

OREGON ADMINISTRATIVE RULES
CHAPTER 801, DIVISION 050 -- BOARD OF ACCOUNTANCY

PEER REVIEW AND PEER REVIEW OVERSIGHT

Purpose

801-050-0005 (1) The purpose of peer review is to monitor firm compliance with applicable accounting and auditing standards promulgated by generally recognized standard setting bodies.

(2) The Peer Review requirement established by the Board shall emphasize education and appropriate remedial procedures. In the event a firm does not comply with professional standards, or the firm's work is so inadequate as to warrant disciplinary action, the Board shall take appropriate action to protect the public interest.

(3) The Board shall appoint a Peer Review Oversight Committee, and such other committees as the Board, in its discretion deems necessary, to provide oversight of the administration of approved peer review programs in order to provide reasonable assurance that peer reviews are being conducted and reported on in accordance with the minimum standards for performing and reporting on peer reviews described in these rules.

(4) This chapter shall not require any firm or licensee to become a member of any organization sponsoring a peer review program.

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12
Stats. Implemented: ORS 673.455
Hist.: AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

Definitions

801-050-0010 As used in OAR 801-050 the following terms have the following meanings:

(1) **Acceptance of Engagement:** The date the engagement letter is signed by the client.

(2) **Board:** Oregon Board of Accountancy.

(3) **CPCAF Peer Review Standards:** Standards used by the Center for Public Company Audit Firms Peer Review Program for performing and reporting on peer review for firms that do not audit SEC registrants.

(4) **Client records:** Supporting documents relating to financial statements that are the subject of peer review and that may contain confidential financial or personal information about a client of the firm.

(5) **Firm:** A registered public accounting firm or a CPA or PA doing business as a sole proprietor, if such firm or sole proprietor performs attest or compilation services in Oregon or for Oregon clients and is subject to the peer review requirement.

(6) **Minimum standards for performing and reporting on peer reviews:** Standards described in OAR 801-050-0080 that are required for approved peer review programs.

(7) **PCAOB:** Public Company Accounting Oversight Board that conducts firm inspections of public accounting firms that perform audits for publicly-held companies.

(8) **Peer Review:** a study, appraisal or review of one or more aspects of the public accountancy work of a firm or a permit holder under ORS 673.150 who performs attest or compilation services.

(9) **Peer Reviewer:** A qualified public accountant as defined in this rule, or a certified public accountant licensed in any state, who is trained and qualified to perform

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peer review for an approved peer review program and who is independent of the firm under review.

(10) Qualified Public Accountant: A public accountant licensed under ORS 673.100 who was required to pass the audit section of the Uniform CPA Exam as a requirement for licensing.

(11) RAB: An independent report acceptance body associated with an approved peer review program. The purpose of the RAB is to consider and accept the results of each peer review and to require corrective actions of firms with significant deficiencies identified in the review process.

(12) Significant Comments: Significant comments on a report review may include incomplete, missing, or incorrect elements of the report or financial statements where corrective action imposed by the RAB and taken by the firm would be appropriate. The AICPA Peer Review Standards, Interpretation No. 9, lists examples of significant comments that may be considered by the peer reviewer when issuing a report review.

(13) Sponsor: An organization that administers a Board-approved peer review program.

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 7-1993(Temp), f. 11-2-93, cert. ef. 11-4-93; AB 1-1994, f. & cert. ef. 1-21-94; AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-1998 f. & cert. ef. 7-29-98; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

Peer Review Enrollment and Participation in Peer Review Program
801-050-0020

(1) Enrollment Requirement. Every firm that performs attest or compilation services in Oregon or for Oregon clients, is required to participate in an approved peer review program as a condition of registration under ORS 673.160 and for each renewal thereof.

(2) Public accounting services subject to peer review. Attest and compilation services that require participation in a peer review program include, but are not limited to: any level of review, audit, agreed-upon procedures, report on a financial statement, examination of prospective financial statements, reports on internal control effectiveness, and compilations of a financial statement.

(a) Firms that prepare reports under Statements on Standards for Accounting and Review Services that do not require a report (SSARS 8) and that perform no other attest or compilation services, are not required to participate in a peer review program; however SSARS 8 reports prepared by a firm that is otherwise required to participate in a peer review program shall be included in the selection of reports for peer review.

(b) Individual licensees may participate in a peer review program through their firms. If the licensee has an individual practice apart from the firm in which the licensee performs attest or compilation services, the individual practice is also subject to the requirement to participate in a peer review program.

(c) Each firm that is required to participate in a peer review program under this rule shall enroll in an approved program within 21 days of the date the engagement letter to perform attest or compilation services is signed by the clients, and notify the Board of such enrollment. The schedule for the firm's peer review shall be established according to the program standards.

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(d) Firms that do not have a physical location in this state, but nevertheless perform attest or compilation services in this state, are required to participate in a peer review program approved by the Board, and may be required to demonstrate that the out-of-state office(s) through which the services are being provided follows the same quality control policies and procedures established by the firm that has been subjected to peer review in the other state.

(3) Exemption from Enrollment Requirement. Firms that do not perform attest or compilation services described in this rule are not required to participate in a peer review program, and shall notify the Board of such exemption on the initial firm registration application and on each firm renewal application.

(4) Peer Review Participation. 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 rejected or terminated by a sponsor for any reason shall have 21 days to provide written notice to the Board of such termination or rejection, and to receive authorization from the Board to enroll in the program of another sponsor.

(c) In the event a firm is merged, otherwise combined, dissolved or separated, the sponsor 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 sponsor may do so only if there is not an open active review.

(e) With respect to firms that perform attest or compilation services in more than one state, the Board may accept a peer review based solely on work conducted outside this state if the peer review is performed in accordance with the minimum standards for performing and reporting on peer reviews described in OAR 801-050-0080.

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-1998 f. & cert. ef. 7-29-98; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

Peer Review Oversight Program

801-050-0030 (1) The Board shall:

- (a) Establish standards for approved peer review programs;
- (b) Review sponsor applications for peer review programs for approval;
- (c) Consider reports from the Peer Review Oversight Committee;
- (d) Take appropriate actions to carry out the functions of the peer review oversight program and achieve the purpose of the peer review requirement; and
- (e) Authorize, conduct or contract for a peer review program for any firm or sole practitioner who is subject to peer review, as the Board, in its discretion, deems to be appropriate.

(2) Peer Review Oversight Committee:

- (a) The committee shall be composed of at least three members;
- (b) No committee member may be a current member of the Board;

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(c) At least two members shall have an active license to practice public accountancy in this state and shall have recent experience in accounting and auditing;

(d) One member may be a non-licensee with extensive experience in preparing or using financial statements;

(e) A member of the Peer Review Oversight Committee shall resign from the committee if the member's firm receives anything other than an unmodified report on its most recent peer review.

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 2-1994, f. & cert. ef. 4-28-94; AB 2-1996, f. & cert. ef. 9-25-96; BOA 1-1998, f. & cert. ef. 1-26-98; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

Peer Review Oversight Committee Responsibilities (new section)

801-050-0035 (1) Approval of sponsor applications. The Peer Review Oversight Committee shall review applications received from sponsors of peer review programs and recommend approval or disapproval of such applications. The Board shall review approved programs at least biennially to assure that approved programs continue to meet the requirements of these rules and provide systems to provide reasonable assurance that the program meets the following criteria:

(a) Provides reasonable assurance that the elements of quality control described in OAR 801-050-0080 are met by the firm under review;

(b) Peer Reviewers assigned are appropriately trained and qualified to perform the review for a specific firm;

(c) Peer Reviewers use appropriate materials in conducting the peer review;

(d) The sponsor consults with the reviewers on problems arising during the peer review and that specified occurrences requiring consultation are outlined;

(e) The sponsor reviews the results of the peer review; and

(f) The sponsor has provided for an independent report acceptance body (RAB) that meets the standards for peer review and that performs the following duties:

(A) Provides technical review of peer reviews performed under the program for acceptance by the RAB; and

(B) Requires corrective actions of firms with significant deficiencies identified in the peer review process.

(2) Oversight and verification. The Peer Review Oversight Committee shall conduct oversight of approved peer review programs to provide reasonable assurance that such programs are in compliance with the minimum standards for performing and reporting on peer reviews. The 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.

(a) Oversight procedures to be performed by the Peer Review Oversight Committee may consist of the following activities:

(A) Visit the sponsor of the approved peer review program;

(B) Review the sponsor's procedures for administering the program;

(C) Meet with the sponsor's RAB during consideration of peer review documents;

(b) The Peer Review Oversight Committee shall verify that firms are in compliance with peer review requirements as follows:

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(A) Audit a random selection of peer review reports requested from firms that are subject to the peer review requirement, whether or not such reports were required to be provided to the Board under OAR 801-050-0040.

(B) Verification may include review of the peer review report, the letter of comments, the firm's response to the matters discussed in the letter of comments, and the acceptance letter outlining any additional corrective or monitoring procedure, and the working papers on the selected review.

(C) The documents under review may be redacted to preserve client confidentiality. Review by the Peer Review Oversight Committee may be expanded if significant deficiencies, problems or inconsistencies are encountered during the random review.

(3) Peer Review Reports. The Peer Review Oversight Committee shall:

(a) Assess peer review reports and related documents submitted by firms pursuant to the requirements of OAR 801-050-0040, as directed by the Board

(b) Consult with the Board regarding the appropriate action for firms that have unresolved matters relating to the peer review process or that have not complied with, or acted in disregard of the peer review requirements.

(c) In conducting an assessment pursuant to ORS 673.455 and 673.457, the Committee and the Board shall have complete access to reports submitted by firms pursuant to the requirement of this rule and OAR 801-050-0040.

Stat. Auth: ORS 673.455, & OL 2001, Ch. 638 sec 12
Stats. Implemented: ORS 673.455
Hist:

Reporting Requirements

801-050-0040 (1) Reporting Enrollment in Peer Review Program. Every firm is required to provide the following information in writing with every application for registration and renewal of registration:

(a) Certify whether the firm is or is not required to participate in a peer review program;

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

(c) Certify that the peer review report received during the two-year licensing period then ending did not trigger the reporting requirement described in section (2) of this rule.

(d) A firm that has previously reported to the Board that it is not subject to the peer review requirement, and that subsequently engages in the performance of attest or compilation services, shall provide written notice of such change in status to the Board within 21 days of accepting the engagement that will cause the firm to participate in a peer review program.

(2) Notice of Substandard Peer Review Reports. Firms that receive any of the following peer review reports shall provide written notice to the Board describing such peer review reports within 45 days of the date of the acceptance letter issued by the peer review report acceptance body (RAB):

(a) Two consecutive modified system review reports;

(b) One adverse system review report;

(c) Two consecutive adverse engagement review reports;

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- (d) Two consecutive report reviews with “significant comments”;
- (e) An adverse engagement review following a modified engagement review;
- (f) One report with a scope limitation; and
- (g) Any combination of the above.

(3) Documents required. Firms that received any peer review report described in section (2) of this rule during the most recent peer review reporting period that occurred prior to December 31, 2005 shall provide to the Board copies of the following documents related to each substandard peer review report with the firm registration renewal application that is due December 31, 2005. Thereafter Firms shall provide copies of the following documents to the Board within 45 days of the date of the RAB acceptance letter as described in section (2) of this rule.

- (a) Peer review report issued;
- (b) Letter of comments;
- (c) Letter, if any, from the RAB prescribing corrective actions;
- (d) Firm’s response letter;
- (e) A letter from the firm to the Board describing corrective actions taken by the firm that relate to requirements of the RAB; and
- (f) Other information the firm deems important for the Board’s understanding of the information submitted.

(4) Certification. Firms shall certify on the initial firm registration application and on each renewal application that:

- (a) The firm has not received any peer review report(s) described in section (2) of this rule, or
- (b) The firm received peer review report(s) described in section (2) of this rule and submitted a copy of such report(s) together with the documents described in section (3) of this rule to the Board within the 45 day time period.

(5) Verification. The Board may verify the certifications of peer review reports that firms provide on initial registration and renewal applications.

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-1998, f. & cert. ef. 7-29-98; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

Exemptions from Peer Review Requirements

801-050-0050

(The provisions of this rule were moved to OAR 801-050-0020)

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-1998, f. & cert. ef. 7-29-98; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

Confidentiality

801-050-0060 Client records that are received in the course of a peer review shall be treated as confidential in accordance with the provisions of Oregon Public Records Law (ORS Chapter 192).

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02

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Document Retention *(new section)*

801-050-0065

(1) Documents created by the sponsor of an approved peer review program shall be retained by the sponsor for a period of time corresponding to the designated retention period of the sponsor. In no event shall the retention period be less than ninety (90) days from the date of acceptance of the review by the sponsor.

(2) Firms shall retain all documents relating to peer review reports described in OAR 801-050-0040, including working papers of the underlying report that was reviewed, for three years from the date of acceptance of the peer review by the sponsor, or as required by OAR 801-030-0020(2)(d), whichever is later.

Stat. Auth.: ORS 673.455, 673.457
Stats. Implemented: ORS 673.457
Hist:

Application for Administration of Peer Review Program

801-050-0070

(1) **Application.** Applications for administration of a peer review program shall be submitted to the Board in writing and shall be accompanied by materials describing the operation of the proposed peer review program. Materials submitted by the sponsor must be sufficient to demonstrate that the proposed peer review program meets the minimum standards for performing and reporting on peer reviews.

Stat. Auth.: Or Laws 2001, ch 638 sec 12, ORS 673.455
Stat. Implemented: ORS 673.455
Hist.: AB 2-1994, f. & cert. ef. 4-28-94; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00

Minimum Standards for Peer Review Programs

801-050-0080

(1) Peer review programs must include systems that assure that each of the following elements of quality control is met by the firm under review. The peer review program should provide the firm under review with reasonable assurance that:

- (a) The firm maintains independence when required;
- (b) The firm performs professional responsibilities with integrity;
- (c) The firm maintains objectivity in discharging professional responsibilities;
- (d) Firm personnel have the competencies necessary to perform assigned responsibilities;
- (e) The firm undertakes only those engagements that can be completed with professional competence;
- (f) The firm provides appropriate consideration of the risks associated with providing professional services;
- (g) The firm and the firm's clients understand the services to be performed;
- (h) The work performed for all engagements meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- (i) The firm's policies and procedures related to other elements of quality control are suitably designed and effectively applied, that appropriate criteria are in place to determine whether to accept or continue a client relationship, and whether to perform a specific engagement for a client.

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(2) The *Standards for Performing and Reporting on Peer Reviews*, promulgated by the profession through the AICPA, provide a benchmark against which sponsors may measure a peer review program. Peer review programs that meet or are substantially equivalent to the AICPA standards are eligible for approval by the Board.

(3) Firm inspection standards required by the PCAOB shall be deemed to meet the minimum standards for public company audit firms; provided however, that such firms that also perform attest services for non-public companies shall be required to meet the peer review requirements of OAR 801-050.

(4) The Board may specify that a peer review program that is administered by another state board of accountancy satisfies the requirements of OAR 801-050 if the Board determines that the program substantially meets or exceeds the minimum standards described in this rule.

Stat. Auth.: ORS 673.455 & OL 2001, Ch. 638 sec 12

Stats. Implemented: ORS 673.455

Hist.: AB 2-1996, f. & cert. ef. 9-25-96; BOA 1-1998, f. & cert. ef. 1-26-98; BOA 3-1999, f. & cert. ef. 3-26-99; BOA 6-1999, f. 12-21-99, cert. ef. 1-1-00; BOA 6-2001, f. 12-28-01, cert. ef. 1-1-02; BOA 8-2003, f. 12-23-03 cert. ef. 1-1-04