

Reviewer alert

February 2023

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February Peer Review Board Meeting Update

On February 8, the Peer Review Board (PRB) met and discussed various topics including:

- Recent task force activity such as:
 - The review of responses to the Peer Review Standards Update No. 1, Omnibus Enhancements and Technical Corrections exposure draft
 - The plan to update peer review standards to reflect the quality management standards
 - The development of the agenda and related content for the 2023 Peer Review Conference
 - How to recruit new reviewers and help firms find available, qualified reviewers

Meeting Highlights

Summaries of other items discussed are included in the meeting highlights, which will be available soon. Send questions about the meeting highlights to [Peer Review Staff](#).

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Next Update of the Peer Review Program Manual (PRPM) Expected in May

The next PRPM update will be available by late May 2023 on the [peer review web pages](#) and in the Online Professional Library (OPL)* to subscribers. The updates will be effective for reviews commencing on or after June 1, 2023. Monitor upcoming alerts for more details.

*Access OPL by visiting the purchases tab under your profile when you log into aicpa.org.

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Tips for Utilizing Extensions

We have heard feedback that some of you are inundated with requests for peer review services, forcing you to turn down prospective peer review clients. One helpful tool is to have peer review clients request extensions to allow for more time to perform all necessary procedures.

Extensions are requested by the firm using self-service functionality in PRIMA and ultimately approved by the administering entity (AE). Paragraph .A45 of PR-Section 100, *Concepts Common to All Peer Reviews*, states “an AE will ordinarily approve a review due date extension of three months or less.” Therefore, if you know you will need some extra time, requesting an extension is a potential option.

However, when discussing the possibility of requesting an extension with a peer review client, please remember:

- Each extension request will be considered on a case-by-case basis by the AE.
- The firm must ensure that any approved change to the review due date complies with governmental, regulatory body or any other organizations’ peer review requirements.
 - For example, if the firm performs engagements under the Generally Accepted Government Auditing Standards (GAGAS), you should discuss the fact that the GAO does not automatically accept extensions granted by the AE beyond three months
- A request for an extension is better if submitted during the planning stages of the review but not later than 60 days prior to the due date. Extensions are not typically granted after the due date unless extenuating circumstances are present.
 - In other words, you could discuss a possible extension during the scheduling phase with existing peer review clients, or when prospective peer review clients first reach out!

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Spotlight on engagements subject to *Government Auditing Standards*

The following articles are most pertinent to peer reviewers of engagements subject to *Government Auditing Standards* and single audits. However, some points (such as engagement alternatives to single audits as a result of the pandemic) are relevant to **all peer reviewers**. These types of engagements are under intense regulatory scrutiny, including quality control reviews and desk reviews performed by federal cognizant and oversight agencies. The AICPA has made many resources available for free to assist you and firms in reviewing and performing engagements under *Government Auditing Standards*. You are encouraged to use these resources in helping perform peer reviews and to share these resources, where appropriate, with firms to enhance audit quality within the profession.

Program-specific audits FAQs

Pandemic funding has led to more program-specific audits elected by entities that have expended over \$750,000 in federal expenditures pertaining to one federal program. The questions below summarize the most common inquiries received by peer review staff relating to program-specific audits and provide considerations based on the Uniform Guidance (Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) requirements.

Should program-specific audits be listed on the row for “OMB Single Audit Engagements” on the firm’s Peer Review Information (PRI) form in PRIMA?

If the program-specific audit was subject to or conducted in accordance with the Uniform Guidance, it should be classified as a single audit for peer review purposes within PRIMA. Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, indicates: “if the firm performs engagements of entities subject to the Single Audit Act, the reviewer must evaluate a compliance audit.” Program-specific audits may be elected under the Single Audit Act and the Uniform Guidance when certain criteria are met. When there are program-specific audit engagements, you would need to review the firm’s PRI form in PRIMA to make sure the “OMB Single Audit Engagements Under Government Auditing Standards (Yellow Book)” (must-select code 13) is marked as being “performed.” If this level of service code is not marked, you should either:

- Ask the firm to update its PRI or
- Update the PRI and send to the firm for approval.

Should a peer reviewer complete the full PRP section 22,100 Part A-UG Supplemental Checklist or just the 22,100 Part B-UG Supplemental Checklist associated with program-specific audits?

The team captain should complete and submit the full PRP section 22,100 Part A-UG, *Supplemental Checklist for Review of Single Audit Engagements* (part A), and the relevant sections of the engagement profile to the administering entity. You should also evaluate the areas in PRP section 22,100 Part B-UG to determine the highest risk area(s) and identify any areas of the engagement that should be reviewed in addition to part A (see especially questions SA155 - SA159 that are specific to program-specific audits). In addition, you should also complete PRP section 22,110A, *Supplemental Checklist for Review of Audit Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) 2018 Revision*, and PRP section 4400A, *Supplemental Guidelines for Review of Quality Control Policies and Procedures for Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) 2018 Revision*.

The reviewer would not be expected to complete a base peer review audit checklist for a program-specific audit (e.g., PRP section 20,500, *Governmental Audit Checklist*) as the program-specific audit under the Uniform Guidance doesn’t include a financial statement audit of the auditee.

If the review team selected a program-specific audit, does the review team need to select one of the firm’s Yellow Book financial statement audits performed to achieve appropriate must-select coverage for the review?

Yes. If the selection only covered the program-specific audit, the review team would still need to select one of the financial statement audits performed under *Government Auditing Standards* (GAS) to achieve appropriate selection coverage for the review. Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, states: “*Government Auditing Standards* (GAS), issued by the U.S. Government Accountability Office, requires auditors conducting engagements in accordance with those standards to have a peer review that includes the review of at least one engagement conducted in accordance with those standards. Additionally, if the firm performs engagements of entities subject to the Single Audit Act, the reviewer must evaluate a compliance audit.” If the firm performs an engagement of an entity subject to GAS and the peer review is intended to meet the requirements of those standards, at least one engagement conducted pursuant to those standards should be selected for review.

We want to remind you that the scope of the engagements selected should include a reasonable cross section of the firm’s accounting, auditing, and attestation engagements,

appropriately weighted considering the assessment of risk relative to the engagements performed by the firm.

The peer review report and firm representation letter refer to the program-specific audit as a “compliance audit under the Single Audit Act,” is this referencing appropriate?

Yes. Considering the preceding questions and responses, the Required Selections and Considerations paragraph of the “Report on the Firm’s System of Quality Control,” and representation letter should refer to the program-specific audit as a “compliance audit under the Single Audit Act.”

For more information, refer to footnote four in Exhibit B of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*.

Single Audit low-risk auditee reminder

The Governmental Audit Quality Center (GAQC) offers the following advice in [GAQC Alert No. 424](#) for practitioners about the single audit submission extension included in the Office of Management and Budget (OMB) Memorandum M-21-20, *Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources*. Practitioners are advised that awarding agencies should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse (FAC) as of March 19, 2021, that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the single audit reporting package to six months beyond the normal due date. Recipients and subrecipients taking advantage of this extension would still qualify as a “low-risk auditee.” Practitioners are reminded that the extension only affects one of the criteria for determining the single audit submission due date. Requirements of the 2 CFR 200.512(a)(1) state that the entity’s due date for an audit submission is the **earlier** of:

- 30 calendar days after receipt of the auditor’s report(s) or
- Nine months after the end of the audit period.

In addition, GAQC offered the following information for practitioners in [GAQC Alert No. 447](#) about delays in the FAC accepting fiscal year 2022 single audit submissions. The OMB has indicated that for any 2022 submissions with fiscal periods ending between January 1, 2022, and October 31, 2022, the requirement stating that single audits are due to the FAC 30 days after receipt of the auditor’s report(s) is waived. These audits will be considered on time if they are submitted within nine months after their fiscal period end date.

We encourage you to share [GAQC Alerts](#), where appropriate, with firms to enhance audit quality within the profession.

New! Proposed Yellow Book updates

On January 30, 2023, the U.S. Government Accountability Office (GAO) released an exposure draft of [proposed updates to Government Auditing Standards](#), also referred to as GAGAS or the Yellow Book. The proposed changes reflect a change in approach to quality management and a risk-based process for achieving the objectives of quality management. The proposed changes also incorporate extensive input and feedback from members of the Yellow Book Advisory Council, including experts from federal, state, and local governments; the private sector; and academia.

“This latest update is intended to strengthen and modernize audit organizations’ systems for managing engagement quality using a proactive and risk-based approach,” said Gene

Dodaro, Comptroller General of the United States and GAO head. “The proposed approach is intended to help ensure that audit organizations produce reliable, objective, and high-quality work for use in holding management and officials entrusted with public resources accountable for carrying out their duties.”

Summary of proposed changes

Of particular interest to peer reviewers is external peer review, and the exposure draft states:

Note: No changes to the External Peer Review section are proposed and therefore that section is removed from the exposure draft. The final revision of Government Auditing Standards will include conforming amendments to change references to “quality control” to “quality management” and to update affected cross-references.

Other key changes include, but are not limited to:

- Allowing audit organizations subject to other quality management standards to comply with those requirements and specific additional Yellow Book requirements
- Emphasizing the responsibility of the audit organization’s leadership for quality management
- Adding a quality management risk assessment process and information and communication component
- Emphasizing monitoring of the entire system of quality management
- Providing for the use of optional quality reviews of Yellow Book engagements
- Proposing application guidance for key audit matters
- Promoting scalability of the standard for use by audit organizations differing in size and complexity

The GAO is seeking public comment on the proposed draft! Please submit your comments to YellowBookComments@gao.gov, by **April 28, 2023**.

Engagement risks to consider when selecting Yellow Book engagements

Certain recipients of several larger pandemic programs that meet specific eligibility criteria are provided with an option to have an alternative engagement that would be less burdensome than a single audit or program-specific audit under 2 CFR Part 200, Subpart F. For example, compliance examination engagements in accordance with *Government Auditing Standards* (also referred to as the Yellow Book and GAGAS) and AICPA Statements on Standards for Attestation Engagements (AT-C section 315, *Compliance Attestation*), or financial audits under the Yellow Book. You should be aware that these types of engagements are under intense regulatory scrutiny due to their strong public interest component and quality concerns. Because these engagements are required to be performed under the Yellow Book, you should consider these engagements as part of the must-select population of engagements subject to selection.

A sampling of the engagement risks related to alternative engagements that you may consider when determining how many and what types of Yellow Book engagements to select include:

Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)

- Determining recipients’ eligibility for the alternative compliance examination engagement may cause confusion
- Some practitioners may not be familiar with the attestation standards of the AICPA or the Yellow Book requirements for an examination attestation engagement

Provider Relief Fund (PRF)

- Auditors may miss the AICPA guidance recommending a revenue-based schedule for the for-profit GAGAS engagement and erroneously opine that it is GAAP or special-purpose framework when out-of-period expenses and lost revenue are reported
- Even though an opinion on compliance is not issued, the auditor is required to consider noncompliance with laws and regulations that could result in material misstatements of the schedule
- Many small recipients and the potential for practitioners that are not used to working with engagements associated with federal funds

Shuttered Venue Operators Grant (SVOG)

- Audit threshold trigger for all audit options based on SVOG award revenue recognized during the entity's fiscal year may cause confusion
- Some practitioners may not be familiar with the attestation standards of the AICPA or the Yellow Book requirements for an examination attestation engagement
- Many small recipients and the potential for practitioners that are not used to working with engagements associated with federal funds

For reference, Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, states, "Peer reviewers should also consider audit firm experience, such as how many governmental audits the firm performs, the number of years' experience in performing these engagements, the number of team members with experience, whether the team members have undergone CPE or specialized training, and reasonableness of hours spent on GAS engagements."

For more information on pandemic programs offering alternatives to single audit, consider the following resources:

- Watch this recording as the speakers discuss new pandemic funding that will fall outside of a single audit and answer questions from peer reviewers: [Impact of COVID-19 Federal Funding Update for Peer Reviewers](#)
- Watch this recording as the speakers delve into important and highly relevant topics related to audits of pandemic funding: [Hot Topics in Auditing Pandemic Funding](#)
- Review publicly available information, such as the [Shuttered Venue Operators Grantees - Dataset - U.S. Small Business Administration \(SBA\) | Open Data](#), or [Provider Relief Fund Payments and Data | HRSA](#), if deemed appropriate, to determine the completeness of the firm's engagement listing

For additional questions related to peer review, contact the technical hotline at 919.402.4502, option 3, or prptechnical@aicpa.org.

Additional resources and tools for Reviewers and Auditors

The Governmental Audit Quality Center (GAQC) has developed resources that can assist you in reviewing and performing alternative engagements related to pandemic funding under *Government Auditing Standards*, and to share with auditors, as applicable. These resources include, but are not limited to:

- Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)
 - A practice aid, [CSLFRF Alternative Compliance Examination Engagement Practice Aid](#)
 - A set of illustrative reports, [CSLFRF compliance examination engagement illustrative reports](#)

- An archived web event, [Auditor Considerations: The Coronavirus State and Local Fiscal Recovery Funds Program](#)
- Provider Relief Fund (PRF)
 - A practice aid, [HHS Audit Requirements for For-Profit Entities with Awards from the Provider Relief Fund Program and Other HHS Programs](#)
 - A practice aid, [Audit Scope Considerations for Provider Relief Fund General and Targeted Distributions in Parent-Subsidiary Relationships](#)
 - An article titled, [Governmental Audits of Single Financial Statements or Elements](#)
 - An archived web event, [Auditing For-Profit Entities Receiving Provider Relief Funds and Other HHS Awards](#)
- Shuttered Venue Operators Grant (SVOG)
 - A set of illustrative reports, [Illustrative Practitioner's Reports for the SVOG Compliance Examination](#)
 - Coming soon! An archived web event, [Auditing For-Profit Recipients of the Shuttered Venue Operators Grant Program](#)

We also encourage you to regularly check the [GAQC Resources](#) page for any new resources.

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Quick Hits

Update Your Resume for Quality Management

In our ongoing efforts to help firms implement the quality management standards, you can now indicate in your reviewer resume that you are willing to provide consulting related to a firm's system of quality management!

An additional bullet related to quality management was added to the "Are you willing to serve as an outside consultant for another firm" question. Firms and others can use the [reviewer search functionality](#) to find peer reviewers, including new peer reviewers, that have answered 'Yes' to that question to help find a valuable resource in any quality management implementation efforts.

You can also further expand on your ability (for example, availability) to provide these services in the open-ended question "Is there any other information relevant to your qualifications as a peer reviewer or outside consultant that you would like to include?" which also is accessible via the reviewer search.

Register for the March 1 Reviewer Forum!

It's not too late to register for the March 1 Reviewer Forum! Join us to hear periodic updates and learn about key recent developments in the AICPA Peer Review Program.

Register for the [free \(no CPE\) webcast](#) or [paid \(CPE\) webcast](#).

Additionally, below are links to save the dates for the remaining forums. Click, open, save and close to add them to your calendar. Once live, we will post the registration link to our [home page](#). Interested in a deeper dive on a topic? Email prsupport@aicpa.org to suggest content.

[May 11, 2023](#)

[September 12, 2023](#)

[November 29, 2023](#)

Updated On-Demand Peer Reviewer Training Courses

As mentioned in our special edition February Reviewer alert, the following courses, which meet various peer review related training requirements, are now available on the AICPA store:

- [Peer Review Update Session](#) (team/review captain ongoing training requirement)
- [Committee Member Breakout Session](#) (CPA on staff training requirement)
- [Employee Benefit Plan Optional Session](#) (must-select training requirement)

Practice Aid on Analytical Procedures in a Review of Financial Statements

Do your peer review clients have issues related to analytical procedures in their review engagements? Consider recommending a new practice aid developed by AICPA staff with input from the AICPA's Accounting and Review Services Committee. The [Analytical Review Procedures in a Review of Financial Statements practice aid](#) is designed to illustrate and demonstrate the importance of forming expectations and considering the precision of the expectation, two of the most misunderstood concepts when applying analytical procedures in a review engagement.

New Risk Assessment in a Financial Statement Audit Guide

If your peer review clients struggle with complying with audit requirements related to risk assessment, consider recommending the new [Risk Assessment in a Financial Statement Audit](#) guide! The guide will help your peer review clients understand how to fulfill their responsibilities for identifying and assessing risks of material misstatement in a financial statement audit. It also would help your peer review clients focus on how to apply SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, to audits of financial statements of less complex entities.

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