

PEER REVIEW AND LICENSE RENEWAL: WHAT LICENSEES NEED TO KNOW

The license renewal application, both online and paper formats, asks whether an applicant has performed an audit or review after May 1, 1998. A public accounting firm or sole practitioner who has performed an audit or review after May 1, 1998, should answer "Yes." An individual licensee who has performed an audit or review after that date as a member or employee of a public accounting firm should answer "No."

A "Yes" answer will require the applicant to either certify compliance with the peer review requirement or to submit documentation showing eligibility for an exemption. The board's administrative office will not issue a license to an applicant answering "Yes" until the required certification is provided or the required documentation is submitted.

Although the board's administrative office may send a postal notice or e-mail reminding an applicant claiming an exemption to submit the required documentation, it is the applicant's responsibility to ensure that the documentation is submitted.

Peer Review Compliance

A firm or sole practitioner who is subject to peer review is required to certify on the renewal application that he/she is compliant with the peer requirement and provide the name of the organization that administered the most recent peer review, the date of acceptance of that peer review and the time period covered by that peer review.

The board no longer requires submission of a peer review completion letter from the peer review administering organization; however, the board may contact the administering organization to confirm the accuracy of the peer review information provided on the renewal application.

The administering organization does not consider the peer review complete until the committee has accepted the report and any follow-up actions requested by the committee have been taken.

In scheduling a peer review, a firm or sole practitioner should leave enough time between when the reviewer issues the report and when the review is "complete" in order to meet the license renewal deadline. This would include any time necessary for required corrective action.

During the most recent license renewal cycle, some licensees waited too long to schedule a peer review and were consequently unable to renew their licenses in a timely fashion.

A firm with three or more licensees must complete a peer review every three years, while a sole practitioner or a firm with one or two licensees must complete one every five years.

For example, if a sole practitioner submits a license renewal application on Dec. 15, 2009, for the 2010-2011 license period, the board would consider any peer review that was completed on or after Dec. 15, 2004, to be timely, even if such sole practitioner was in the process of undergoing a fresh peer review at the time of submitting the renewal application.

Peer Review Exemptions

A firm or sole practitioner who has performed an audit or review engagement after May 1, 1998, may be exempt from having to provide certification of compliance with the peer review requirement at the time of license renewal.

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Following are the exemptions:

- A firm or sole practitioner who has not performed an audit or review engagement since the start of the current biennial renewal period and does not intend to perform an audit or review engagement in the future, may claim an exemption from peer review by submitting a notarized statement that the firm or sole practitioner has not accepted or performed an audit or review engagement during the current biennial renewal period; that it does not intend to accept or perform an audit or review engagement during the next biennial renewal period; and that it will agree to notify the board within 30 days of accepting an audit or review engagement and to undergo a peer review within 18 months after commencing the engagement.
- A firm or sole practitioner who was issued an initial license less than 18 months before the license renewal deadline may claim an exemption from peer review by submitting a statement to that effect and averring that it will undergo a peer review within 18 months after issuance of such initial license. This exemption does not apply to a merger where a new firm is not created.
- A firm or sole practitioner licensed for more than 18 months that did not commence its first audit or review engagement until less than 18 months before the license renewal deadline, may claim an exemption from peer review by submitting a statement to that effect and averring that it will undergo a peer review within 18 months after commencing the engagement.
- A firm or sole practitioner who has completed a qualifying peer review in any other state may claim an exemption from peer review in Pennsylvania by submitting either a letter from the out-of-state peer review administering organization evidencing completion of a peer review, within three years of the date of the license renewal application, that satisfies the requirements of the CPA Law and the Board's regulations; or,

a statement from the firm or sole practitioner that its internal inspection and monitoring procedures require personnel from an out-of-state office to perform an inspection of its Pennsylvania office at least once every three years.

- A firm or sole practitioner who has good cause for not completing a timely peer review may claim a temporary exemption by submitting (i) a physician's statement that a specified medical condition prevents timely completion of a peer review; (ii) a statement from the appropriate military authority that military services prevents completion of a timely peer review; or (iii) a notarized statement that unforeseen exigent circumstances prevents completion of a timely peer review.

The board may not grant a temporary exemption, in the aggregate, that exceeds 12 months from the compliance deadline. The board does not recognize extensions that are granted by a peer review administering organization. A firm or sole practitioner desiring a temporary exemption should apply to the board at the earliest practicable opportunity prior to the compliance deadline.

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