

## CHAPTER 13 – PEER REVIEW

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### 001 Purpose.

**001.01** The purpose of peer review is to improve the quality of financial reporting and to assure that the public can rely on the financial information on which licensees issue reports. The program emphasizes education and rehabilitation rather than disciplinary action. Appropriate educational programs or procedures will ordinarily be recommended or required where financial reporting does not comply with applicable professional standards.

### 002 Definitions. The following definitions shall apply as used throughout Chapter 13 of these rules and regulations.

**002.01 Peer Review Committee (PRC).** Board established committee of individuals to assist the Board with the administration of peer review in order to provide reasonable assurance that peer reviews are being conducted and reported on in accordance with the applicable standards for performing and reporting on peer reviews.

**002.02 Peer Review Oversight Committee (PROC).** Committee appointed by the Board to assist in the direct oversight of approved sponsoring organizations.

**002.03 Peer Review Program.** Includes the sponsoring organization's entire peer review process, including but not limited to, the standards for administering, performing and reporting on peer reviews, oversight procedures, training, and related guidance materials.

**002.04 Peer Review Reports.** Reports issued by the peer reviewer in accordance with the Board-approved peer review standards.

**002.05 Peer Review Standards.** Board-approved professional standards to be used in administering, performing and reporting on peer reviews.

**002.06 Professional Work.** Professional Work for purposes of peer review means the professional services of a firm/practice unit which is subject to peer review.

**002.07 Sponsoring Organization.** A Board-approved professional association, or other organization responsible for the facilitation and administration of peer reviews through use of its peer review program and peer review standards.

### 003 Committees.

**003.01 Peer Review Committee.** The Board will annually appoint a Peer Review Committee (hereinafter the PRC) to assist the Board with the administration of peer review. The PRC will consist of no fewer than five members who will include at least one member of the Board who will serve as liaison between the Board and the PRC. The remaining members of the PRC shall be appointed by the Board and must be holders of current valid Nebraska permits to practice public accountancy and shall, to the extent practical, represent a cross-section of the different sized firms in Nebraska.

**003.02 Responsibilities of the PRC.**

**003.02A** Recommending to the Board appointments to the Peer Review Oversight Committee (hereinafter PROC) which will assist in the direct oversight of approved sponsoring organizations;

**003.02B** Recommending to the Board the approval of sponsoring organizations and their peer review programs and peer review standards;

**003.02C** Monitoring and assessing the effectiveness of the sponsoring organizations, peer review programs and peer review standards;

**003.02D** Reporting to the Board on the performance of the sponsoring organizations; and

**003.02E** Assisting the Board with the review of the documents set forth in 004.09.

**003.03 Peer Review Oversight Committee (PROC).**

**003.03A** The PROC shall include one to three members appointed annually by the Board;

**003.03B** The PROC members shall not be members of the Board or perform any enforcement related work for regulatory or governmental bodies, professional organizations (including, but not limited to, an AICPA ethics committee, AICPA Joint Trial Board or any state professional ethics committee) or similar groups or subgroups, including consultants and other similar arrangements for the Board;

**003.03C** Each PROC member shall have received a peer review report with a rating of "Pass" on their own practice unit's most recently accepted peer review;

**003.03D** The PROC members may be compensated as independent contractors for their duties as established by the Board;

**003.03E** Each PROC member shall sign a letter of confidentiality agreeing not to divulge any information that would identify any firm, licensee, or peer reviewer firm to any non-PROC member, including, but not limited to members of the Board and the PRC. The letter of

confidentiality shall not include fraud or misrepresentation by a firm or licensee in obtaining peer review; and

**003.03F** Responsibilities of the PROC include, but are not limited to: (i) reviewing the sponsoring organizations' administration of their programs; (ii) the direct oversight of the approved sponsoring organizations; and (iii) if deemed necessary by the Board, visiting the sponsoring organization of an approved peer review program for the purposes of review and oversight.

**003.04 Authority of the PRC and PROC.** The PRC and the PROC are advisory committees to assist the Board. The PRC and the PROC do not have enforcement or disciplinary powers or any quasi-judicial authority.

**004 Practice Unit Responsibilities.**

**004.01** A practice unit which performs attest engagements and/or performs compilations shall enroll in a program that meets Board-approved peer review program standards and shall satisfactorily complete the same.

**004.02** A practice unit shall cooperate with the Board-approved peer review program sponsoring organization with which it is enrolled to arrange, schedule, and complete a peer review. A practice unit shall take all educational/remedial actions prescribed by the sponsoring organization. In addition, the practice unit shall cooperate with the Board in all matters related to its peer review and take all actions necessary to timely comply with the peer review requirements.

**004.03** Each practice unit is required to provide the following information with each application for a permit:

**004.03A** Certify whether the practice unit is or is not required to participate in a peer review program; and

**004.03B** If the practice unit is required to participate in a peer review program, furnish in connection with its renewal application satisfactory evidence of participation in peer review, provide the name of the approved sponsoring organization's peer review program in which the firm is enrolled, and the period covered by the practice unit's most recently accepted peer review.

**004.04** Peer review scheduling for practice units already enrolled in a peer review program as of the effective date of Chapter 13 will remain unchanged. Practice units that have participated in the Board's Quality Enhancement Program (QEP) but have not enrolled in a peer review program as of the effective date of Chapter 13 will be required to enroll in a Board-approved peer review program as follows:

<b>Scheduled QEP Due Date</b>	<b>Peer Review Enrollment Date</b>
June 30, 2017	January 1, 2016
June 30, 2018	January 1, 2017

June 30, 2019

January 1, 2018

Practice units that obtain initial licensure after the effective date of Chapter 13 will be required to enroll in a Board-approved peer review program within 30 days of the issuance of a report which is subject to peer review.

**004.05** Practice units enrolled in a Board-approved peer review program shall schedule, undergo and complete its subsequent peer reviews in compliance with the sponsoring organizations' peer review standards and related guidance. Ordinarily, subsequent peer reviews shall be performed such that the peer review has taken place and all peer review materials are submitted to the sponsoring organization within three years and six months from the peer review year end of the previous peer review.

**004.06** The practice unit shall not be required to become a member of any organization administering a board-approved peer review program.

**004.07 Practice Units Registered with the Public Company Accounting Oversight Board.**

**004.07A** Practice units receiving inspections under the PCAOB are required to undergo a peer review under a Board-approved peer review program that covers the portion of the practice unit's professional work not subject to the Public Company Accounting Oversight Board (PCAOB) inspection process; and

**004.07B** However, for practice units required to be registered with and inspected by the PCAOB, the PRC may exempt the practice unit from the Board's peer review program only if all of the practice unit's professional work is subject to the PCAOB inspection process.

**004.08 Practice Units Performing Preparation Engagement.** A practice unit that only performs preparation engagements as defined under AICPA Statements on Standards for Accounting and Review Services (SSARS), as of July 14, 2017, is not subject to peer review.

**004.09 Submission of Documents by Practice Units.**

**004.09A** Practice units required to participate in peer review shall submit to the Board the following documents, as applicable:

1. Peer review report which has been accepted by the sponsoring organization;
2. The practice unit's letter of response which has been accepted by the sponsoring organization;
3. The acceptance letter from the sponsoring organization.
4. Letter(s) accepting the documents signed by the practice unit with the understanding that the practice unit agrees to take any actions required by the sponsoring organization.

5. Letter signed by the sponsoring organization notifying the practice unit that required actions have been appropriately completed, if applicable.

**004.09B** Peer review documents required in section 004.09A(1-5) shall be submitted by the practice unit within 30 days of the issuance of the same, or with submission of the practice unit's renewal application, whichever occurs first. The practice unit shall provide copies of such documents via a website, or regular mail as permitted by the Board.

**004.09C** Practice units may also satisfy the above document submission requirements by having the sponsoring organization make the documents in section 004.09A accessible to the Board via the AICPA Facilitated State Board Access (FSBA) secure website process.

## **005 Peer Review Standards/Sponsoring Organizations.**

**005.01** The Board approves the AICPA *Standards for Performing and Reporting on Peer Reviews* and adopts the same as the professional standards to be used in administering, performing and reporting on peer reviews.

**005.02** The PRC in assisting the Board with respect to approval of sponsoring organizations and their programs shall utilize the standards adopted by the Board in 005.01.

**005.03** The Board may terminate its approval of a sponsoring organization for cause following notice and opportunity for hearing. For purposes of this paragraph, "cause" includes, but is not limited to, failure to maintain ongoing compliance with the requirements of the Board.

## **006 Other.**

### **006.01 Extensions.**

**006.01A** The Board may accept extensions for completing peer reviews granted by sponsoring organizations provided that notification by the practice unit is within 14 days from the date of the letter from the sponsoring organization granting the extension. Extensions may be approved for the following reasons:

- (i) health;
- (ii) military service; or
- (iii) other good cause outside of the control of the practice unit.

**006.01B** Requests for extensions of time to undergo a peer review shall be submitted to the Board in writing by the practice unit no later than the earlier of a practice unit's renewal date or peer review due date (which is determined by the sponsoring organization) and must include any extensions approved by the sponsoring organization.

**006.01C** An extension may be renewed upon application received by the Board prior to the expiration of the current extension, if the Board finds that the reasons justifying the extension continue to exist.

**006.02 Change in Firm Structure.** In the event a practice unit is sold, dissolved, or merged with the practice of one more other practice units, determination of successor or predecessor practice unit(s) peer review year-end(s) and the peer review due date(s), if any, will be made in accordance with the sponsoring organization's guidance.

Statutory Authority: LB 159, 2016.