What are the quality assurance review (QAR) requirements for licensed CPA firms? (1) Purpose. The Washington state board of accountancy is charged with protection of the public interest and ensuring the dependability of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private or governmental. The purpose of the QAR program is to monitor licensees' compliance with audit, compilation, review, and other attestation standards. If the board becomes aware that a firm's performance and/or reporting practices for audit, review, compilation, and other engagements covered by statements on standards for attestation engagements may not be in accordance with applicable professional standards, the board will take appropriate action to protect the public interest.

(2) Peer review. Generally, all firms licensed in Washington state offering and/or performing attest services as defined by WAC 4-30-010(5), compilation services, as defined by WAC 4-30-010(12), or other professional services for which a report expressing assurance is prescribed by professional standards, are required to participate in a board-approved peer review program as a condition of renewing each CPA firm license under RCW 18.04.215 and WAC 4-30-114. However, certain exemptions are listed in subsection (11) of this section. Board-approved peer review programs include:
(a) The inspection processes of the Public Company Accounting Oversight Board (PCAOB);
(b) Peer review programs administered by the American Institute of CPAs (AICPA);
(c) Peer review programs administered by the Washington Society of CPAs (WSCPA); and
(d) Other programs recognized and approved by the board.

(3) Enrollment in peer review: A licensed firm must enroll in a board-approved peer review program before issuing a report for each of the following types of service or any other service the board determines:
(a) Compilation on historical financial statements;
(b) Review on historical financial statements;
(c) Audit report on financial statements, performance audit reports, or examination reports on internal controls for nonpublic enterprises;
(d) Other professional services subject to Statements on Standards for Attestation Engagements.

The schedule for the firm's peer review shall be established according to the peer review program's standards. The board does not require any licensee to become a member of any organization administering a peer review program.

(4) Participation in peer review. Every firm that is required to participate in a peer review program shall have a peer review in accordance with the peer review program standards.
(a) It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review date.
(b) Any firm that is dropped or terminated by a peer review program for any reason shall have twenty-one days to provide written notice to the board of such termination or drop and to request authorization from the board to enroll in another board-approved peer review program.
In the event a firm is merged, otherwise combined, dissolved or separated, the peer review program shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(d) A firm choosing to change to another peer review program may do so only if there is not an open active peer review and if the peer review is performed in accordance with the minimum standards for performing and reporting on peer reviews.

(5) Reporting requirements. Every firm must provide the following information, along with the appropriate fees, with every application for renewal of a firm license by April 30th of the renewal year:

(a) Certify whether the firm does or does not perform attest services or compilation services as defined by WAC 4-30-010 (5), (12), or other professional services for which a report expressing assurance is prescribed by professional standards in Washington state;

(b) If the firm is subject to the peer review requirements, provide the name of the approved peer review program in which the firm is enrolled, and the period covered by the firm's most recent peer review;

(c) Certify the result of the firm's most recent peer review.

Failure to timely submit complete information and the related fee by the April 30th due date can result in the assessment of late fees. The board may waive late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

(6) A firm must notify the board within thirty days of the date the peer reviewer or a team captain advises the firm that a grade of pass with deficiencies or fail will be recommended. The notification must include the details of any required corrective action plan being recommended by the peer reviewer or team captain, and the planned date (or time period within which) the firm would intend to complete such remedial action or actions if the proposed corrective action plan is approved by the appropriate peer review acceptance committee.

Notwithstanding any extensions of time by the peer review program administrator, failure by the firm to meet its planned schedule for completing its specific corrective action plan required by the peer review program and/or timely pay for the peer review services can result in board action.

(7) Documents required. A firm that has opted out of participating in the AICPA Facilitated State Board Access (FSBA) program shall provide to the board copies of the following documents related to the peer review report:

(a) Peer review report issued;

(b) Firm's letter of response, if any;

(c) Letter of acceptance from peer review program;

(d) Recommended action letter from the peer review program, if any;

(e) A letter from the firm to the board describing corrective actions taken by the firm that relate to recommendations of the peer review program;

(f) Other information the firm deems important for the board's understanding of the information submitted; and

(g) Other information the board deems important for the understanding of the information submitted.

(8) Document retention. RCW 18.04.390(4) and WAC 4-30-051(10) require a firm to retain audit and review records and documentation for
a period of seven years after the firm concludes an audit or review of
a client's financial statements.

(9) Extensions. The board may grant an extension of time for sub-
mission of the peer review report to the board. Extensions will be de-
termined by the board on a case-by-case basis.

(10) Verification. The board may verify the certifications of peer review reports that firms provide.

(11) Exemption from peer review.

(a) Out-of-state firms that do not have a physical location in
this state, but perform attest or compilation services in this state,
and are otherwise qualified for practice privileges under RCW
18.04.195 (1)(a)(iii)(A) through (D) or (b) are not required to par-
ticipate in the board's program if the out-of-state firm participates
in a board-approved peer review program or similar program approved
or sponsored by another state's board of accountancy.

(b) Firms that do not perform attest services as defined by WAC
4-30-010(5), compilation services, as defined by WAC 4-30-010(12), or
other professional services for which a report expressing assurance is
prescribed by professional standards are not required to participate
in a peer review program, and shall request exemption on each firm li-
cense renewal application.

(c) Firms that prepare financial statements which do not require
reports under Statements on Standards for Accounting and Review Serv-
ces (management use only compilation reports) and that perform no
other attest or compilation services, are not required to participate
in a peer review program; however, any such engagements performed by a
firm that is otherwise required to participate in a peer review pro-
gram shall be included in the selection of engagements subject to peer
review.

(12) Quality assurance oversight.

(a) The board will:

(i) Annually appoint a compliance assurance oversight committee,
and such other committees as the board, in its discretion deems neces-
sary, to provide oversight of the administration of approved peer re-
view programs in order to provide reasonable assurance that peer re-
views are being conducted and reported on in accordance with the mini-
imum standards for performing and reporting on peer reviews;

(ii) Consider reports from the compliance assurance oversight
committee;

(iii) Direct the evaluation of peer review reports and related
documents submitted by firms;

(iv) Determine the appropriate action for firms that have unre-
solved matters relating to the peer review process or that have not
complied with, or acted in disregard of the peer review requirements;

(v) Determine appropriate action for firms when issues with a
peer review report may warrant further action; and

(vi) Take appropriate actions the board, in its discretion, deems
appropriate to carry out the functions of the quality assurance review
program and achieve the purpose of the peer review requirement.

(b) The compliance assurance oversight committee shall conduct
oversight of approved peer review programs at least semiannually to
provide reasonable assurance that such programs are in compliance with
the minimum standards for performing and reporting on peer reviews.

(i) The compliance assurance oversight committee's oversight pro-
cedures may consist of, but are not limited to:

(A) Attending the peer review program's report acceptance body
(RAB) meetings during consideration of peer review documents;
(B) Observing the peer review program administrator's internal review of program and quality control compliance;

(C) Observing the peer review program's review of the administrator's process.

(ii) The compliance oversight assurance committee shall report to the board any modifications to approved peer review programs and shall make recommendations regarding the continued approval of peer review programs.

(13) Remedies. The board will take appropriate action to protect the public's interest if the board determines through the peer review process or otherwise that a firm's performance and/or reporting practices are not or may not be in accordance with applicable professional standards, the firm does not comply with peer review program requirements, or the firm does not comply with all or some of the reporting, remedial action, and/or fee payment requirements of subsection (5) of this section. The board's actions may include, but are not limited to:

(a) Require the firm to develop quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;

(b) Require any individual licensee who had responsibility for, or who substantially participated in the engagement(s), to successfully complete specific courses or types of continuing education as specified by the board;

(c) Require that the reviewed firm responsible for engagement(s) submit all or specified categories of its compilation or attest working papers and reports to a preissuance evaluation performed by a board-approved licensee in a manner and for a duration prescribed by the board. Prior to the firm issuing the reports on the engagements reviewed, the board-approved licensee shall submit to the board for board acceptance a report of the findings, including the nature and frequency of recommended actions to the firm. The cost of the board-approved preissuance evaluation will be at the firm's expense;

(d) Require the reviewed firm to engage a board-approved licensee to conduct a board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to assess the degree or pervasiveness of nonconforming work product. The board-approved licensee engaged by the firm shall submit a report of the findings to the board within thirty days of the completion of the services. The cost of the board-prescribed on-site review or other board-prescribed procedures will be at the firm's expense; or

(e) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320.

(f) Absent an investigation the specific rating of a single peer review report is not a sufficient basis to warrant disciplinary action.

(14) The board may solicit and review licensee reports and/or other information covered by the reports from clients, public agencies, banks, and other users of such information.

[Statutory Authority: RCW 18.04.055. WSR 16-17-036, § 4-30-130, filed 8/9/16, effective 9/9/16. Statutory Authority: RCW 18.04.055(9). WSR 14-16-102, § 4-30-130, filed 8/5/14, effective 9/5/14; WSR 12-17-054, § 4-30-130, filed 8/10/12, effective 9/10/12. WSR 10-24-009, amended and recodified as § 4-30-130, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-820, filed 8/25/08, effective 9/25/08; WSR 07-14-036, § 4-25-820, filed 6/26/07, effective 7/27/07; WSR 05-01-135, § 4-25-820, filed 12/16/04, effective 1/31/05; WSR...]