not initially addressed by the technical reviewer.
- Reviews were not consistently presented to the RAB within 120 days of receipt of working papers from the reviewer.
- Engagement reviews meeting the criteria to be accepted by the technical reviewer were not consistently accepted within 60 days of receipt of working papers from the reviewer.
- Technical reviewer did not recommend reviewer performance feedback when significant revisions to the peer review documentation were requested prior to presentation to the RAB.
- Technical reviewer did not complete a required initial technical reviewer training course prior to serving as a technical reviewer.

CPA on staff procedures

- No individuals with current experience in a must-select category included in a review were scheduled to participate in the RAB meeting.
- Information provided to the peer review committee to assess firm noncooperation was incomplete.
- Documentation of the RAB's decision of potential firm referrals for noncooperation related to consecutive non-pass reports was not consistently maintained resulting in instances where it was unclear how the RAB overcame the mandatory presumption to refer firms receiving three or more consecutive non-pass reports.
- Documentation of the peer review committee/RAB's evaluation of potential firm referrals related to consecutive non-pass reports was incomplete and did not include the specific assessment considerations required by standards.
- Individuals involved in the administration of the program were simultaneously involved in enforcement related work.

Exhibit 7, continued

Comments from oversights of Administering Entities performed by the AICPA Oversight Task Force

- A state board of accountancy employee participating in an administrative site visit performed by a Peer Review Oversight Committee (PROC) was allowed access to confidential information.
- A PROC member observing a RAB meeting was improperly provided confidential information when they had a conflict of interest.
- Evaluations for technical reviewers were not completed annually as required.
- Although certain training was taken timely, the CPA on staff did not complete all required training within 90 days of assuming the role. The relevant training was subsequently completed.

Peer review committee/RAB procedures

- The RAB did not initially identify issues noted by the OTF member.
- Post-issuance review reports indicated continued significant issues in firm engagement quality; however, additional corrective actions were not issued due to the firm's next peer review being imminent.
- RABs did not issue reviewer performance feedback when appropriate.
- RAB members did not complete the required introductory RAB member training course.
- The administering entity's procedures for evaluating firms with consecutive non-passing reports were not consistently followed or did not align with program guidance.

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 AICPA staff and OTF members for 2022, 2023, and 2024. These comments provide the AEs' peer review committee/RAB members, technical reviewers, and CPAs on staff with information that will increase consistency and improve the peer review process. The comments vary in degree of significance and are not applicable to all the respective parties.

- Firm representation letters were not tailored appropriately or not consistent with the standards.
- RAB agreed to a recommended implementation plan or corrective action that was not in accordance with guidance.
- Peer review report was not properly tailored or was not consistent with the standards.
- Technical issues and questions were not appropriately identified and/or addressed before presentation to the RAB.
- RAB did not include the minimum number of qualified members (e.g., team captain qualified for system reviews or RAB member with current must-select engagement experience) to present, discuss, and accept a peer review.
- RAB inappropriately applied peer review guidance related to noncompliance with risk assessment standards.
- Peer review documentation contained inconsistencies that made it unclear if the peer review report rating was appropriate.
- Finding or deficiency was not written systemically, did not clearly indicate whether it was related to design or compliance issues, or did not reference the relevant elements of quality control.
- Finding or deficiency was improperly identified as a repeat.
- The nature and significance of reviewer's current and prior performance issues were not communicated to the RAB to consider feedback.
- Engagement summary statistics did not reflect the correct number or types of engagements reviewed.
- RAB or PROC members had conflicts of interest with peer reviews presented for acceptance that were not previously identified.

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 and 2024 samples that were not identified by the peer reviewers. The SMEs identified these departures, individually or in the aggregate, as instances in which an engagement was not performed or reported on in accordance with the requirements of applicable professional standards in all material respects.

Employee Benefit Plan engagements

- Failure to present the auditor's opinion in accordance with standards.
- Failure to perform walkthroughs or other procedures to determine whether significant controls were implemented for all significant audit areas.
- Failure to include schedule of delinquent contributions when late deposits were identified.
- Failure to appropriately include sufficient documentation such that an experienced auditor can understand the nature, timing, and extent of procedures performed; results of procedures performed; audit evidence obtained; conclusions reached; and any professional judgments used.

Single audit and Government Auditing Standards engagements

- Failure to appropriately document or perform a risk assessment including not assessing risk at the assertion level, not supporting inherent risk assessments, not properly linking audit procedures performed to the risk assessment, and not documenting understanding of controls including IT.
- Failure to appropriately document independence matters related to non-attest services including management's SKE, significant threats to independence, and safeguards applied to reduce significant threats to an acceptable level.
- Failure to sufficiently test or document testing of all direct and material compliance requirements.
- Failure to sufficiently test or document testing of controls over compliance for all direct and material compliance requirements.
- Failure to adequately justify or determine sample size to sufficiently test control and compliance attributes.
- Inappropriately assessed control risk at moderate or high for all direct and material compliance requirements when it is required that the auditor plan the audit to achieve a low level of control risk.
- Failure to document controls over the preparation of the Schedule of Expenditures of Federal Awards.
- Insufficient documentation of auditor analysis and judgment of which applicable compliance requirements were determined not to be direct and material.
- Failure to sufficiently document an understanding of the five components of internal control to assess risks of noncompliance with each direct and material compliance requirement.
- Failure to update the auditor's report for SAS 134.

Exhibit 10
Summary of oversights performed by Administering Entities

The following shows the number of oversights performed by each AE for 2024.

Administering Entity	2024 Type of review/oversights		
	System	Engagement	Total
California	12	9	21
Coastal Peer Review	3	3	6
Colorado	3	3	6
Connecticut	2	2	4
Florida	5	3	8
Georgia	2	2	4
Louisiana	3	2	5
Michigan	2	2	4
Minnesota	2	2	4
Missouri	2	2	4
National Peer Review Committee	18	1	19
Nevada	2	3	5
New England Peer Review	3	3	6
New Jersey	2	3	5
Ohio	4	3	7
Oklahoma	2	2	4
Oregon	3	2	5
Partners in Peer Review	3	4	7
Peer Review Alliance	6	8	14
Pennsylvania	12	4	16
Puerto Rico	4	0	4
Tennessee	3	2	5
Texas	2	8	10
Virginia	2	2	4
Total	102	75	177

Exhibit 11
Summary of benchmark results for 2024

AEs report on their compliance with the benchmarks three times per year, with each reporting period covering four months. The following shows the number of AEs not in compliance during at least one of the benchmark reporting periods in 2024.

		AEs not in compliance during one or more reporting periods (#)
Benchmark reference	Benchmark	2024
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.	3
Admin 2	Provide RAB materials to RAB members at least seven calendar days before RAB meetings.	1
Technical Reviewers		
TR 1	Meet all qualifications established in guidance, including ethical and training requirements.	3
TR 2	Perform the technical review in accordance with guidance.	3
TR 3	Maintain objectivity and skepticism to mitigate familiarity threats and implement appropriate safeguards while performing the technical review.	0
TR 4	Complete technical reviews to meet the 120-day requirement for initial presentation of reviews. Over this reporting period, an AE should have fewer than 10% of reviews not presented within this timeframe.	4
TR 5	Complete technical reviews to meet the 60-day requirement for engagement reviews with certain criteria. Over this reporting period, an AE should have fewer than 10% of reviews not accepted within this timeframe.	0
TR 6	Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred. Over this reporting period, an AE should have fewer than 10% of reviews deferred.	6
TR 7	Evaluate reviewer performance history and if it has an impact on the current review summarize it for the RAB.	0
TR 8	Provide reviewer performance feedback recommendations to the committee or RAB on reviewer performance issues.	1

Exhibit 11, continued
Summary of benchmark results for 2024

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)
		2024
TR 9	Be available to the RAB regarding their technical reviews being presented to answer questions to avoid deferrals or delays.	1
Committee/RAB		
Comm/RAB 1	Meet all qualifications established in guidance, including ethical and training requirements.	0
Comm/RAB 2	Follow peer review guidance in the evaluation and acceptance of peer reviews.	1
Comm/RAB 3	Maintain objectivity and skepticism to mitigate familiarity threats and implement appropriate safeguards while considering the results of peer reviews.	1
Comm/RAB 4	Issue reviewer performance feedback forms and performance deficiency letters when appropriate.	0
Comm/RAB 5	Waive or replace corrective actions and implementation plans in accordance with guidance.	1
Comm/RAB 6	Evaluate firms receiving consecutive non-pass reports to determine if they are complying with the requirements of the program. These evaluations should – • Be performed at the appropriate time, • Include the previous peer review documents, and • Include each consideration in the relevant guidance.	14
Comm/RAB 7	Perform oversights on firms and reviewers (or review oversights performed by technical reviewer(s)) in accordance with the Oversight Handbook and risk criteria included in policies and procedures.	3
CPA on staff		
CPA 1	Submit benchmark forms signed by CEO and CPA on staff to OTF by due date.	1
CPA 2	Monitor committee and RAB members' qualifications in accordance with guidance.	1
CPA 3	RAB composition includes individuals with current experience in must-select engagements.	0
CPA 4	A minimum of three RAB members to evaluate each item related to a peer review that requires RAB consideration.	0

Exhibit 11, continued
Summary of benchmark results for 2024

Benchmark reference	Benchmark	AEs not in compliance during one or more reporting periods (#)
		2024
CPA 5	Monitor and address conflicts of interest in accordance with guidance to ensure that individuals recuse appropriately.	0
CPA 6	Maintain documentation of committee/RAB's evaluation of potential firm referrals related to consecutive non-pass reports.	0
CPA 7	Decisions on due date extensions and year-end changes are approved in accordance with guidance and documented.	1
CPA 8	Scheduling error overrides are appropriate and approved in accordance with guidance.	1
CPA 9	Implement appropriate remediation such that RAB observation report comments are not consistently repeated in subsequent observations.	0
CPA 10	Respond to requests from OTF or AICPA staff by due date.	0
CPA 11	Submit complete Plan of Administration signed by the CEO and CPA on staff including all AE oversight requirements by April 1.	4
CPA 12	Submit complete Plan of Administration signed by the CEO and CPA on staff by November 1.	1
CPA 13	Meet all qualifications of the CPA on staff, including ethical and training requirements.	1
CPA 14	Obtain appropriate signed versions of confidentiality agreements annually, based on the individual's role, including AE staff, technical reviewers, committee/RAB members, and Peer Review Oversight Committee (PROC) members (as applicable).	1

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:³

- 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

³ 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

- 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*, as defined by the standards, is "all engagements covered by 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 (GAO); and engagements performed under PCAOB standards."

The following summarizes the different peer review types, objectives and reporting requirements as defined under the standards. There are two types of peer reviews: system reviews and engagement reviews.

System reviews: System reviews are for firms that perform engagements under the 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 Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control (Redrafted)* (QC sec. 10)⁴, in all material respects. The peer review report rating may be *pass* (firm's system of quality control is adequately designed and firm has complied with its system of quality control); *pass with deficiency(ies)* (firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of deficiency(ies) described in the report); or *fail* (firm's system of quality control is not adequately designed to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects).

Engagement reviews: Engagement reviews are available only to firms that do not perform engagements under the SASs, *Government Auditing Standards*, examinations under the SSAEs, or audit or examination engagements performed under PCAOB standards not subject to PCAOB permanent inspection. The peer reviewer's objective is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. The peer review report may be a rating of *pass* when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A rating of *pass with deficiency(ies)* is

⁴ QC section 10 can be found in AICPA *Professional Standards*.

Appendix 2, continued

AICPA Peer Review Program Overview

issued when the reviewer concludes that at least one, but not all, the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *fail* is issued when the reviewer concludes that all engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects.

AEs

Each state CPA society elects the level of involvement that it desires in the administration of the program. The three options are (1) self-administer; (2) arrange for another state CPA society or group of state societies to administer the program for enrolled firms whose main offices are located in that state; or (3) ask the AICPA to request another state CPA society to administer the program for enrolled firms whose main offices are located in that state. The PRB approved 24 state CPA societies, groups of state societies, or specific-purpose committees, known as AEs, to administer the Program in 2024. Those AEs agree to administer the program in compliance with the standards and related guidance materials issued by the PRB. Each AE is required to establish a peer review committee that is responsible for administration, acceptance, and oversight of the Program.

To receive approval to administer the program, AEs must agree to perform oversight procedures annually. The results of their oversight procedures are submitted as part of the annual Plan of Administration (POA). The annual POA is the AE's request to administer the program and is reviewed and approved by the OTF.

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 (SSARs), 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 (SSARs) 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)	Developed by the AICPA to assist firms in complying with state peer review document submission requirements. Firms give permission to provide the results of their peer reviews to SBOAs via the secure FSBA website. Several SBOAs allow firms to voluntarily meet their state peer review document submission requirements using FSBA and many SBOAs require firms to use FSBA. FSBA was enhanced in January 2020 to also provide other documents and objective information about a firm's enrollment in the program and current peer review when a firm gives permission.
Financial statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended.
Finding (engagement review)	One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Finding (system review)	One or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with the system such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.
Firm	A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.
Follow-up action	A corrective action or implementation plan issued to a firm in response to a finding, deficiency, or significant deficiency.

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	One or more "no" answers to questions in peer review checklists identified during a system review or an engagement review. • <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	An engagement that must be included in the sample of engagements selected for review. The types of engagements included are: • 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
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.

Glossary, continued

<u>Term</u>	<u>Definition</u>
Peer review committee (committee)	A group of individuals appointed by an AE to oversee the administration, acceptance and completion of the peer reviews and performance of peer reviewers.
Plan of administration (POA)	A form completed annually by entities requesting to administer the program whereby the entity agrees to administer the program in compliance with the standards and other guidance established by the PRB.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
Preparation engagement	An engagement performed in accordance with SSARS in which a practitioner is engaged to prepare financial statements in accordance with a specified financial reporting framework but is not engaged to perform a compilation, review, or audit of those financial statements.
PRIMA	An online system that is accessed to carry out the program administrative functions.
Report Acceptance Body (RAB)	A group of individuals appointed by the committee who are delegated the report acceptance function on behalf of the committee.
Review	A SSARS engagement in which the accountant obtains limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.
Reviewer feedback form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer resume	A document within PRIMA required to be updated annually by all active peer reviewers, that is used by AEs to determine whether individuals meet the qualifications for service as reviewers as set forth in the standards.
Significant deficiency	One or more matters in a system review that the reviewer has concluded create a situation in which the reviewed firm's system of quality control does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in all material respects. Significant deficiencies should be documented in a peer review report with a rating of <i>fail</i> .

Glossary, continued

<u>Term</u>	<u>Definition</u>
State board of accountancy	An independent state governmental agency that licenses and regulates CPAs, each jurisdiction may use a different name for this agency.
State CPA society	Professional organization for CPAs providing a wide range of member benefits.
Summary review memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in an FFC form.
System of quality control	Policies and procedures designed and implemented to provide a firm with reasonable assurance that: 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.