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HOW TO PREPARE FOR YOUR PEER REVIEW - 2013

KOREAN AMERICAN CPA ASSOCIATION
OF GREATER NEW YORK

WINDSOR HALL

1775 Windsor Hall – Teaneck, NJ 07666

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Note to Audience - Disclaimer

This presentation contains certain information that is the author's opinion and not necessarily that of the AICPA Peer Review Board, the NYSSCPA or the NJSCPA or any other authoritative bodies.

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A. Registration

To Enroll in the Peer Review Program, you must contact the respective Peer Review Administration.
Where is your principal office located?

NJ: NJSCPA
Contact Janice Wood
973-226-4494 ext. 249

NY: NYSSCPA
Contact Theresa Campbell
212-719-8435

If your organization is issuing financial statements, you are required to have a Peer Review.

You can opt out if 2 or less professionals and you are only doing compilations.

B. Engagement Review

No longer called Offsite Reviews

Least Expensive

Primarily SSARS:
Compilations and Reviews Engagements

OCBOA is now called
“Special Purpose Frameworks” -Primarily

- a. Income Tax Basis
- b. Modified Cash Basis
- c. Cash Basis

SSARS 19 Reports

Exposure Drafts for extensive changes for
2015

The Quality Control Document is NOT
evaluated, but it still should be done for all
firms.

C. System Review

Evaluation of the Quality Control Document (QC)

A systemic approach to the viability of the firm's work

Risk Assessment of which specific engagements to inspect

Managing Partner Assessment and Questionnaire – Tone at the Top is evaluated.

D. How to Prepare for Your Review

Statement of Quality Control
Standards # 8 (SQCS 8)

Each CPA firm must have:
A Quality Control Document (QCD)
which has six components

PRP 4300 – Sole Practitioner
PRP 4400 – 2 or More Professionals

6 Elements

Leadership Responsibilities

Relevant Ethical Requirements

Acceptance & Continuation of Client Relationship

Human Resources

Engagement Performance (Do you use checklists?)

Monitoring

You can go on-line to the AICPA website/Peer Review and obtain free of charge MOST of the Peer Review forms.

The entire firm dealing with financial statements has to be involved.

CPE courses should be meaningful and utilized in improving your work product.

What is my COST?

KEY FACTORS

Risk Assessment of firm and the engagements

How prepared your jobs look

How much you supported the process within your firm

Did you have a prior review - Was it successful?

If there were deficiencies, have they been resolved?

Are you going to use a repeat reviewer?

If not, why not?

An Engagement review does not need a visit to your office.

A System Review requires a visit in the greater NY area.

E. What Resources to Obtain and Implement.

The Engagement Performance component requires a professional library

Need Professional pronouncements (i.e.)

CPA2BIZ

Thomson Reuters

ALSO – Third Party Practice Aids (i.e. PPC)

BUT PPC is non-authoritative, only an implementation guide

If you have a Partnership

Are all Professionals responsible for the
Work product

Or

Are you just sharing office space?

Check with your E&O Insurance.

F. Common Errors in Performing Peer Reviews

REPORTING

GAAP

Special Purpose Framework (OCBOA)

SSARS 19 – Tools

Miss Wording

On Review Engagements – Representation letter, Report available for issue and management evaluation of subsequent events footnote use the SAME DATE

FINANCIAL STATEMENTS

Misspelling

Cash Flow Errors

Disclosure Deficiencies

1. FIN 46R – Consolidation - VIEs
2. Long Term Debt
3. Incomplete Cash Flow Presentation
4. GAAP or NOT
5. Use of Estimates – SOP94-6
6. SAS 103 – Documentation
7. Management Evaluation
Subsequent Events (FASB165)

8. Review – Analytics & Expectations

9. Related Party

10. Commitments and Contingencies

Not indicating Reference to related Report on the pages of the Financial Statements.

Supplementary Information not part of basic financial statements (interest, rent, depreciation, advertising)

TEAM (REVIEW) CAPTAIN

Disagreements with the Review Captain has to be resolved between the parties.

If not, contact technical support at
respective state

NJ: Jim Hardenberg

NY: Mark Rachleff

G. Food for Thought – Q & A

Is the tax return enough for 3rd Parties?

Going Concern Problems

Should the client do Financial Statements?

Who are the Third Party Users?

Should I use SSARS 8? Management use only

Who can do my:

Technical Support

Monitoring

Peer Review

What restrictions are there?

Potential Independence Impairment

Pass, Pass with Deficiencies or Fail
Controversy on Report Wording

Selecting a Peer Review Year End
Balance Sheet Dates

Work is done six months after Year End.
Keep Timing Out of Tax Season.

Complete Population of Engagements

Given to Reviewer for selection
Representation Letter to be done.
What if some jobs are not done?

QC Document – Tailored to fit your Firm

Yes, you can use PRP 4300 or PRP 4400 and Tailor it. Don't re-invent the wheel.

Use your Peer Review Report
as a Public Relations Tool.

EQCR – Engagement Quality Control
Review within your firm.

Do you have enough people to do it?

H. Definitions

MFC – Matters for Further Consideration

FFC – Findings for Further Consideration

Implementation Plans - Required by the Report Acceptance Body (RAB) in response to a finding

Corrective Action - Required by RAB when there is a finding which generates a Pass with deficiency or Fail Report.

PRP – Peer Review Program

E&O – Errors & Omissions Insurance

LOR (Letter of Response) - The firms answer to issues raised. Answers should be feasible, comprehensive and genuine.