

Illinois CPA Society

peer review

2017

peer review

questions and answers

directory of firms

Performing peer reviews in Illinois, Iowa,
South Carolina, West Virginia and Wisconsin.



ILLINOIS CPA SOCIETY®
www.icpas.org

a: 550 W. Jackson, Suite 900
Chicago, IL 60661-5742

p: 800.993.0407 or
312.993.0407

f: 312.993.0307

INTRODUCTION

This booklet has been prepared as a service for enrolled firms in states administered by the Illinois CPA Society (“Society”) – Illinois, Iowa, Kentucky, South Carolina, West Virginia and Wisconsin. It contains frequently asked questions about the programs administered by the Society and a directory of firms performing peer reviews of states administered by the Society.

The directory is not intended to be all-inclusive and includes only those firms that responded to a Society questionnaire and contributed to the production costs of the directory. The listed firms are not necessarily endorsed by the AICPA or the Society. Specific qualifications for reviewers are set forth in the *AICPA Standards for Performing and Reporting on Peer Reviews*. **You are ultimately responsible for ascertaining that the reviewer or review team engaged to perform your firm’s peer review has the appropriate qualifications.**

We welcome your comments about the program. If you would like more information, please contact the Society’s Peer Review Department:

Technical Questions

Paul Pierson, Senior Director
Direct Phone: 312/517-7610
Email: piersonp@icpas.org

Heather Lindquist, Technical Review Manager
Direct Phone: 312/517-7624
Email: lindquisth@icpas.org

Rafael Wiesenbergr, Technical Review Manager
Direct Phone: 312/517-7642
Email: wiesenbergr@icpas.org

Billing, Scheduling & General Questions

Melinda Hart, Senior Scheduling Manager
Direct Phone: 312/517-7609
Email: hartm@icpas.org

Michele Courtney, Scheduling Manager
Direct Phone: 312/517-7644
Email: courtneym@icpas.org

Liger Needom, Specialist
Direct Phone: 312/517-7629
Email: needoml@icpas.org

General Phone: 800/993-0407
Fax: 312/993-0307
<http://www.icpas.org/advocacy/peer-review>

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FREQUENTLY ASKED QUESTIONS ABOUT THE PEER REVIEW PROGRAM ADMINISTERED BY THE ILLINOIS CPA SOCIETY

WHAT'S NEW?

Effective May 1, 2017, the AICPA launched a new web-based Peer Review Integrated Management Application (PRIMA) program.

Who will use PRIMA?

PRIMA users include Peer Reviewers, Enrolled Firms (firms enrolled in the AICPA Peer Review Program and the state society programs), Peer Review Administrators, Technical Reviewers and State Boards of Accountancy (to access Facilitated State Board Access), and AICPA Peer Review Program staff.

Will all firms be required to log in to participate in peer review?

Managing Partner or Peer Review Contacts will be required to access PRIMA to submit their Peer Review Information, submit their Scheduling information, and to respond to Matters for Further Consideration (MFC) or Findings for Further Consideration (FFC) forms.

Do I need to register to use PRIMA?

If you have an existing AICPA.org or CPA.com username and password, you will have access to PRIMA. Firms enrolled in the state society programs will receive or should have received an email or letter with information on how to register an account. PRIMA access requires a valid email address on file.

Why is an email address required to use PRIMA?

All firms will be required to use PRIMA for a portion of the peer review process. Access to PRIMA is provided through AICPA.org which requires email addresses to be used as your username in PRIMA. Because email addresses are required for all users and email is the most preferred method of communication throughout the 30,000+ firms enrolled in the AICPA Peer Review Program and the various state society programs; all peer review communications will be sent from PRIMA by email.

What will change for Firms?

Firms will now enter peer review information directly in PRIMA. This includes:

- updating firm enrollment (including the firm's Managing Partner and Peer Review Contact, indicating the levels of service performed by the firm)
- scheduling the firm's peer review
- responding to Matters for Further Consideration (MFCs) during their review
- responding to Findings for Further Consideration (FFCs) during their review

What will change for Peer Reviewers?

Peer Reviewers will now:

- upload working papers in PRIMA
- electronic MFC & FFCs for all firms
- electronic letters
- team collaboration on entire peer review process

Will the AICPA provide a User Manual and Training on the Use of PRIMA?

Yes. User instructions, including video demonstrations will be provided in a Knowledge Base and can be accessed through PRIMA. In addition, the AICPA will offer training from time-to-time. Recordings of past training sessions are available for free on the PRIMA webpage, aicpa.org/PRIMA.

PRACTICE-MONITORING

What is practice-monitoring?

Practice-monitoring, which includes peer review, focuses on monitoring individuals' and firms' conformity with professional standards and is one of the self-regulatory tools used by the profession to protect the CPA hallmark and the public interest. Self-regulation includes —

- The establishment of membership requirements
- The establishment of behavioral and technical standards
- Monitoring adherence to the standards
- A disciplinary system to deal with violations of the standards

What is the AICPA practice-monitoring requirement?

AICPA members active in the practice of public accounting must be associated with a firm that participates in an AICPA practice-monitoring program if the firm performs services within the scope of the peer review standards (essentially audits, reviews, compilations and/or attestation engagements) and issues reports purporting to be in accordance with AICPA professional standards.

A member can meet the requirement if his or her firm is enrolled in the AICPA Peer Review Program (hereinafter referred to as the “Program”), the objective of which is to help CPAs improve the services provided to clients and raise the quality and prestige of the CPA profession.

Does my firm need to enroll in a practice-monitoring program if we do not have an accounting or auditing practice?

No. Your firm is not required to enroll if you do not have an accounting or auditing practice. However, if your firm is engaged to perform an audit, review, compilation or attestation engagement, you should notify the AICPA Peer Review Division or the Illinois CPA Society Peer Review Department as soon as you accept such an engagement in order to schedule a peer review.

Is enrollment in a practice-monitoring program a licensing requirement?

Yes. Firms and sole practitioners who provide licensed services in one or more states must complete a peer review every three years. Firms and sole practitioners should verify with their state board(s) of accountancy to determine which services require a CPA license in the state.

How does my firm enroll?

To begin the enrollment process, you will log into PRIMA and complete a firm creation form. Peer review due dates will be established based on the report dates and client period-ends for the first engagements issued by the firm or sole practitioner.

After enrolling, when might I expect my firm to have its first peer review and each subsequent review?

For AICPA membership purposes, your firm's first peer review is due within eighteen months of the year-end of your firm's first accounting or auditing engagement (eighteen months from the report date if it is an attestation engagement) or eighteen months of enrolling in the Program, whichever is earlier.

For Illinois state licensing purposes, firms and sole practitioners must have satisfactorily completed a peer review prior to their license renewal period. Therefore, the due date of their first peer review may be less than eighteen months of enrolling in the Program.

For Iowa, Kentucky, South Carolina, West Virginia and Wisconsin state licensing purposes, firms and sole practitioners must complete a peer review every three years.

Subsequent peer reviews ordinarily have a due date of three years and six months from the previous peer review year-end.

Will my peer review documents remain confidential?

A peer review must be conducted in conformity with the confidentiality requirements set forth in the AICPA Code of Professional Conduct. Information concerning the reviewed firm or any of its clients or personnel, including the findings of the review is confidential. Such information may not be disclosed by review team members to anyone not involved in carrying out the review or administering the Program, or used in any way not related to meeting the objectives of the Program. However, if your firm has enrolled in one or more of the voluntary audit quality centers of the AICPA, the results of your peer review will be made available to the general public in the Public File on the AICPA website.

GENERAL REVIEW INFORMATION

What types of peer review are available?

Under the *AICPA Standards for Performing and Reporting on Peer Reviews* (hereinafter referred to as the “Standards”), there are two types of reviews – system and engagement.

System

The objective of a system review is to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review – (a) the reviewed firm’s system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and (b) the reviewed firm’s quality control policies and procedures were being complied with to provide the firm reasonable assurance of conforming with professional standards.

In a system review, the reviewer will study and evaluate a CPA firm’s quality control policies and procedures in effect during the peer review year. This includes interviewing firm personnel and examining administrative files. To evaluate the effectiveness of the system and the degree of compliance with the system, the reviewer will test a reasonable cross-section of the firm’s engagements with a focus on high-risk engagements in addition to significant risk areas where the possibility exists of engagements not being performed and/or reported on in accordance with professional standards in all material respects.

Engagement

The objective of an engagement review is to provide the reviewer with a reasonable basis for expressing limited assurance that (a) the financial statements or information and the related accountant’s report on the compilation, review, and attestation engagements the firm submits for review conform, in all material respects, with professional standards and (b) the reviewed firm’s documentation conforms with the requirements of professional standards, in all material respects.

An engagement review consists of reading the financial statements or information submitted by the reviewed firm and the accountant’s report thereon, together with required documentation, firm representations and certain other background information on the engagements submitted for review.

Who will administer my peer review?

The AICPA Peer Review Program is administered in cooperation with the state CPA societies who elect to participate.

Firms performing engagements subject to permanent inspection by the Public Company Accounting Oversight Board (PCAOB) will have its peer reviews administered by the AICPA National Peer Review Committee (NPRC).

Firms performing engagements that are **not required** to be inspected by the PCAOB will have its peer reviews administered by the entity approved to administer peer reviews for the state in which the firm's main office is located. However, if your firm issues any engagements purporting to have been conducted under PCAOB auditing standards, as opposed to auditing standards generally accepted in the United States of America (i.e., U.S. GAAS), your review will be administered by the NPRC.

Non-AICPA member firms may enroll with the Illinois CPA Society, the AICPA or any other administering entity approved by the applicable state boards of accountancy.

What happens if my firm is engaged to perform an audit after my engagement review has been completed?

When a firm, subsequent to the year-end of its engagement review, performs an engagement that would require it to have a system review, the firm should (a) immediately notify the Society's Peer Review Department and (b) undergo a system review within eighteen months of the year-end of the engagement (within eighteen months of the report date if an attestation engagement) or by the firm's next scheduled due date, whichever is earlier. Firms that fail to notify the Society of the performance of such engagement will be required to have a system review with a year-end that includes such engagement. The firm's subsequent peer review will be due three years and six months from this peer review year-end.

Can my system review be performed at a location other than my office?

Interpretation No. 8-1 to the Revised Standards states that "If the review can be reasonably performed at the reviewed firm's office, it should be. Although certain planning procedures may be performed at the peer reviewer's office, it is expected that a majority of the peer review procedures, including the review of engagements, testing of functional areas, interviews, and concluding procedures should be performed at the reviewed firm's office.

However, it is recognized that there are situations that make an on-site peer review cost prohibitive or extremely difficult to arrange, or both. In these situations, if the firm and reviewer mutually agree on the appropriateness and efficiency of an approach to the peer review such that it can be performed at a location other than the reviewed firm's office, then the reviewer can request the administering entity's approval to perform the review at a location other than the reviewed firm's office. This request should be made prior to the commencement of fieldwork, and the firm and reviewer should be prepared to respond to the administering entity's inquiries about various factors that could affect their determination."

When should my firm's peer review take place?

Your review should be arranged in advance and take place at a time mutually acceptable and convenient to both you and the reviewer. A reviewer will not arrive at your firm's office unannounced nor should the review begin unless approved in advance by the Society's Peer Review Department.

Please note that your firm's peer review **must be** scheduled sufficiently ahead of your firm's due date to allow time for submission of all peer review documents to the Society's Peer Review Department prior to the due date. The reviewer has up to 30 days to get the report and Finding for Further Consideration (FFC) Form(s), if any, to you following the exit conference. If the peer review report includes deficiencies or significant deficiencies, you have an additional 30 days to submit your letter of response to the Society. **However, all submissions must be made before your due date.** It may be helpful to think of your due date like a tax deadline.

If you are unsure of your firm's due date, please contact the Society staff member responsible for scheduling your review.

COST INFORMATION

How much will this cost me?

Direct costs

Your direct peer review costs will have two components: (1) an annual administrative fee paid to the Illinois CPA Society to cover the costs of running the Program and (2) the fee paid to the peer reviewer for the actual review. Fees paid to the peer reviewer can vary greatly depending on the nature of your practice. Your firm's client demographics have a greater impact on the cost of your review than firm size. For instance, a sole practitioner whose practice is 70% accounting & auditing and 30% tax work, and who conducts several audits of governmental entities, will have a more costly peer review than a firm with ten professionals performing mostly compilation and review engagements.

Indirect costs

There are also indirect costs associated with preparing your firm for the review and subsequent monitoring procedures. However, preparation costs can be controlled and kept to a minimum, especially if your system of quality control and records are in good order. If however your firm finds the opposite is true, you should consider the time well spent since making needed changes may result in providing better services to your clients, and in most cases, providing those services more efficiently. At the very least, preparation costs should diminish after your first review as you establish better quality control procedures.

Engagement Reviews

For firms performing only compilation engagements, the Society's Peer Review Department offers a CART program whereby experienced reviewers perform a number of peer reviews on specific one to three day periods approximately every month outside of busy season. Firms must schedule their reviews timely to choose this program.

Reviewers are paid on an hourly basis by the Society for actual time spent reviewing engagements. In turn, firms are billed on an hourly basis by the Society for the reviewer's time. Time spent in gathering engagement documents for the reviewers, telephone, copying, report production, etc. is absorbed by the Society. Hourly rates and minimum fees for fiscal year ending March 31, 2018 are as follows:

| | |
|-------------|-------|
| Hourly rate | \$195 |
| Minimum fee | \$390 |

Based on the number of engagements required to be reviewed, the estimated range of hours in which the review should be performed is as follows:

| <u>Number of Engagements</u> | <u>Estimated Hours</u> |
|------------------------------|------------------------|
| 1 | 2 – 4 |
| 2 | 3 – 5 |
| 3 | 4 – 6 |

These estimates include the time spent by the reviewer planning the review, performing the review, communicating with the reviewed firm, and finalizing the report and working papers on the review. **They also**

assume that the firm is prompt in submitting all required information and engagements and that the peer review contact will be available on the designated review date to answer questions and discuss any deficiencies noted by the reviewer. Failure to submit the reports, financial statements and completed engagement questionnaires by the due date stated in your engagement letter, **will result in a late charge of \$50.**

Payment Schedule

Fifty percent of the estimated fee must be paid before a CART review can begin. A minimum deposit of \$390 is required.

Annual State Society Administrative Fees

The state society administrative fees for fiscal year ending March 31, 2018 are based on the following formula

- | | | |
|-----|---|----------|
| (1) | Flat fee charged to firms with accounting or auditing practice: | \$ 155 |
| (2) | Plus a per-professional charge of: | 75 |
| (3) | With a maximum cap of: | \$ 1,700 |

OR

- | | | |
|-----|---|-------|
| (4) | If you are a firm that does not perform any accounting or auditing services, a flat fee of: | \$ 25 |
|-----|---|-------|

The per-professional charge begins after the first professional. For example, a sole practitioner with no professional staff will pay the flat fee of \$155. A firm with two professionals will pay \$230, the \$155 flat fee plus \$75 for the second professional.

Late Fee

Firms that fail to submit information necessary to schedule their review by the requested date will be charged a \$50 late fee when the second request for the information is generated.

Reinstatement Fee

If for any reason a firm rejoins the AICPA or state society peer review programs after it had previously been **dropped** or **terminated** from the program, the following reinstatement fee must be paid to the Illinois CPA Society prior to reinstatement in either program:

- | | |
|--|---------|
| Sole practitioner, with no professional staff | \$ 500 |
| Sole practitioner and firms, with professional staff | \$1,000 |

How do I count the number of professionals?

A firm should count as professionals (i.e., personnel) all CPAs and other individuals performing accounting and auditing services. This includes all partners, shareholders, members, proprietors, etc. It also includes all full and part-time staff and per diem employees if they are doing professional level work in accounting or auditing. Full-time equivalents are no longer in use.

Are there any ways to reduce the costs of my peer review?

Yes. The best ways to reduce costs are —

- Have complete, accurate information available for the reviewer early enough so that the review can be completed by the review due date - 30 to 40 days before the review is set to begin.
- Prepare for the review early by making sure everyone in the firm understands the importance of performing engagements “by the book,” properly documenting engagement planning issues, key procedures and conclusions, etc.
- Fewer engagement deficiencies and the reviewer’s ability to evaluate what was done without waiting for engagement staff to recount what they did from memory result in fewer reviewer hours and lower costs.
- Solicit proposals from more than one firm.
- Correctly calculate your firm’s accounting and auditing hours on engagements. Proposals are based on these hours. Do not include hours spent on taxes, consulting, payroll or bookkeeping services.
- In certain circumstances, you may be eligible under Interpretation No. 8-1 of the Revised Standards, *Performing System Reviews Performed at a Location Other Than the Reviewed Firm’s Office* to bring files, reports, and other materials ordinarily reviewed on a system review to the reviewer’s office or another agreed upon location. Such an arrangement must be approved by the Society’s Peer Review Department prior to commencement of the review.
- If your firm has received a report rating of “pass,” it may participate in the Program as a reviewing firm and members of your firm may participate as peer reviewers. Firms use these revenues to offset the costs of their own peer review, and many reviewers believe the experience and knowledge gained from being involved in the peer review process benefits their own firms.
- Firms in the same geographic area can "piggy-back" their reviews with the same reviewer and thus split travel costs.

Do I have to pay the state administrative fee?

Yes. Firms that choose not to pay this fee will be removed from the Program by the AICPA and individual CPAs working at the firm will not be allowed to have or retain AICPA membership.

Non-AICPA member firms will be removed from the Program which may impede their ability to renew or retain their state CPA license(s).

PREPARING YOUR QUALITY CONTROL SYSTEM

How do I develop a quality control system?

First, you should place someone in charge of your quality control procedures and preparation for the review. Next, decide how important your accounting and auditing practice is to your firm. Doing **just one engagement** under the SASs and/or examinations of prospective financial information under the SSAEs will require you to have a system review. You may wish to alter the type of services you provide if you are doing a small number of these engagements.

The remaining steps are straightforward, but can potentially take time —

1. Review the relevant professional literature and other sources to understand the six quality control elements (See **Appendixes A & B**).
2. Summarize and evaluate your current policies and procedures in each of the six areas. For each area ask yourself the following —
 - a) Is the material (e.g., form, checklist, write-up) current, or is it out of date?
 - b) Is the material able to be updated by the firm or through other publications or sources?
 - c) Does it provide an adequate level of quality?
 - d) Is it appropriate for a firm of our size and our practice?
 - e) Does it satisfy the requirements of Statement of AICPA Professional Standards QC Section 10.?
3. Implement monitoring procedures to identify and communicate circumstances that may necessitate changes to or the need to improve compliance with your system of quality control and professional standards.
4. A firm should have a system of quality control and an effective means of communicating that system to its staff in writing. A written quality control document is the most effective means for meeting the requirements in QC §10.
5. Evaluate whether you should develop formal documents for quality control, accounting and auditing procedures, and/or personnel policies (for smaller firms this may be one simple document). Remember the key is to have workable, consistent documents. See **Appendix A** for organizations that sell programs you can tailor for your firm.

Most firms have rough edges and have areas that could be improved. The review will help you identify these areas before they become significant problems.

CHOOSING A REVIEW TEAM

What types of review teams are available to do my review?

You may choose the type of review team you would like to conduct your firm's peer review. There are three choices:

For system and engagement reviews, you have two options:

*Firm-On-Firm Review*¹— You hire another qualified CPA firm to conduct the review. This option gives you a degree of personal assurance that the reviewer's qualifications fit your firm's needs. It also gives you more control over the cost of the review.

Association Review — You ask the association to which your firm belongs to assemble a review team. That association must be authorized by the AICPA Peer Review Board to assemble such review teams.

For reviews of firms performing only compilation engagements, you have a third choice:

CART (Committee-Appointed Review Team) Review — The Society hires the reviewer and prepares an engagement letter that includes an estimate of the number of hours it will take to perform the review and the estimated fee. To protect the other participants in the program, the Society requires you to pay 50 percent of the estimated total fee before the review begins.

How does the AICPA national peer review database work?

The AICPA maintains a database of individuals interested in serving as reviewers. All reviewers involved in the AICPA practice-monitoring programs must be listed in the database. The database lists information the individual provides to the AICPA on a *Reviewer Resume Form*. The database includes information such as the individual's firm, the program to which his or her firm belongs, the last training course attended, the industries in which the individual has expertise and how that expertise was obtained. Reviewers are asked to update this information every year. Information on the database is available to state CPA societies for assembling CART reviews and for verifying the qualifications of firm-on-firm and association reviewers.

Who can perform a peer review?

Appendix C lists the qualifications to be a reviewer for the two different types of reviews. A reviewer must be qualified and registered in the AICPA national peer review database before he/she can conduct a review.

¹ Includes a firm in the same association of CPA firms.

Who is responsible for making sure the review team is qualified to perform my firm's peer review?

You are. No matter which type of review you choose, the Society will compare the scheduling information provided by your firm with information provided by the reviewer on his/her reviewer resume form to determine whether the review team **appears** to have the qualifications required by the peer review program standards. However, since you have the actual contact with the reviewer and pay for the review, you must make the final determination. The reviewer needs to not only have experience in the right industries, but he or she must have the right amount and type of experience. For example, a reviewer with expertise in various industries may have enough governmental experience to perform a peer review of a firm with one small governmental audit. But the same reviewer may not have enough experience to perform a review beneficial to a firm with a heavy concentration in governmental audits.

Is there an easy way to "match" the reviewer's experience with my firm's specialty areas?

Yes. Each firm is asked to complete a scheduling information form about six months prior to the scheduled review date. The form asks you to mark areas in which your firm practices as well as industries in which **over ten percent** of the firm's auditing and attestation hours are concentrated. Reviewers are asked on their "Reviewer Resume Form" to mark, from the same list, areas where they believe they have sufficient familiarity to be qualified as a reviewer. When you choose a firm to conduct your review, make sure that the team's experience covers the areas you marked on your scheduling information form. The review cannot take place until the review team's experience matches the areas and industry concentrations of your firm.

If my firm is eligible for an engagement review and I choose a CART review, what is the first step?

You should tell us you want a CART review at the time you complete the scheduling information form (sent to you about six months prior to your review). The form will ask you to estimate the number of engagements you expect to perform during the twelve-month period to be covered by your review. As soon as we receive this form, we begin scheduling your CART review.

If I choose a CART review, do I have any control over who is selected to perform my review?

Yes. You may tell the Society in advance if there is someone on the list of reviewers selected for this program with whom you wish to exclude from performing your review. However, one of the reviewers on the list must be acceptable for you to select a CART review.

If I choose a firm-on-firm review, how do I find a qualified firm to perform my peer review?

There are a number of ways to find qualified reviewers. First, look to the directory of firms listed in this booklet. Firms have also found reviewers by asking members of their MAP Forum Groups and/or firm associations for recommendations. When choosing a reviewer, you should decide if you want a firm from the same state or from a different region of the country. If you choose the latter option, you may need to contact the appropriate state CPA society or practitioners in that region for recommendations. Finally, many firms direct market their peer review services and you'll learn about them through the mail or other advertising.

Next, develop a list of firms that interest you and arrange for interviews. Some of the questions you should ask include —

1. Has your firm been reviewed? What was the outcome? You may wish to read the firm's peer review report to examine the firm's quality.
2. How many qualified reviewers and team captains does the firm have and do their qualifications match my areas of specialties?
3. Will the firm view me as a client?
4. Can the firm meet my timing and scheduling requirements?
5. Has the reviewer attended the appropriate AICPA reviewer training course?
6. Ask for references from the firm on other reviews it has conducted. When talking to these references make sure that the review was conducted professionally and efficiently. Also did the team share helpful insights or did they just complete checklists? Most firms find reviews to be more rewarding if there is an informal exchange of information.
7. Will the firm work out a budget for the review? Many firms quote fees at a time and expense rate not to exceed a certain dollar amount. You don't want to be surprised at the end of the review with a bill larger than you expected.
8. What is the firm's attitude toward doing reviews? Do I feel comfortable with it?

Finally, select a firm and notify the Society of the actual date of the review, the firm's name and AICPA number, and the team member(s) names and AICPA numbers.

If I've already arranged or plan to arrange for another firm or association to perform my peer review, do I need to notify the Illinois CPA Society?

Absolutely!! THE REVIEW MAY NOT TAKE PLACE UNTIL WE HAVE CONFIRMED THAT THE REVIEW TEAM IS QUALIFIED TO CONDUCT THE REVIEW. We will provide you with a simple form to complete which tells us information about the team, such as the name of the reviewing firm and the members of the review team, the date the review will begin, and the date of the exit conference. The Society should also be promptly notified of any changes in this information. We encourage you to submit this information **as soon as practicable**, but certainly no later than 60 days prior to your review. After receiving this form, we'll notify the reviewer that they are approved and may start to gather the information needed to perform the review. In fact, your reviewer is required to confirm that the Society has been notified about your arrangements **before he or she starts the review**. Your reviewer will need this information at least 60 days prior to your review **due date**.

PREPARING FOR THE REVIEW

When should my firm's peer review be completed?

The due date is the date by which all peer review documents must be submitted to the Society. To complete the review on time, you need to start the review two to three months before the due date. You should plan ahead so that the review takes place at a convenient time for your firm. For example, if you have a heavy tax practice and your due date falls between January and April, you should plan to start the review in September or October to make sure it is completed before your busy season begins.

What if my firm cannot complete its review by the due date?

If your firm cannot have its review on time, an extension request may be made in PRIMA. The request should be made at least sixty days before the due date. Explain why your firm cannot have its review on time and offer an alternative date for the review. The Society considers extension requests on a case-by-case basis. Extensions beyond the end of the calendar year will not be granted except in extreme circumstances. Extensions are not granted simply because a firm believes it needs more time to prepare for the review.

For firm performing engagements subject to *Government Auditing Standards* (GAGAS), standards require the audit organization (i.e., firm or sole practitioner) to “obtain an external peer review at least once every 3 years that is sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization’s system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with application professional standards.”

GAGAS standards also indicate that “The first peer review for an audit organization not already subject to a peer review requirement covers a review period ending no later than 3 years from the date an audit organization begins its first audit in accordance with GAGAS. The period under review generally covers 1 year, although peer review programs may choose a longer review period. Generally, the deadlines for peer review reports are established by the entity that administers the peer review program. **Extensions of the deadlines for submitting the peer review report exceeding 3 months beyond the due date are granted by the entity that administers the peer review program and GAO** {emphasis added}”. If your firm performs government audits, don’t forget to take these requirements into account when requesting an extension. The GAO is not required to recognize extensions granted by the AICPA.

What period should be covered by my peer review?

Your peer review should cover a one-year period mutually agreed upon by you and the team/review captain. Ordinarily, the review should be conducted within three or five months following the end of the year to be reviewed. Engagements selected for all types of reviews will be those with client period ends during the year under review (except for attestation engagements which will be reports dated during the year under review). Peer review program standards also anticipate that a firm will keep the same peer review year-end from review to review. If your peer review year-end is not convenient or an unnatural fit for your firm’s practice, you may request in PRIMA a permanent year-end change to one that is a more natural fit for your firm. Your request should describe the reasons for the change.

When should I contact my system reviewer and what will he/she want from me?

A system review team consists of one or more individuals. One member of the review team is designated the team captain. Persons assisting the team captain are called team members. If there is only one reviewer that

individual is still called team captain. You should contact your team captain and begin planning the review early enough to make sure all documents will be submitted to the Society by the firm's due date. The team captain will ask for —

1. Relevant manuals, checklists, etc. that your firm uses in its practice
2. Summary information on the nature of your practice — services provided, clients served, industry concentrations and the number of accounting and auditing hours for these clients/industries. This summary information does not have to identify your clients. You may use codes.
3. Personnel statistics — names, positions and years of experience in total and with the firm
4. A brief history of the firm and the number and location of offices
5. Any communications relating to allegations or investigations (including litigation) in the conduct of an accounting, audit or attestation engagement performed and reported on by the firm, whether the matter related to the firm or its professional personnel, within three years preceding the firm's current peer review year-end
6. A representation letter that contains negative assurance that the firm is not aware of any situations where the firm or its personnel has not complied with state board(s) of accountancy or other regulatory bodies' rules and regulations (including firm or individual licensing requirements) or has notified the reviewer of such situations
7. Any other pertinent information

Based on this information, the team captain will make a preliminary selection of the offices and engagements he or she intends to review. The initial selection of engagements to be reviewed will be provided no earlier than two weeks prior to the commencement of the review. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation before the review team commences the review. However, at least one engagement from the initial selection to be reviewed will be provided to the firm once the review commences and not provided to the firm in advance. This engagement should be the firm's highest level of service and should not increase the scope of the review.

All engagements performed and issued by the firm should be available to the team captain at the start of fieldwork.

What if my client does not want their financial statements reviewed by the peer reviewer and/or I have other reasons for excluding an engagement from the review?

Firms may have legitimate reasons for excluding an engagement from the scope of their peer review. The AICPA Peer Review Board has determined that the following explanations are reasonable for exclusion of an engagement from the review –

- The client is subject to litigation
- The client will not permit the firm to make the engagement available

In these situations, the reviewed firm should submit a written statement to the Society's Peer Review Department, **prior to commencement of the review**, indicating it (a) plans to exclude an engagement(s) from the peer review selection process, (b) the reasons for the exclusion and (c) that it is requesting a waiver from

the scope limitation in the peer review report. The Society will decide if the reviewed firm's request is reasonable and whether a waiver should be granted.

The AICPA Peer Review Board has determined that the following explanations are unacceptable reasons –

- The engagement working papers are in a warehouse
- The firm no longer performs the audit for that client (and still has access to the documentation)
- The firm decided to no longer perform audits
- The engagement was selected during the firm's last peer review
- The partner on that engagement will not be available during the peer review
- The firm no longer performs engagements in that industry

These reasons will result in a scope limitation. A peer review report with a rating of *pass with deficiencies* will ordinarily be issued when the scope of the review is limited by conditions that preclude the application of one or more review procedures considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures.

What should my firm do to prepare for its subsequent peer review?

In preparing for its next review, your firm should —

- Read the report and, if applicable, findings for further consideration (FFC) forms issued in connection with your firm's prior review and your firm's letter of response thereto, and be certain that your firm has taken the appropriate actions.
- Continually monitor the firm's system of quality control and document this monitoring as required by the Quality Control Standards.

HAVING THE REVIEW

How are engagements selected for a system review?

Under the peer review standards, your review team must select at least one of the following types of engagements, if performed by your firm —

- Engagements subject to the Yellow Book and/or OMB Circular A-133/Uniform Guidance
- Audits of financial institutions subject to FDICIA (total assets in excess of \$500 million)
- Audits of employee benefit plans subject to ERISA
- Audits of carrying broker-dealers
- Examination of service organizations (SOC1 or SOC2 reports)

Other considerations include —

- Engagements in which there is significant public interest, such as financial and lending institutions and specialized industries
- Engagements that are large, complex, or higher risk or that are the reviewed firm's initial audits of clients
- A cross-section of your firms accounting and auditing practice
- Engagements required to be selected under other regulatory requirements

How are engagements selected for engagement reviews?

Under the peer review standards, engagements will be selected based on the following guidelines —

- One engagement should be selected from each area of service performed by the firm:
 - Review of historical financial statements
 - Compilation of historical financial statements with disclosures
 - Compilation of historical financial statements that omit substantially all of the disclosures required by generally accepted accounting principles (GAAP) or other financial reporting framework (FRF)
 - Attestation engagements
- One engagement should be selected from each owner, or individual of the firm is not an owner, responsible for the issuance of reports listed above.
- Preparation engagements should only be selected if the owner, or individual responsible for issuance of engagements, does not perform any disclosure or non-disclosure compilations OR the firm's only disclosure or non-disclosure engagements are preparation engagements.
- Ordinarily, at least two engagements should be selected for review.

The above criteria are not mutually exclusive; one of every type of engagement that an owner performs does not have to be reviewed as long as, for the firm taken as a whole, all types of engagements performed by the firm are covered. An attempt should be made to include clients operating in different industries.

The firm will be informed of the types of engagements to select and from which industries they should be selected. The firm will select the actual engagements and submit the reports, financial statements, any documentation required by professional standards (e.g., management representation letters, inquiry and analytical review checklists and working papers, etc.), along with an engagement questionnaire for each selection, to the reviewer within 30 days of being notified of the types to select. The peer reviewed firm will also submit a firm representation letter and copies of any communications relating to allegations or investigations. If the firm selected a CART engagement review, these materials will be sent to the Society's Peer Review Department rather than to the reviewer.

What does a system review team look for?

The team will evaluate your firm's system of quality control. They want to make sure that your system is properly designed and that you are complying with your system. They will —

- Review selected engagements, including the working paper files and reports, to evaluate your conformity with professional standards and compliance with relevant firm quality control policies and procedures
- Interview firm professional staff at various levels and, if applicable, other persons responsible for a function or activity to assess their understanding of and compliance with the firm's quality control policies and procedures
- Obtain other evidential matter as appropriate, for example, by review of selected administrative or personnel files, correspondence files documenting consultation on technical or ethical questions, files evidencing compliance with CPE requirements, and the firm's library

What is included in an engagement review?

An engagement review consists only of reading selected financial statements or information, the accountant's report thereon as well as certain documentation required by professional standards, together with certain written representations by your firm and copies of communications related to allegations or investigations. These reviews do not include a review of the firm's administrative or personnel files, interviews of firm personnel or other procedures normally performed on a system review.

What if I don't agree with the review team's conclusions?

The reviewer will inform you of any matters noted during the peer review, and will generally document such items on a form entitled, "Matter for Further Consideration (MFC) Form." You will have the opportunity to discuss the identified matters during the peer review and to respond in writing concerning the matters on the response section of the MFC form.

Because peer review is a subjective process, there may be differences of opinion between you and the reviewer as to whether a finding or deficiency exists and/or how it is reported in the review. In such circumstances, ask the reviewer to cite the applicable section(s) in professional standards that supports his or her conclusion. Ordinarily, disagreements are resolved by the exit conference. If you are still not satisfied with the reviewer's conclusions, you or your reviewer should consult with the Society's Peer Review Department. If the disagreement is not resolved, you should cite applicable section(s) of professional standards that support your views on the FFC Form(s) or, in the case of a *pass with deficiencies* or *fail* report, in your formal, written letter

of response. The Society's Peer Review Report Acceptance Committee will attempt to resolve the disagreement.

Many professional standards require the use of professional judgment; accordingly, you should not assume that the reviewer's interpretation is always the correct one. It is in your best interest to read the applicable section of professional standards to broaden your knowledge of the subject matter and verify that the finding or deficiency is applicable to the particular situation.

TYPES OF REPORTS

What types of peer review reports are issued on system reviews?

There are three opinions that can be issued on the firm's system of quality control – *pass*, *pass with deficiencies* or *fail*.

Pass

A report rating of *pass* is issued when the review team believes that the reviewed firm's system of quality control is appropriately designed and being complied with to provide the firm reasonable assurance of complying with professional standards.

A pass report may be accompanied by one or more Finding for Further Consideration (FFC) forms if the reviewer noted matters that he or she believed resulted in conditions being created in which there was more than a remote possibility that the firm would not conform with professional standards.

Pass with deficiencies

A report rating of *pass with deficiencies* is issued when the review team believes the reviewed firm's system is appropriately designed and being complied with to provide the firm reasonable assurance of complying with professional standards except for one or more deficiencies noted by the reviewer. A *pass with deficiencies* report indicates that there are some failures to adhere to professional standards. The reasons for the *pass with deficiencies* rating and recommendations will be included in the body of the report.

The *pass with deficiencies* report may be accompanied by one or more Finding for Further Consideration (FFC) forms if the reviewer noted other matters that were not considered of sufficient significance to affect the opinion expressed in the report.

Fail

A report rating of *fail* is issued when the review team believes the firm's system is not appropriately designed or being complied with to provide the firm reasonable assurance of complying with professional standards. A *fail* report indicates that there are several significant failures to adhere to professional standards. The reasons for the *fail* report and recommendations will be included in the body of the report.

The *fail* report may be accompanied by one or more Finding for Further Consideration (FFC) forms if the reviewer noted other matters that were not considered of sufficient significance to affect the opinion expressed in the report.

What types of peer review reports are issued on engagement reviews?

Like a system review, there are three types of reports that can be issued on an engagement review – *pass*, *pass with deficiencies* and *fail*.

Pass

A report rating of *pass* is issued when the reviewer believes the reports submitted for review were in conformity with professional standards. A *pass* report may be accompanied by one or more Finding for Further Consideration (FFC) forms if the reviewer noted other departures from professional standards that were not deemed to be significant but that should be considered by the reviewed firm in evaluating its quality control policies and procedures.

Pass with deficiencies

A report rating of *pass with deficiencies* is issued when:

1. The firm did not adhere to generally accepted accounting principles or other financial reporting framework (FRF). This failure could have a significant effect on the user's understanding of the financial information.
2. A misleading report has been issued on a compilation, review, or attestation engagement.
3. There is a failure to obtain a management representation letter or document the matters covered in the accountant's inquiry and analytical procedures on a review engagement
4. There is a failure to document other matters required to be documented by professional standards.
5. There are other departures from professional standards noted in a significant number of engagements submitted for review that individually may not be considered a significant departure from professional standards but collectively would warrant the issuance of a *pass with deficiencies* report.

The reasons for the *pass with deficiencies* report and recommendation will be included in the body of the report. A *pass with deficiencies* report may be accompanied by one or more Finding for Further Consideration (FFC) forms if the reviewer noted other departures from professional standards that were not deemed to be significant but that should be considered by the reviewed firm in evaluating its quality control policies and procedures.

Fail

A report rating of *fail* is issued when all of the engagements submitted for review had significant departures from professional standards. The reasons for the *fail* report and recommendations will be included in the body of the report. A *fail* report may be accompanied by one or more Finding for Further Consideration (FFC) forms if the reviewer noted other departures from professional standards that were not deemed to be significant but that should be considered by the reviewed firm in evaluating its quality control policies and procedures.

What types of follow-up actions or implementation plans are required on peer reviews?

The objective of a peer review is to help improve the quality of your practice. When deficiencies are noted, the firm is expected to identify and take corrective measures to prevent the same type of deficiencies from recurring in the future. Some type of corrective action or implementation plan is often required by the Society's Peer Review Report Acceptance Committee when your firm has repeat findings or deficiencies, or when you receive a peer review report rating of *pass with deficiencies* or *fail*. Depending on the particular circumstances, your firm may be asked to do one or more of the following:

- Attend certain CPE courses
- Submit its next monitoring report for approval by the Committee or team captain
- Permit an outside party, acceptable to the Committee chair, to visit your firm's offices or review a specific type of engagement issued subsequent to the peer review

COMMITTEE REVIEW AND ACCEPTANCE

Who is responsible for submitting peer review documents to the Illinois CPA Society?

Your peer reviewer is responsible for submitting a copy of the report, supporting working papers, and your firm's letter of response (LOR), if applicable, within 30 days of the exit conference or by the firm's peer review due date, whichever is earlier. Your firm's letter of response **must be** approved by your peer reviewer prior to submission to the Society.

Please remember that it is your firm's peer review, and you are ultimately responsible for ensuring all submissions are made on time.

When are the results of my peer review communicated to me?

The review team should communicate the results of the peer review at the closing meeting and/or exit conference. The purpose of the closing meeting is to discuss with senior members of your firm, the review team's observations, matters, findings, deficiencies, and significant deficiencies identified; the expected type of report to be issued; and the firm's responsibilities related to such matters. After your firm has responded to matters identified in the peer review, an exit conference will be held with senior members of the firm to discuss a summary of the peer review results, the firm's responses, and the type or report to be issued. For peer reviews with few or no matters or findings, the closing meeting and exit conference may be one and the same.

When are the results of my system or engagement review final?

Once **all** of the peer review documents have been received from you or your reviewer as detailed above, your review will then undergo "technical review." This process ensures that your review team conducted the review according to the peer review standards and that they were neither too lenient nor too harsh. This step is done by one of the Society's technical reviewers, who will work with your reviewer to resolve any questions or problems that may arise during the evaluation of your review. The technical reviewer then prepares the review for committee approval.

Your review is not considered accepted until the Society's Peer Review Report Acceptance Committee has voted to accept the peer review documents and, if required, your firm has signed the letter from the committee agreeing to perform required corrective actions. This final step ensures that a panel of your peers agrees with the conclusions of the review team. Committee members recuse themselves from discussions when they have a conflict of interest or perceive to have a conflict of interest with respect to the reviewed firm or the review team members.

You can appeal the report acceptance committee's decision to the Society's Peer Review Executive Committee. If the Peer Review Executive Committee is unable to resolve the disagreement, **they** can refer the matter to the AICPA Peer Review Board. The decision at this level is final unless recommendation to remove AICPA membership is involved. In this case, the decision can be appealed to the AICPA Joint Trial Board.

You should not publicize the results of the review or distribute copies of the report to your personnel, clients or others until you have been advised that the report has been accepted by the Society's Peer Review Report Acceptance Committee. On a few occasions, report ratings have been changed from *pass* to *pass with deficiencies* or *fail*, and vice versa. The completion date for your review will be the date it is accepted by committee or, if your firm is required to complete certain corrective actions, the date your firm completes the corrective actions to the committee's satisfaction.

Ordinarily, it takes 60 to 90 days to process a review once we receive the peer review documents. This length of time is necessary because we strive to keep the administrative costs of the Program low.

What is the structure of the ICPAS Peer Review Report Acceptance Committee?

The Society's Peer Review Report Acceptance Committee consists of an Executive Committee and eight report acceptance bodies (RABs). RABs are subcommittees consisting of five to six members that are charged with the acceptance of peer reviews. The Executive Committee is charged with appeals of RAB decisions, administrative and oversight matters. A minimum of three members must consider each review. The qualifications to be on the Committee are detailed in **Appendix D**. A member may not participate in any discussion or decision of a peer review of a firm when the member lacks independence or has a real or perceived conflict of interest (such as the reviewer's firm having performed or been a member of the team that performed the most recent or previous review).

Can my firm resign from the Program at any time?

A firm may resign from the Program as long as a peer review has not commenced and your firm submits a letter of resignation to the AICPA Peer Review Board or for non AICPA member firms, the Society's Peer Review Committee. A peer review commences when the review team begins field work on a system review or begins the review of engagements on an engagement review. Once a peer review commences, a firm may not resign from the Program unless it submits a letter waiving its right to a hearing and agrees to allow the AICPA to publish in such form and manner as the AICPA may prescribe the fact the firm has resigned from the Program.

If my firm is terminated from the Program, how can I get reinstated?

Your firm should submit a letter to the Society's Peer Review Department requesting reinstatement. The firm will be reinstated provided that the actions that caused the firm to be terminated have been waived or corrected to the satisfaction of AICPA and/or the Society's Peer Review Report Acceptance Committee. The AICPA may require a firm that has been terminated to have another review by the date originally assigned or within 90 days of reenrolling, whichever is earlier.

OTHER MATTERS

AICPA Risk Alerts – A Good Way to Keep Current

A good way to keep current on professional and industry developments is to obtain the AICPA audit risk alerts pertinent to your firm's practice. Each year, the AICPA publishes a general audit risk alert and risk alerts for various industries to advise auditors of current economic, industry and professional developments they should be aware of as they perform audits in the current period. Risk alerts also assist reviewers and firms in identifying high risk areas of audit engagements that should be reviewed during a peer review.

Risk alerts can be purchased by calling the AICPA's Member Satisfaction Department at 1-888/777-7077 or www.cpa2biz.com.

* * * * *

We hope we have answered most of your questions about the peer review program. If your question was not answered here, please contact a member of the Society's Peer Review Department, as listed on the introduction page.

You may also visit the AICPA Peer Review website at —

<http://www.aicpa.org/InterestAreas/PeerReview/Pages/default.aspx>

CLIENT CATEGORY CODES

Types of Reviews:

System Review – Required if audits or examinations level attestation engagements are performed.

Engagement Review – Eligible if the firm’s highest level of service is a review engagement.

Practice Areas:

- 2 Engagement under (SSARS)
- 3 Prospective Financial Information (i.e. Forecasts and Projections)
- 5 Audits Under Government Auditing Standards (Yellow Book)
(Excluding Single Audit Act A-133 Engagements)
- 7 Audits of Federally Insured Depository Institutions (with \$500 million or greater in total assets at the beginning of the fiscal year)
- 9 Other Audits Under Statements on Auditing Standards
- 11 Attest Services Performed Under the SSAEs (Excluding Prospective Financial Information)
- 13 Single Audit Act (A-133) Engagements Under Government Auditing Standards (Yellow Book)
- 14 Audits of Non-SEC Registrants under PCAOB Standards
- 20 International Standards on Auditing, Assurance Engagements and Related Services
- 30 Reviews of Financial Statements
- 40 Compilations of Financial Statements with Disclosures
- 45 Compilation of Financial Statements that Omit Substantially all Disclosures
- 50 Preparation of Financial Statements with Disclosures
- 55 Preparation of Financial Statements that Omit Substantially all Disclosures

Industries: (Auditing Experience Only)

- 110 Agricultural, Livestock, Forestry & Fishing
- 115 Airlines
- 120 Auto Dealerships
- 125 Banking
- 145 Casinos
- 150 Colleges and Universities
- 155 Common Interest Realty Associations
- 165 Construction Contractors
- 175 Credit Unions
- 180 Extractive Industries – Oil and Gas
- 185 Extractive Industries – Mining
- 186 Federal Student Financial Assistance Programs
- 190 Finance Companies
- 195 Franchisors
- 200 Property and Casualty Insurance Companies
- 205 Government Contractors
- 210 Health Maintenance Organizations
- 216 Hospitals
- 217 Nursing Homes
- 222 HUD Programs
- 230 Investment Companies and Mutual Funds
- 240 Life Insurance Companies
- 250 Mortgage Banking
- 260 Not-for-Profit Organizations (including voluntary health & welfare organizations)
- 268 Personal Financial Statements
- 295 Real Estate Investment Trusts
- 300 Reinsurance Companies
- 308 Rural Utilities Service Borrowers
- 310 Savings and Loan Associations
- 312 Service Organizations (SOC 1 Reports)
- 313 Service Organizations (SOC 2 Reports)
- 314 Service Organizations (SOC 3 Reports)
- 320 School Districts
- 325 State and Local Government

CLIENT CATEGORY CODES – CONTINUED

| | |
|-----|---|
| 330 | Telephone Companies |
| 335 | Utilities |
| 380 | Defined Contribution Plans – Full & Ltd. Scope (excluding 403(b) plans) |
| 383 | Defined Contribution Plans – Full & Ltd. Scope (403(b) plans only) |
| 390 | Defined Benefit Plans – Full & Ltd. Scope |
| 400 | ERISA Health & Welfare Plans |
| 403 | ESOP Plans |
| 405 | Other ERISA Plans |
| 440 | Carrying Broker-Dealers |
| 450 | Non-Carrying Broker-Dealers |

Other Services Performed:

Monitoring/Inspection Procedures
Engagement Quality Control Reviews

Centers:

| | |
|------|--|
| EBP | Employee Benefit Plan Audit Quality Center |
| GAQC | Governmental Audit Quality Center |
| PCPS | Private Companies Practice Section |

**FIRMS INTERESTED IN DOING REVIEWS IN STATES
ADMINISTERING BY THE ILLINOIS CPA SOCIETY**

As of March 2017

This listing is provided as a service. It implies no endorsement. For further information about the firm's qualifications, contact the firm directly.

ILLINOIS

Adelfia LLC

400 E Randolph St. Ste 705
Chicago, IL 60601

Contact: Stella Marie Santos

Phone: 312/240-9500

Fax: 312/240-0295

E-Mail: sbsantos@adelfiacpas.com

Number of Offices: 1

Number of Personnel: 21

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 5931693

Practice Areas: 2,5,9,11,13,40,45,50,55

Industries (Auditing Experience Only): 150,186,260,268,325,383

Peer Review Centers: EBP, GAQC, PCPS

Audit One, Ltd.

P.O. Box 567
Peotone, IL 60468

Contact: Timothy Thompson

Phone: 708/217-6245

Fax: 708/247-3109

E-Mail: Tim@auditone.com

Number of Offices: 2

Number of Personnel: 2

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 7868025

Practice Areas: 2,30,40,45,55

Industries (Auditing Experience Only): 155,260

Bass, Solomon & Dowell, LLP

520 North Hicks Road, Suite 120
Palatine, IL 60067

Contact: Gary Lasker

Phone: 847/934-0300

Fax: 847/934-1990

E-Mail: glasker@bsd-cpa.com

Number of Offices: 1

Number of Personnel: 13

Types of Reviews: System, Engagement

AICPA Firm Number: 10098671

Practice Areas: 2,9,30,40,45

Industries (Auditing Experience Only): 260,380,403

Peer Review Centers: EBP, GAQC, PCPS

Callero & Callero LLP

7800 N Milwaukee Ave.

Niles, IL 60714

Contact: Christopher A. Murschel

Phone: 847/966-2040

Fax: 847/966-2179

E-Mail: cmurschel@callero.com

Number of Offices: 1

Number of Personnel: 17

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10105829

Practice Areas: 2,5,13,30,40,45

Industries (Auditing Experience Only): 165,222,260,380

Peer Review Centers: EBP, GAQC

DeMarco Sciacotta Wilkens & Dunleavy

9645 W Lincolnway Ln. Suite 214A

Frankfort, IL 60423

Contact: Gregory J. Pierce

Phone: 708/631-0189

Fax: 847/750-0490

E-Mail: gpierce@dscpagroup.com

Number of Offices: 2

Number of Personnel: 14

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures

AICPA Firm Number: 5376003

Practice Areas: 2,9,30,40,45,50,55

Industries (Auditing Experience Only): 165,260,380,403,450

Peer Review Centers: EBP

DHJJ

184 Shuman Blvd., Suite 200

Naperville, IL 60563

Contact: Mary Laidman

Phone: 630/377-1106

E-Mail: mlaidman@dhjj.com

Number of Offices: 2

Number of Personnel: 50

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10016974

Practice Areas: 2,9,11,30,40,45

Industries (Auditing Experience Only): 165,195,380,390,403

Peer Review Centers: EBP, PCPS

Dugan & Lopatka, CPA's

104 E. Roosevelt Road, #102

Wheaton, IL 60187

Contact: Mark F. Schultz

Phone: 630/665-4440

Fax: 630/665-5030

E-Mail: mark.schultz@duganlopatka.com

Number of Offices: 1

Number of Personnel: 27

Types of Reviews: System, Engagement

AICPA Firm Number: 10018076

Practice Areas: 2,3,9,11,13,30,40,45

Industries (Auditing Experience Only): 165,222,260,380,383,390,400

Peer Review Centers: EBP, GAQC, PCPS

Arthur S. Gunn Ltd.

900 Skokie Blvd., Ste 207
Northbrook, IL 60062

Contact: Arthur S. Gunn

Phone: 847/498-1597

Fax: 847/498-1683

E-Mail: arthur@gunncpa.com

Number of Offices: 1

Number of Personnel: 1

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10155035

Practice Areas: 2,5,9,13,30,40,45

Industries (Auditing Experience Only): ,260,380

Peer Review Centers: EBP, GAQC

Hughes, Cameron & Company, P.C.

1321 Dadrian Professional Park
Godfrey, IL 62035

Contact: Amie Pranaitis

Phone: 618/466-6278

E-Mail: apranaitis@hughescpas.com

Number of Offices: 2

Number of Personnel: 10

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10115956

Practice Areas: 2,5,9,11,30,40,45,50,55

Industries (Auditing Experience Only): 155,165,260,320,325,380

Peer Review Centers: EBP, GAQC, PCPS

Jesser, Ravid, Jason, Basso and Farber, LLP

150 N. Wacker Drive
Chicago, IL 60606

Contact: Mark T. Jason

Phone: 312/300-4611

Fax: 312/782-4711

E-Mail: mark.jason@jesserravid.com

Number of Offices: 1

Number of Personnel: 16

Types of Reviews: System, Engagement

Other Services: Engagement Quality Control Reviews

AICPA Firm Number: 10099762

Practice Areas: 2,9,30,40,45,55

Industries (Auditing Experience Only): 260,380,450

Peer Review Centers: EBP

Kessler, Orlean, Silver & Company, P.C.

1101 Lake Cook Road, Suite C
Deerfield, IL 60015-5233

Contact: Steven P. Kessler

Phone: 847/580-4100

Fax: 847/580-4199

E-Mail: spkessler@koscpa.com

Number of Offices: 1

Number of Personnel: 37

Types of Reviews: System, Engagement

AICPA Firm Number: 10081721

Practice Areas: 2,5,9,30,40,45

Industries (Auditing Experience Only): 165,186,217,222,260,380,383,390

Peer Review Centers: EBP, GAQC, PCPS

Klesman & Company, P.C.7110 W 127th Street, Suite 230

Palos Heights, IL 60463

Contact: Mark S. Klesman**Phone:** 708/923-0200**Fax:** 708/923-0227**E-Mail:** mark@klescopc.com**Number of Offices:** 1**Number of Personnel:** 5**Types of Reviews:** System, Engagement**Other Services:** Monitoring/Inspection Procedures, Engagement Quality Control Reviews**AICPA Firm Number:** 10105532**Practice Areas:** 2,5,9,11,30,40,45,50,55**Industries (Auditing Experience Only):** 165,222,250,260,380**Peer Review Centers:** EBP, GAQC**Alexander Mannie & Company P.C.**

4749 Lincoln Mall Dr, Suite 202

Matteson, IL 60443

Contact: Reginald K. Mannie**Phone:** 708/856-0324**Fax:** 708/856-0379**E-Mail:** reginald@amcpccpa.comcastbiz.net**Number of Offices:** 1**Number of Personnel:** 1**Types of Reviews:** System, Engagement**Other Services:** Monitoring/Inspection Procedures, Engagement Quality Control Reviews**AICPA Firm Number:** 7017875**Practice Areas:** 2,5,9,13,30,40,45,50,55**Industries (Auditing Experience Only):** 222,260**Mayer Hoffman McCann P.C.**

225 W Wacker Drive, Suite 2500

Chicago, IL 60606

Contact: James Javorcic**Phone:** 312/602-6817**Fax:** 312/602-6950**E-Mail:** jjavorcic@cbiz.com**Number of Offices:** 35**Number of Personnel:** 2,236**Types of Reviews:** System, Engagement**Other Services:** Monitoring/Inspection Procedures, Engagement Quality Control Reviews**AICPA Firm Number:** 10092459**Practice Areas:** 2,5,9,11,13,14,16,30,40,45,50,55,312,313,314**Industries (Auditing Experience Only):** 120,125,150,155,165,175,185,222,230,260,268,310,320,325

380,383,390,400,403,405,440,450

Peer Review Centers: EBP, GAQC, PCPS**McClure, Inserra & Company Chartered**

1650 N. Arlington Heights Rd

Arlington Heights, IL 60004

Contact: Paul V. Inserra, CPA**Phone:** 847/870-0380**Fax:** 847/870-0435**E-Mail:** pinserra@micpa.com**Number of Offices:** 1**Number of Personnel:** 4**Types of Reviews:** System, Engagement**Other Services:** Monitoring/Inspection Procedures**AICPA Firm Number:** 10096909**Practice Areas:** 2,9,11,30,40,45,55**Industries (Auditing Experience Only):** 165,260,325

Mueller & Co., LLP

1707 N Randall Road, Suite 200
Elgin, IL 60123

Contact: Roy Groesbeck

Phone: 630/524-5768

Fax: 847/888-0635

E-Mail: rgroesbeck@muellercpa.com

Number of Offices: 2

Number of Personnel: 65

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures

AICPA Firm Number: 10050220

Practice Areas: 2,5,9,11,13,30,40,45,50,55,312,313

Industries (Auditing Experience Only): 165,222,260,268,325,380,383,390,400,403

Peer Review Centers: EBP, GAQC

E.C. Ortiz & Co., LLP

333 S. Des Plaines St, Ste 2-N
Chicago, IL 60661

Contact: Gilda Priebe

Phone: 312/876-1900

Fax: 312/876-1911

E-Mail: gbpriebe@ecortiz.com

Number of Offices: 1

Number of Personnel: 53

Types of Reviews: System

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 644492

Practice Areas: 5, 9,11,13

Industries (Auditing Experience Only): 150,186,260,312,325

Peer Review Centers: GAQC

Phillips & Associates CPAs, P.C.

1600 Hunt Dr., Ste B
Normal, IL 61761

Contact: Rick Phillips

Phone: 309/452-2417

Fax: 309/888-9261

E-Mail: rwp6505@aol.com

Number of Offices: 2

Number of Personnel: 2

Types of Reviews: System, Engagement

AICPA Firm Number: 10143963

Practice Areas: 2,3,5,9,13,30,45

Industries (Auditing Experience Only): 222,260,320,325

Peer Review Centers: GAQC

Porte Brown LLC

845 Oakton Street
Elk Grove Village, IL 60007

Contact: Russell J. Wilson

Phone: 847/956-1040

Fax: 847/956-6780

E-Mail: rwilson@portebrown.com

Number of Offices: 5

Number of Personnel: 91

Types of Reviews: System, Engagement

AICPA Firm Number: 10055752

Practice Areas: 2,5,9,11,13,30,40,45,50,55

Industries (Auditing Experience Only): 155,165,222,260,380,383,390,400,403

Peer Review Centers: EBP,GAQC,PCPS

Linda C. Rapacz CPA, P.C.

13844 Maple Avenue

Orland Park, IL 60462-1628

Contact: Linda C. Rapacz

Phone: 708/403-1999

Fax: 708/403-1428

E-Mail: lrpacz@msn.com

Number of Offices: 1

Number of Personnel: 1

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 01301941

Practice Areas: 2,9,30,40,45,50,55

Industries (Auditing Experience Only): 155,165,230,450

Peter Shannon & Co.

6412 Joliet Road, Suite 1

Countryside, IL 60525

Contact: John L. Dyer

Phone: 708/482-3000

Fax: 708/482-4010

E-Mail: john@petershannon.com

Number of Offices: 1

Number of Personnel: 6

Types of Reviews: System

AICPA Firm Number: 10063974

Practice Areas: 2,9,13,30,40,45

Industries (Auditing Experience Only): 165,222,260,380,403

Peer Review Centers: EBP

Warady & Davis LLP

1717 Deerfield Rd., Suite 300 South

Deerfield, IL 60015

Contact: Bob Giblichman

Phone: 847/267-9600

Fax: 847/267-9696

E-Mail: rgiblichman@waradydavis.com

Number of Offices: 1

Number of Personnel: 74

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10074098

Practice Areas: 2,3,5,9,11,13,30,40,45,50,55

Industries (Auditing Experience Only): 165,222,260,380,390

Peer Review Centers: EBP, GAQC, PCPS

IOWA

Hacker, Nelson & Co., P.C.

123 W Water Street

Decorah, IA 52101

Contact: Neal W. Schraeder

Phone: 563/382-3637

Fax: 563/382-5797

E-Mail: nschraeder@hackernelson.com

Number of Offices: 3

Number of Personnel: 20

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures

AICPA Firm Number: 10028026

Practice Areas: 2,3,5,9,11,13,30,40,45,50,55

Industries (Auditing Experience Only): 110,150,155,165,186,217,222,260,268,320,325,335,380,400

Peer Review Centers: EBP, GAQC

Ryun, Givens & Company, P.L.C.

2900 100th Street, Suite 301

Urbandale, IA 50322

Contact: Tim DeVries

Phone: 515/225-3141

Fax: 515/224-1233

E-Mail: tdevries@ryungivens.com

Number of Offices: 1

Number of Personnel: 9

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10127264

Practice Areas: 2,3,5,9,11,13,30,40,45,55

Industries (Auditing Experience Only): 155,217, 222,260,380,383

Peer Review Centers: EBP, PCPS

KENTUCKY

Deming Malone Livesay & Ostroff

9300 Shelbyville Rd, Suite 1100

Louisville, KY 40222

Contact: George Owens

Phone: 502/326-2335

Fax: 502/326-2435

Email: gowens@dml.com

Number of Offices: 1

Number of Personnel: 60

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10016412

Practice Areas: 2,9,11,13,30,40,45,50,55

Industries (Auditing Experience Only): 165,175,222,260,380,383,390

Peer Review Centers: EBP, GAQC PCPS

VonLehman & Company, Inc.

Wright's Summit Parkway, Suite 300

Ft. Wright, KY 41011

Contact: Beth Vice

Phone: 859/331-3300

Fax: 859/331-4358

E-Mail: bvice@vlcpa.com

Number of Offices: 3

Number of Personnel: 125

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 10038640

Practice Areas: 2,3,5,9,11,13,30,40,45,50,55,312

Industries (Auditing Experience Only): 150,165,186,190,216,217,260,268,300,310,320,325
380,383,390,400,403

Peer Review Centers: EBP, GAQC, PCPS

MINNESOTA

Olsen Thielen & Co., Ltd.

2675 Long Lake Road

St. Paul, MN 55113

Contact: Gavin Burnham

Phone: 651/483-4521

Fax: 651/483-2467

Email: gburnham@otcpas.com

Number of Offices: 2

Number of Personnel: 75

Types of Reviews: System, Engagement
Other Services: Monitoring/Inspection Procedures
AICPA Firm Number: 10052701
Practice Areas: 2,3,5,9,11,13,14,16,30,40,45,50,312,313
Industries (Auditing Experience Only): 165,200,222,230,260,268,308,325,330,335,380,383,
390,400,403,405,450
Peer Review Centers: EBP, GAQC, PCPS

MISSOURI

Mueller Prost

7733 Forsyth Blvd. Ste 1200
St. Louis, MO 63105
Contact: Quinn Martin, CPA
Phone: 314/862-2070
Fax: 314/862-1549
E-Mail: qmartin@muellerprost.com
Number of Offices: 3
Number of Personnel: 134
Types of Reviews: System, Engagement
Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews
AICPA Firm Number: 10081555
Practice Areas: 2,3,5,9,11,13,14,30,40,45,50,55,312,313
Industries (Auditing Experience Only): 150,155,165,185,205,210,217,222,250,260,268,308,330,
335,380,383,390,400,403
Peer Review Centers: EBP, GAQC, PCPS

NEBRASKA

BMG Certified Public Accountants, LLP

211 S 84th, #100
Lincoln, NE 68510
Contact: Todd Blome
Phone: 402/483-7781
E-Mail: tblome@bmgcpas.com
Number of Offices: 1
Number of Personnel: 6
Types of Reviews: System, Engagement
Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews
AICPA Firm Number: 10072810
Practice Areas: 2,3,5,9,11,30,40,45,50,55
Industries (Auditing Experience Only): 110,120,165,260,308,325,330,335,380
Peer Review Centers: EBP, GAQC, PCPS

NORTH DAKOTA

Widmer Roel P.C.

4334 18th Ave S
Fargo, ND 58103
Contact: Terry Delaney
Phone: 701/237-6022
Fax: 701/280-1495
E-Mail: tdelaney@widmerroelcpa.com
Number of Offices: 3
Number of Personnel: 35
Types of Reviews: System, Engagement

AICPA Firm Number: 10090274
Practice Areas: 2,3,5,7,9,11,13,14,16,30,40,45,312
Industries (Auditing Experience Only): 110,125,165,250,260,268,320,325,380,383,400,403,450
Peer Review Centers: EBP, GAQC, PCPS

OHIO

Meaden & Moore Ltd

1100 Superior Ave.
Cleveland OH 44114

Contact: Kelli Bernstein

Number of Offices: 4

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures

AICPA Firm Number: 10047312

Practice Areas: 2,5,9,11,30,40,45,50,55

Industries (Auditing Experience Only): 165,230,260,268,380,383,390,400,403,405

Peer Review Centers: EBP, GAQC, PCPS

Phone: 216/241-3272

Email: kbernstein@meadenmoore.com

Number of Personnel: 106

SOUTH CAROLINA

Hamilton, McKinney & Moss

P.O. Box 24019
Columbia SC 29224

Contact: John F. Hamilton

Number of Offices: 3

Types of Reviews: System, Engagement

Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews

AICPA Firm Number: 03882106

Practice Areas: 2,9,30,40,45,50,55

Industries (Auditing Experience Only): 155,165,260,380

Phone: 803/608-8066

Fax: 803/753-9483

Email: johnfh@aol.com

Number of Personnel: 3

Jones, Pounder & Associates, P.C.

P.O. Box 30967
Charleston SC 29417-0967

Contact: Joseph Beck

Number of Offices: 1

Types of Reviews: System

Other Services: Monitoring/Inspection Procedures

AICPA Firm Number: 10097389

Practice Areas: 2,5,9,11,13,30,40,45,50,55

Industries (Auditing Experience Only): 165,205,222,260,268,380,403

Peer Review Centers: EBP, GAQC, PCPS

Phone: 843/571-3114

Email: jbeck@jonespounder.com

Number of Personnel: 7

McKinley, Cooper & Co, LLC

555 N. Pleasantburg Dr., Suite 225
Greenville SC 29607

Phone: 864/232-1800

Contact: Toni R. McKinley
Number of Offices: 1
Types of Reviews: System, Engagement
AICPA Firm Number: 1014589
Practice Areas: 2,3,5,9,11,13,30,40,45,50,55
Industries (Auditing Experience Only): 110,155,165,190,195,205,217,222,260,268,308,320,325,335
Peer Review Centers: GAQC

Fax: 864/232-6971
Email: tmckinley@mckinleycooper.com
Number of Personnel: 12

A. Creig Odom, CPA, PA

P.O. Box 6098
Hilton Head SC 29938

Contact: Creig Odom
Number of Offices: 1
Types of Reviews: System, Engagement
Other Services: Monitoring/Inspection Procedures; Engagement Quality Control Reviews
AICPA Firm Number: 01011590
Practice Areas: 2,3,9,30,40,45,50,55
Industries (Auditing Experience Only): 165,260,325
Peer Review Centers: EBP, GAQC, PCPS

Phone: 834/842-4021
Fax: 843/842-6629
Email: odomcpa@gmail.com
Number of Personnel: 2

Randy L. Skinner & Company, PA

105 Venture Court
Greenwood SC 29649

Contact: Randy Skinner
Number of Offices: 1
Types of Reviews: System, Engagement
Practice Areas: 2,5,9,30,40,45
Industries (Auditing Experience Only): 110,155,165,210,260,325
Peer Review Centers: GAQC

Phone: 864/223-9691
Fax: 864/223-6873
E-Mail: rskinner@randyskinnercpa.com
Number of Personnel: 1

WISCONSIN

Sitzberger, Hau & Company, S.C.

14640 W Greenfield Ave., Suite 200
Brookfield, WI 53005

Contact: Josh Mueth
Number of Offices: 2
Types of Reviews: System, Engagement
Other Services: Monitoring/Inspection Procedures, Engagement Quality Control Reviews
AICPA Firm Number: 7911525
Practice Areas: 2,9,11,30,40,45,50,55
Industries (Auditing Experience Only): 222,380
Peer Review Centers: EBP, GAQC

Phone: 262/860-1724
Fax: 262/860-1726
E-Mail: jmueth@sitzhau.com
Number of Personnel: 40

LISTING OF FIRMS ALPHABETICALLY BY FIRM SIZE

ONE PROFESSIONAL

- **Arthur S. Gunn Ltd.**
Northbrook, IL
- **Alexander Mannie & Company P.C.**
Matteson, IL
- **Linda C. Rapacz CPA, P.C.**
Orland Park, IL
- **Randy L. Skinner & Company, PA**
Greenwood, SC

2 – 5 PROFESSIONALS

- **Audit One Ltd.**
Tinley Park, IL
- **Hamilton McKinney & Moss**
Columbia, SC
- **Klesman & Company, P.C.**
Palos Heights., IL
- **McClure, Inserra & Company Chartered**
Arlington Hts., IL
- **A. Creig Odom, CPA, PC**
Hilton Head, SC
- **Phillips & Associates CPAs, P.C.**
Normal, IL

6 – 10 PROFESSIONALS

- **BMG Certified Public Accountants, LLP**
Lincoln, NE
- **Hughes, Cameron & Company, LLC**
Springfield, IL
- **Jones, Pounder & Associates, P.C.**
Charleston, SC

- **Ryun, Givens & Company, P.L.C**
Urbandale, IA
- **Peter Shannon & Co.**
Countryside, IL

11 – 19 PROFESSIONALS

- **Bass, Solomon & Dowell, LLP**
Palatine, IL
- **Callero & Callero LLP**
Niles, IL
- **DeMarco Sciacotta Wilkens & Dunleavy**
Frankfort, IL
- **Jesser, Ravid, Jason, Basso and Farber, LLP**
Chicago, IL
- **McKinley, Cooper & Co, LLC**
Greenville SC

20 - 49 PROFESSIONALS

- **Adelfia LLC**
Chicago, IL
- **Dugan & Lopatka, CPA's**
Wheaton, IL
- **Hacker, Nelson & Co., P.C.**
Decorah, IA
- **Kessler, Orlean, Silver & Company, P.C.**
Deerfield, IL
- **Sitzberger, Hau & Company, S.C.**
Brookfield, WI
- **Widmer Roel P.C.**
Fargo, ND

50- 99 PROFESSIONALS

- **Deming, Malone, Livesay & Ostroff**
Louisville, KY
- **DHJJ**
Naperville, IL
- **Mueller & Co., LLP**
Elgin, IL
- **Olsen Thielen & Co, Ltd.**
St. Paul, MN
- **E.C. Ortiz & Co., LLP**
Chicago, IL
- **Porte Brown LLC**
Elk Grove Village, IL
- **VonLehman & Company, Inc.**
Ft. Mitchell, KY
- **Warady & Davis LLP**
Deerfield, IL

100 or MORE PROFESSIONALS

- **Mayer Hoffman McCann P.C.**
Chicago, IL
- **Meaden & Moore Ltd**
Cleveland, OH
- **Mueller Prost**
St. Louis, MO

APPENDIX A

OTHER RESOURCES TO ASSIST YOU

AICPA Peer Review Website <http://www.aicpa.org/InterestAreas/PeerReview/Pages/default.aspx>

AICPA Standards for Performing and Reporting on Peer Reviews and related Interpretations
<http://www.aicpa.org/RESEARCH/STANDARDS/PEERREVIEW/Pages/default.aspx>

RESOURCES AVAILABLE FOR PURCHASE from the AICPA 888/777-7077 or www.cpa2biz.com
and Thomson Reuters, 800/323-8724 or <http://ppc.thomson.com>.

- **AICPA Professional Standards** – AICPA. (Volume 3 - QC Section includes the *Statements on Quality Control Standards* and the PR Section includes the *Standards for Performing and Reporting on Peer Reviews* and Interpretations)
- **A Firm's System of Quality Control (Redrafted)** – AICPA.
- **Peer Review Program Manual** – AICPA.
- **PPC's Guide to Quality Control** – Thomson Tax & Accounting (PPC).
- **PPC's Guide to Quality Control: Compilation and Review** – Thomson Tax & Accounting (PPC).

APPENDIX B

Six Elements of Quality Control

Leadership Responsibilities for Quality Within the Firm

The firm should promote an internal culture based on the recognition that quality is essential in performing engagements and should establish policies and procedures to support that culture. Such policies and procedures should require that the firm's leadership (managing partner or board of managing partners, chief executive officer, or equivalent) to assume ultimate responsibility for the firm's system of quality control.

Relevant Ethical Requirements

The firm should establish policies and procedure designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. The AICPA Code of Conduct establishes the fundamental principles of professional ethics, which include:

- Responsibilities
- The public interest
- Integrity
- Objectivity and independence
- Due care
- Scope and nature of services

Acceptance and Continuance of Client Relationships and Specific Engagements

The firm should establish policies and procedures for the acceptance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will undertake or continue relationships and engagements only where the firm:

- a. Has considered the integrity of the client, including the identity and business reputation of the client's principal owners, key management, related parties, and those charged with its governance, and the risks associated with providing professional services in the particular circumstances;
- b. Is competent to perform the engagement and has the capabilities and resources to do so; and
- c. Can comply with legal and ethical requirements.

Human Resources

The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and enable the firm to issue reports that are appropriate in the circumstances. Such policies and procedures should address the following:

- Recruitment and hiring, if applicable;
- Determining capabilities and competencies;
- Assigning personnel to engagements, if applicable;
- Professional development; and
- Performance evaluation, compensation, and advancement.

Engagement Performance

The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are consistently performed in accordance with professional standards and regulatory and legal requirements, and that the firm or engagement partner issues reports that are appropriate in the circumstances. Required policies and procedures should address:

- a. Engagement performance,
- b. Supervision responsibilities, and
- c. Review responsibilities.

The firm should prepare appropriate **documentation** to provide evidence of the operation of each element of its system of quality control.

Documentation should be retained for a period of time sufficient to enable those performing monitoring procedures and peer review to evaluate the firm's compliance with its system of quality control, or for a longer period if required by law or regulation.

Monitoring

The firm should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process should:

- a. include an ongoing consideration and evaluation of the firm's system of quality control, including inspection or a periodic review of engagement documentation, reports, and clients' financial statements for a selection of completed engagements;
- b. require responsibility for the monitoring process to be assigned

- to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and
- c. assign the performance of monitoring the firm's system of quality control to qualified individuals.

APPENDIX C

Qualifications for Becoming a Reviewer

| Qualification | -----System Review----- | | Engagement Review |
|---|-------------------------|-------------|----------------------|
| | Team Captain | Team Member | |
| AICPA Member | x | x | x |
| Licensed to Practice as a CPA | x | x | x |
| Has current knowledge of applicable professional standards and of the current rules & regulations of the industries for which engagements are reviewed | x | x | x |
| Familiar with type of problems and specialties of the practice of the reviewed firm | x | x | x |
| Proprietor, partner or shareholder | x | x | x |
| Manager or equivalent supervisory responsibilities | | x | x |
| Currently active in public practice with the last five years in the accounting & auditing function | x | x | x |
| Currently active in public practice at the supervisory level in the accounting or auditing function for an enrolled firm | x | x | x |
| Associated with a firm that has received, within the last three years, a system or engagement review with a report rating of “pass” | x | x | x |
| If a reviewer is associated with more than one firm, then each of the firms the reviewer is associated with should have received, within the last three years, a system or engagement review with a report rating of “pass” | x | x | x |
| Must have completed an appropriate AICPA reviewer training course within 12 months prior to the commencement of the review | x | | x |

Must have completed an appropriate AICPA must-select course
if reviewing must-select engagements on a system review x x

APPENDIX D

Qualifications of Committee Members

1. Each member of a committee charged with the responsibility for acceptance of peer reviews should be:
 - a. Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in an approved practice-monitoring program as a partner of the firm or as a manager or person with equivalent supervisory responsibilities.
 - b. Associated with a firm (or all firms if associated with more than one firm) that has received a system or engagement review with a report rating of “pass” (formerly “unmodified”).
 - c. Trained in the Standards, Interpretations, and guidance of the Program by completing a course that meets the team or review captain training requirements established by the Board within 12 months prior to serving on the committee or during the first year of service on the committee.
2. A majority of the committee members and the chairperson charged with the responsibility for acceptance of reviews should possess the qualifications required of a system review team captain.

APPENDIX E

DEFINITION OF AN ACCOUNTING AND AUDITING PRACTICE FOR THE AICPA PEER REVIEW PROGRAM

The following engagements are included within the definition of an accounting and auditing practice for the purposes of having a peer review in the AICPA peer review program:

| | | |
|------------------|----------------------------|--------------------|
| <u>Standards</u> | <u>Report</u> ² | <u>Information</u> |
|------------------|----------------------------|--------------------|

Statements on Auditing Standards (SASs) —

| | |
|---|---|
| Audit ³ | Historical or Personal Financial Statements |
| All Other Engagements Performed under the SASs ³ | Various |

Statements on Standards for Accounting and Review Services (SSARSs)

| | |
|---|---|
| Review ⁴ | Historical or Personal Financial Statements |
| Compilation With Disclosures ⁴ | Historical or Personal Financial Statements |
| Compilation That Omits Substantially All Disclosures, However Selected Disclosures are Presented ⁴ | Historical or Personal Financial Statements |
| Compilation Without Disclosures ⁴ | Historical or Personal Financial Statements |
| Compilation of Prospective Financial Statements ⁴ | Prospective Financial Statements |
| Preparation Engagement With or Without Disclosures ⁵ | Historical or Personal Financial Statements |

Statements on Standards for Attestation Engagements (SSAEs) —

| | |
|-------------------------------------|---|
| Examination ³ | Prospective Financial Statements |
| Agreed-Upon Procedures ⁴ | Prospective Financial Statements |
| Agreed-Upon Procedures ⁴ | Historical Financial Information |
| Examination ³ | Written Assertions |
| Review ⁴ | Written Assertions |
| Agreed-Upon Procedures ⁴ | Written Assertions |
| Examination ³ | Reporting on Controls at a Service Organization |

² The firm is responsible for determining what type of engagements it performs. If the firm is uncertain of how to classify an engagement, it should consult its reviewer (if already selected), another CPA firm that performs a similar engagement, the AICPA Technical Hotline at 888/777-7077 or Paul Pierson, ICPAS Director of Professional Standards and Peer Review at 312 or 800 (in Illinois only) 993-0407 x236.

³ A firm that performs these engagements must have a system peer review.

⁴ A firm that performs these engagements as its highest level of service must, at a minimum, have an engagement review. The firm may optionally choose to have a system review.

⁵ A firm that performs these engagements as its highest level of service is not required to enroll in the peer review program.

APPENDIX F

DESCRIPTION OF ENGAGEMENTS INCLUDED IN THE DEFINITION OF AN ACCOUNTING AND AUDITING PRACTICE FOR THE AICPA PEER REVIEW PROGRAM

Statements on Auditing Standards (SASs)

Audit of Historical or Personal Financial Statements — The auditor performs procedures to provide him or herself with a basis for expressing an opinion as to the conformity of the client's financial statements with generally accepted accounting principles (GAAP) or other financial reporting framework (FRF).⁶

*All Other Engagements Performed Under The SASs*⁶

Statements on Standards for Accounting and Review Services (SSARs)

Review of Historical or Personal Financial Statements — The accountant performs inquiry and analytical procedures to provide him or herself with a reasonable basis for expressing limited assurance that there are no material modifications needed to be made to the financial statements in order for them to be in conformity with GAAP or other FRF.⁷

Compilation of Historical or Personal Financial Statements — The accountant presents in the form of financial statements, information that is the representation of management without expressing any opinion/assurance as to their conformity with GAAP or other FRF.⁷

Compilation of Historical or Personal Financial Statements that Omit Substantially All Disclosures, However Selected Disclosures are Presented — Same as in the preceding description except that selected disclosures are presented with the financial statements.⁷

Compilation of Historical or Personal Financial Statements that Omit Substantially All Disclosures — Same as in the two preceding descriptions except that no disclosures are presented with the financial statements.⁷

Compilation of Prospective Financial Statements — The accountant assembles the prospective financial information and considers whether the assumptions or presentation are obviously inappropriate without expressing any assurance on the financial forecast or projection or the underlying assumptions.^{7,9}

⁶ A firm that performs these engagements must have a system peer review.

⁷ A firm that performs these engagements as its highest level of service must, at a minimum, have an engagement review. The firm may optionally choose to have a system review.

Preparation Engagement — Engagement performed under the SSARS No. 21 where no report is issued and the financial statements include a table clearly identifying that they were not auditing, reviewed or compiled.⁸

Statements on Standards for Attestation Engagements (SSAEs)

Examination of Prospective Financial Statements — The accountant evaluates the preparation of the prospective financial information, the supporting underlying assumptions, and the conformity of the presentation with AICPA guidelines, in order to provide him or herself with a reasonable basis for expressing an opinion as to the conformity of the financial forecast or projection with AICPA guidelines and on the reasonableness of the assumptions.^{6,9}

Agreed-Upon Procedures of Prospective Financial Statements — The accountant performs procedures that have been agreed to by the specified users to the financial forecast or projection and issues a report describing the procedures applied and the results of their application.^{7,9}

Agreed-Upon Procedures — The accountant performs procedures that have been agreed to by the specified users to specified elements, accounts or items of a financial statement and issues a report describing the accountant's procedures and findings.⁷

Examination of Written Assertions — The accountant performs substantial procedures to provide the accountant with a basis for expressing an opinion about whether the assertions are presented in conformity with the criteria.⁶

Review of Written Assertions — The accountant performs inquiries and analytical procedures to provide the accountant with a basis for expressing limited assurance that nothing caused the accountant to believe the presentation did not conform to the presentation criteria.⁷

Agreed-Upon Procedures of Written Assertions — The accountant performs procedures that have been agreed to by the specified users to specified matters and issues a report describing the procedures applied and the results of their application.⁷

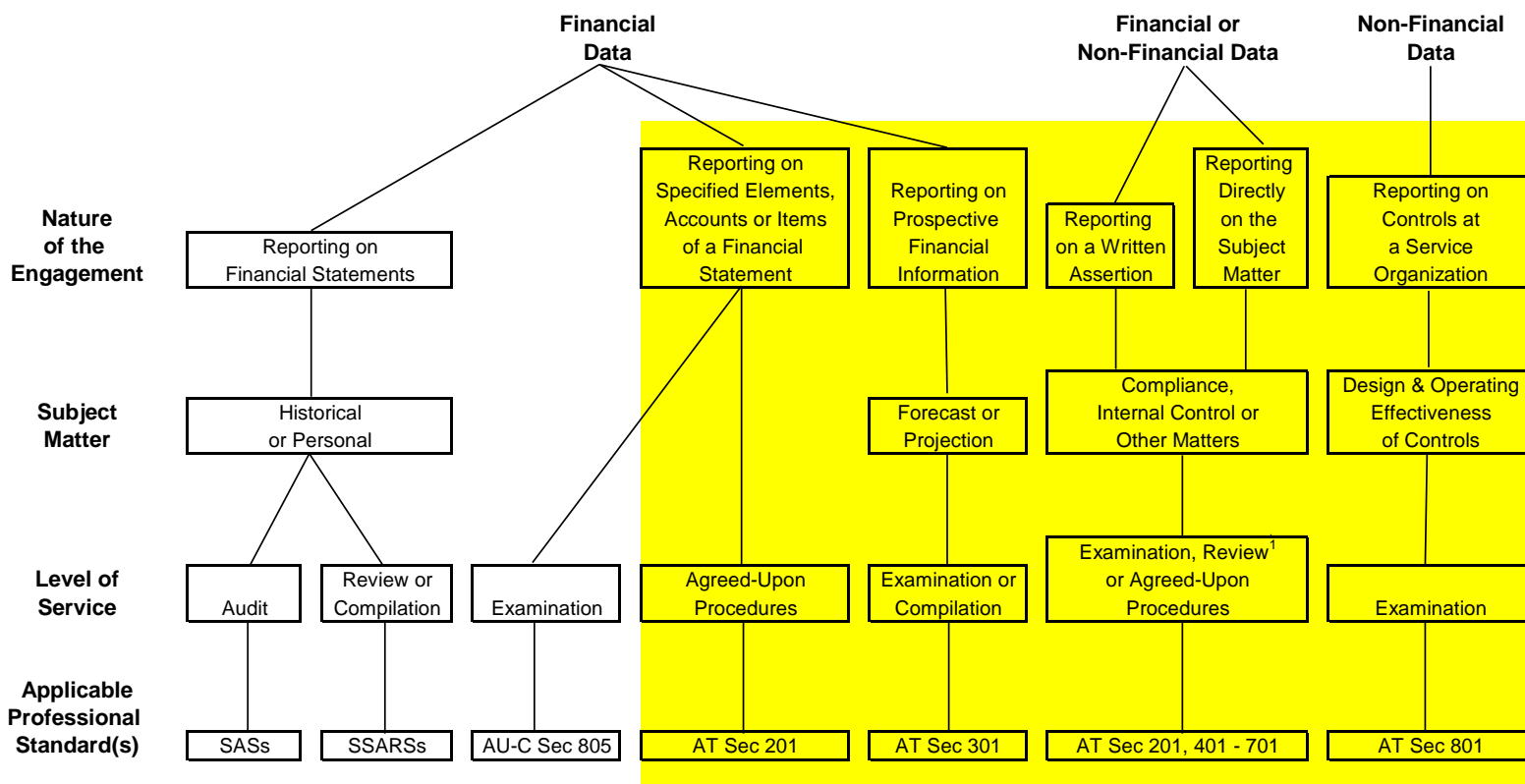
Reporting on Controls at a Service Organization — In a type 1 report, the service auditor expresses an opinion on management's description of a service organization's system and the suitability designed of the design of controls. In a type 2 report, the service auditor expresses an opinion on the same matters included in a type 1 report plus an opinion on the operating effectiveness of such controls.⁶

⁸ A firm that performs these engagements as its highest level of service is not required to enroll in the peer review program.

⁹ A financial forecast is prospective financial statements that present an entity's expected financial position, results of operations and cash flows. A financial projection is similar to a forecast except that it presents an entity's expected financial position, results of operations and cash flows, given one or more hypothetical assumptions.

Appendix G

DETERMINING THE APPLICABLE AICPA PROFESSIONAL STANDARDS FOR ATTESTATION AND OTHER MORE TRADITIONAL ACCOUNTING AND AUDITING ENGAGEMENTS



Definitions:

The shaded area represents engagements performed under the Statements on Standards for Attestation Engagements (SSAEs). An attestation engagement is defined as one in which a practitioner is engaged to issue or does issue an examination, review, or agreed-upon procedures report on certain subject matter (or on an assertion about the subject matter) that is the responsibility of another party. An assertion is a statement by the responsible party that the subject matter is in conformity with the criteria being used.

Some of the more common attestation engagements include:

- * Forecasts and projections (i.e., prospective financial statements)
- * *Reporting on an Entity's Internal Controls Over Financial Reporting*
- * *Compliance Attestation*
- * *Reporting on Controls at a Service Organization (formerly SAS No. 70)*

Attestation engagements do not include:

- * Any other engagement covered under the SASs or the SSARs
- * Consulting services covered under the *Statement on Standards for Consulting Services* (AICPA Professional Standards, vol. 3, CS sec. 100) -- fraud auditing is generally performed as a consulting service
- * Preparation of a Medicare cost report
- * Other engagements described in AT 101

Notes:

¹ The SSAEs prohibit a practitioner from issuing a review report on compliance or on the effectiveness of an entity's internal control over financial reporting. Those engagements must be an examination or agreed-upon procedures engagement.