



**PEER REVIEW**  
ALLIANCE

**Annual Report on Peer Review Activities**

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## **Introduction and Purpose**

The Peer Review Alliance (“PRA”) is one of 24 Administering Entities (“AEs”) of the AICPA Peer Review Program (“Program” or “PRP”), PRA administers reviews for approximately 1,700 firms in seven states – Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, and Wisconsin. See **Exhibit A** for the Number of Enrolled Firms by Firm Size.

The purpose of this Annual Report on Peer Review Activities (“report”) is to provide a general overview, including statistics and information.

## **Scope and Use of this Report**

This report should be reviewed in its entirety to understand the full context. Information presented in this report pertains to peer reviews accepted during calendar years 2023-2025, which covers a full three-year cycle. Oversight procedures included in this report are performed on a calendar year basis.

## **Peer Review Administrative Process Overview**

To understand PRA’s oversight procedures, it is first helpful to have an overview of PRA’s administrative processes.

### *Scheduling*

Firms to be peer reviewed receive Peer Review Information (“PRI”) and Scheduling (“SCH”) forms that request information on the firm’s management and structure; audit, attest, and compilation engagements; peer reviewer information; as well as dates of planned commencement and exit conference for the review. This information is entered by the firms and peer reviewers in the AICPA peer review database, Peer Review Information Management Application (PRIMA). Once this information is received, validations related to peer reviewer qualifications and other data are performed by PRA administrative staff. Any issues identified through this process are addressed by the firm, review team, or both, with the assistance of PRA staff, as necessary, until all issues have been resolved. A scheduling verification is sent to the firm and the team or review captain upon completion of the scheduling process. Peer reviews are then monitored by PRA staff for timely submission of peer review documents.

As required by the *AICPA Standards for Performing and Reporting on Peer Reviews* (“standards”), peer reviewers must timely complete and update a resume that accurately reflects their reviewer qualifications, including recent industry experience. PRA staff use this information to confirm the peer reviewer’s or peer review team’s experience appropriately matches the firm being reviewed.

### *Administrative Review*

Upon receipt from the team or review captain, peer review documents are reviewed by PRA administrative staff to determine, among other things, whether all documents required to be submitted to the AE have been submitted; whether the names, dates, etc. appear to be consistent; and whether the format of the documents appear to conform with the standards. Administrative reviews are documented using a comprehensive peer review administrative checklist. Any significant discrepancies identified through this process are addressed by the firm, review team, or both, with the assistance of PRA staff, as necessary, until all issues have been resolved. The documents are then assigned to a PRA technical reviewer.

### *Technical Review*

For firms performing audits and/or engagements subject to *Government Auditing Standards* (“GAS”) and therefore undergoing a System Peer Review, the technical review includes review of a Summary Review Memorandum describing the major aspects of the review, quality control checklists (and documents, if available), and other working papers. It also includes review of Single Audit engagement profiles and related engagement checklists, if applicable. For firms not performing audits or engagements subject to GAS and therefore eligible to undergo an Engagement Peer Review, the technical review includes review of a Review Captain Summary and other working papers. The technical review for both System and Engagement Peer Reviews is documented using a comprehensive technical review checklist.

The technical reviewer’s role is to anticipate questions from the peer review report acceptance committee; seek answers from the team or review captain and/or firm; address issues or problems that are noted during the working paper review; and, if necessary, consult with AICPA staff. The technical reviewer advises the committee of significant matters related to the review; provides certain working papers for the committee to use in its report acceptance decisions; and recommends whether the reviewed firm should be asked to complete one or more corrective actions or implementation plans and whether the reviewer should receive any performance feedback. The documents are then assigned to a report acceptance committee.

### *Report Acceptance*

The PRA Report Acceptance Committee (“Committee”) is composed of approximately 45 experienced peer review team or review captains. Committee members include volunteers from each state administered by the PRA and are assigned to one of eight report acceptance bodies (“RABs”). RABs meet via conference call on a rotating weekly basis and consider approximately 10-15 reviews at each meeting.

Each RAB is led by a chair who also serves as a member of the Peer Review Alliance Executive Committee. RAB members must be independent of the reviewed firm, the review team, and the review teams’ firms. The technical reviewer is available during the RAB meeting to answer any questions the members might have. RAB members are assigned to the calls to obtain a cross-section of industry experience. The role of the RAB is to consider peer reviews for acceptance as well as certain extension requests, corrective actions or implementation plans, and reviewer performance feedback.

One week prior to a scheduled call, the RAB members assigned to that call receive an agenda consisting of a spreadsheet summarizing the items being presented, the RAB member responsible for presenting each item, and the technical reviewer. The RAB materials also include relevant peer review documentation for each review being presented, such as:

- Peer review report
- Letter of response, if applicable
- Prior peer review report and letter of response, if applicable
- Summary Review Memorandum
- Single Audit profiles and checklists, if applicable
- Firm representation letter
- Finding for Further Consideration (FFC) forms, if applicable
- Matter for Further Consideration (MFC) forms, if applicable
- Prior peer review FFC forms, if applicable
- Other supporting documents, if applicable

RAB members have an opportunity to discuss the peer review with the technical reviewer and others prior to presentation to the RAB on the scheduled conference call.

See **Exhibit B** for the Results by Type of Peer Review and Report Issued; **Exhibit C** for the Number and Reasons for Report Modifications – System Reviews Only; and **Exhibit D** for the Number of Engagements Not Performed or Reported on in Conformity with Professional Standards in all Material Respects (nonconforming engagements). See **Exhibit E** for a Summary of Required Follow-up Actions (including corrective actions and implementation plans).

## **Oversight of Peer Reviews and Reviewers**

### *Minimum Requirements*

The AICPA PRP Oversight Handbook specifies certain minimum requirements for oversight. At a minimum, AEs are required to conduct oversight on 2% of all peer reviews accepted in a calendar year, and within the 2% selected, there must be at least two of each type of peer review evaluated (system and engagement reviews).

### *Oversight Selection*

The Committee selects various reviews throughout the year for oversight. The selections may be random or targeted and are based on the criterion for selection as outlined in the Oversight Handbook and meet the minimum requirements discussed above.

#### **Firms**

All firms are subject to oversight and are selected based on several factors including but not limited to: (a) random selection, (b) the types of peer review report ratings the firm has received previously, (c) whether it is the firm's first system review (after previously having an engagement review), and/or (d) whether the firm conducts engagements in high-risk industries.

#### **Peer Reviewers**

All peer reviewers are subject to oversight and are selected based on a number of factors including but not limited to: (a) random selection, (b) frequent submission of peer review reports with a rating of *pass* and few or no MFC or FFC forms, (c) conducting a significant number of reviews for firms with audits in high risk industries, (d) performance of their first peer review and/or (e) performance of a high volume of reviews. Oversight of a reviewer can also occur due to single instances or a pattern of performance findings or deficiencies, such as: (f) issuance of an inappropriate peer review report, (g) not considering matters that are deemed by the RAB or oversight reviewer to be significant and/or (h) failure to select an appropriate number of engagements.

See **Exhibit F** for a summary of Oversight of Peer Reviews and Reviewers.

## Enhanced Oversight

The AICPA Peer Review Board Oversight Task Force (“OTF”) coordinates enhanced oversights performed by subject matter experts (“SMEs”). The objective of the enhanced oversight program is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether engagements are properly identified as nonconforming. The enhanced oversights focus exclusively on must-select engagements that were applicable at that time.

During 2023-2025, must-select engagements included those performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under the Federal Deposit Insurance Corporation Improvement Act (FDICIA), and examinations of service organizations. Most oversights are performed on employee benefit plan, single audit, and *Government Auditing Standards* engagements, as these are the most common must-select engagements. Only one engagement is reviewed for each firm selected, and the SME does not expand the scope of the oversight.

Reviews administered by PRA are included in the population of reviews subject to enhanced oversight. For more information about enhanced oversights, please refer to the AICPA’s PRP Annual Report on Oversight which can be found [here](#) on the AICPA website.

## Administrative Oversight

Every two to three years, AEs are subject to an administrative oversight by one or more members of the OTF and/or AICPA staff. For more information about the AE administrative oversight process and a copy of PRA’s most recent report, click [here](#) on the AICPA website.

## Administering Entity Benchmarks

Since 2018, AEs have monitored and periodically reported to the OTF on their compliance with AE benchmarks, which are qualitative, objective, and measurable criteria to enhance overall quality and effectiveness of Program administration. Benchmarks are divided into four categories based on the individual(s) with primary responsibility: administrators, technical reviewers, peer review committee/RAB members and the CPA on staff. The benchmarks include qualitative, objective measurable criteria, which may be modified over time due to advances in technology and other factors.

PRA reports on its compliance with the benchmarks three times per year, with each reporting period covering four months. For more information about AE benchmarks, please refer to the AICPA’s PRP Annual Report on Oversight which can be found [here](#) on the AICPA website.

**RAB Observations**

OTF also coordinates periodic oversights of RAB meetings for each of the AEs. The primary objectives of the RAB observation are to determine whether:

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

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

For more information about the RAB observation process, please refer to the AICPA's PRP Annual Report on Oversight which can be found [here](#) on the AICPA website.

### Exhibit A

#### Number of Enrolled Firms by State and Firm Size As of December 31, 2025

Number of Professionals*	Illinois	Indiana	Iowa	Kentucky	South Carolina	West Virginia	Wisconsin	Totals
Sole practitioner, no additional A&A professional(s)	136	67	24	53	88	29	23	420
2-5	189	119	58	97	95	37	81	676
6-10	81	48	29	32	26	18	42	276
11-19	43	15	10	13	12	4	13	110
20-49	20	9	16	6	9	2	12	74
50-99	7	3	3	1	2	1	1	18
100+	1	2	1	-	-	-	2	6
Enrolled firms performing no engagements subject to peer review (no A&A)	44	13	7	13	17	10	11	115
<b>Totals</b>	<b>521</b>	<b>276</b>	<b>148</b>	<b>215</b>	<b>249</b>	<b>101</b>	<b>185</b>	<b>1,695</b>

\* Professionals are considered all personnel who perform accounting and/or auditing (A&A) services, for which the firm is responsible, whether or not they are CPAs

## Exhibit B

## Results by Type of Peer Review and Report Issued

	Calendar Year							
	2023		2024		2025		Totals	
	Reviews	%	Reviews	%	Reviews	%	Reviews	%
<b>System Reviews:</b>								
Pass	189	73.6	239	80.8	192	78.7	620	77.8
Pass with deficiencies	45	17.5	38	12.8	35	14.3	118	14.8
Fail	23	8.9	19	6.4	17	7.0	59	7.4
	<b>257</b>	<b>100.0</b>	<b>296</b>	<b>100.0</b>	<b>244</b>	<b>100.0</b>	<b>797</b>	<b>100.0</b>
<b>Engagement Reviews:</b>								
Pass	292	84.6	261	83.4	204	77.6	757	82.2
Pass with deficiencies	38	11.0	40	12.8	44	16.7	122	13.2
Fail	15	4.4	12	3.8	15	5.7	42	4.6
	<b>345</b>	<b>100.0</b>	<b>313</b>	<b>100.0</b>	<b>263</b>	<b>100.0</b>	<b>921</b>	<b>100.0</b>
<b>All Reviews:</b>								
Pass	481	79.9	500	82.1	396	78.1	1,377	80.1
Pass with deficiencies	83	13.8	78	12.8	79	15.6	240	14.0
Fail	38	6.3	31	5.1	32	6.3	101	5.9
	<b>602</b>	<b>100.0</b>	<b>609</b>	<b>100.0</b>	<b>507</b>	<b>100.0</b>	<b>1,718</b>	<b>100.0</b>

### Exhibit C

#### Type and Number of Reasons for Report Deficiencies – System Reviews Only

	Calendar Year			Totals
	2023	2024	2025	
<b>Reasons for Report Deficiencies:</b>				
Leadership responsibilities for quality within the firm (the tone at the top)	6	6	4	16
Relevant ethical requirements	5	6	3	14
Acceptance and continuance of client relationships and specific engagements	10	9	3	22
Human resources	25	22	20	67
Engagement performance	51	44	46	141
Monitoring	29	27	20	76
<b>Totals</b>	<b>126</b>	<b>114</b>	<b>96</b>	<b>336</b>

## Exhibit D

**Number of Engagements Not Performed or Reported on in  
Accordance with Professional Standards in All Material Respects (Nonconforming Engagements)**

	Calendar Year								
	2023			2024			2025		
	Number of Engagements			Number of Engagements			Number of Engagements		
	Reviewed	Nonconforming Engagements	%	Reviewed	Nonconforming Engagements	%	Reviewed	Nonconforming Engagements	%
Audits									
Single Audit	123	43	35.0	141	33	23.4	125	36	28.8
Government Auditing Standards – All Other	129	35	27.1	153	36	23.5	126	20	15.9
ERISA	145	28	19.3	183	31	16.9	131	18	13.7
FDICIA	1	-	-	2	-	-	3	1	33.3
Other	314	66	21.0	364	55	15.1	328	53	16.2
Reviews	372	45	12.1	409	41	10.0	320	56	17.5
Compilations and Preparations									
With Disclosures	254	24	9.4	288	19	6.6	191	19	9.9
Omit Disclosures	801	40	5.0	831	50	6.0	662	49	7.4
Financial Forecasts and Projections	-	-	-	-	-	-	-	-	-
SOC Reports	10	-	-	4	-	-	2	-	-
Agreed-Upon Procedures	76	10	13.2	109	8	7.3	86	5	7.0
Other SSAEs	45	2	4.4	58	4	6.9	32	4	12.5
<b>Totals</b>	2,270	293	12.9	2,542	277	10.9	2,006	261	13.0

### Exhibit E

#### Summary of Required Follow-up Actions (Includes Corrective Actions and Implementation Plans)

Type of Follow-up Action	Calendar Year		
	2023	2024	2025
Agree to take/submit proof of certain continuing professional education (CPE)	224	209	172
Post-issuance review of certain engagements	117	107	113
Pre-issuance review of certain engagements	28	13	2
Submit monitoring/inspection report for review by team captain or peer review committee	5	5	5
Submit evidence of proper firm or individual CPA license	12	8	3
Firm represented in writing that it no longer performs, or was engaged to perform, certain types of engagements	7	1	-
Agree to hire outside party to perform the firm's monitoring/inspection procedures, or to oversight monitoring/inspection procedures completed by firm personnel	4	6	1
Agree to remediate, or hire team captain/outside party to review remediation of, nonconforming engagement(s)	9	4	3
Team captain/outside party review of firm's quality control document (QCD)	6	2	1
Other	3	3	-
<b>Totals</b>	<b>415</b>	<b>358</b>	<b>300</b>

**Exhibit F****Peer Review Alliance Oversights of Peer Reviews and Reviewers**

	2023	2024	2025
<b>Type of Peer Review:</b>			
System	6	6	4
Engagement	9	8	8
<b>Totals</b>	15	14	12