



Washington State Board of Accountancy

Policy Number: 2020-1

Title: Peer Review

Revised: April 24, 2020

Approved: _____
Mark Hugh, CPA, Chair

Purpose:

The purpose of this policy is to clearly define the Board's process and procedures for interacting with licensed firms who are required under WAC 4-30-130 to undergo peer review and to report the results using the AICPA's Facilitated State Board Access (FSBA) database at the time of their firm license renewal.

In addition, this policy is intended to inform the wider CPA firm community about the Board's approach to evaluating and responding to the results of peer reviews.

Guiding Principles:

The Board believes remediation is the fundamental goal of peer review. In the majority of instances where deficiencies are discovered through the peer review process, corrective action and follow through by the Administering Entity (AE) and/or Review Acceptance Body (RAB) should be allowed to proceed.

In certain instances the Board may impose a practice restriction or other measures through its disciplinary process when deemed appropriate.

Process for Dropped or Terminated Firms:

The AICPA notifies the state boards when an AICPA member has been dropped or terminated from the peer review program.

Board staff will access FSBA to routinely review the list of firms that have been dropped or terminated from peer review. Per WAC 4-30-130, licensed firms who have provided attest or compilation services and who have been dropped or terminated from peer review by the AICPA must notify the Board. Board staff will generate reports detailing dropped firms and follow up with firms that have not reported.

Firms that have been dropped or terminated from peer review, have not responded to a board inquiry per WAC 4-30-034, and remain out of compliance will be referred to the Board's disciplinary process.

Board Evaluation of the Results of Peer Review:

One member of the Board's Peer Review Oversight Committee and the Executive Director (ED) will review reports for which the results are pass with deficiencies (PWD) or fail. Board staff will make all files available electronically for the Board member's review.

PWD – or Sequential PWDs:

The Board member and ED will review the peer review report for any unusual facts or troubling trends. Board staff will follow up to ensure that corrective action, as recommended by the AE/RAB, is completed by the firm.

Referral for discipline is unlikely for PWD results.

Fails and/or Sequential Fails:

If there is one instance of a fail, the Board member and ED will review the peer review report for unusual facts or troubling trends, especially if the prior peer review was a PWD. Board staff will follow up to ensure that corrective action, as recommended by the AE/RAB, is completed by the firm.

If a firm has two sequential fail reports over two renewal periods, a Board member and ED will evaluate the two fail reports to determine if the same topic is at issue in both periods. If not, Board staff will follow up to ensure that corrective action, as recommended by the AE/RAB, is completed by the firm.

However, if the firm is dropped or terminated from the peer review program as a result of two sequential fails, the disciplinary process noted above will be undertaken.

If the two sequential fails have the same root cause, the Board will determine what action is appropriate under the circumstances. Options, beyond the corrective action, include but are not limited to the following:

- Required remedial training through Consent Agreement
- Practice restriction through Consent Agreement or Board Order
- Discipline including fine and/or firm license revocation through Consent Agreement or Board Order

Effective: January 31, 2020

Revised: April 24, 2020