



# Peer Review Prompts Spring 2021



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## Single Audits and Peer Review

### Are your Clients Requesting New Single Audit Services?

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated significant amounts of money in new aid to non-federal entities requiring many of them to complete a single audit perhaps for the first time. A single audit also requires the financial statement audit to be performed under *Government Auditing Standards* (GAS). You may be asked to perform single audit engagements as your clients navigate the requirements of the CARES Act. Single audits are complex highly specialized audits focused on compliance with federal laws or regulations (and internal controls to ensure compliance) that apply to specific federal funds. If your firm performs a single audit engagement, it will be required to have a system review, which includes a review of at least one single audit engagement (or the audit of those compliance requirements and internal controls over compliance with those requirements). Please let us know if you plan to perform these services, and make sure to update your Peer Review Information (PRI) form in PRIMA to reflect single audit engagements!

#### Peer Review Reminder!!!

While peer reviews, corrective actions and implementation plans are no longer receiving automatic due date extensions, extensions may be granted in certain circumstances.

Given this, 2021 is expected to be a busy year for peer reviewers. The AICPA is encouraging firms to be proactive in scheduling their peer reviews!

For more information on single audits visit the [Governmental Audit Quality Center](#), including its [COVID-19 Resources](#) page.

### Do COVID-19 Funds Bring Peer Review Requirements?

A common question CPA firms are asking AICPA peer review staff is related to Paycheck Protection Program (PPP) loan forgiveness services and whether they are performing an engagement subject to peer review. You may be asked to check calculations performed by your client for accuracy and issue a report on your findings. This may indicate an agreed-upon procedures engagement is needed or has been performed. If your firm is not otherwise subject to peer review, the performance of an agreed-upon procedures engagement under the Statements on Standards for Attestation Engagements (SSAEs) would require your firm to undergo an engagement review. If you need help determining whether you've performed an agreed-upon procedure, call the AICPA A&A Technical Hotline at 877.242.7212. If you need help determining whether your firm needs a peer review, call the AICPA Peer Review Team at 919.402.4502.

Refer to the [PPP loan forgiveness services matrix](#) for a tool to help firms navigate their engagements or other services around documenting expenses related to PPP forgiveness. See also [SBA Paycheck Protection Program \(PPP\) resources for CPAs](#) to access additional information on the program.

## Resources from the AICPA's Enhancing Audit Quality (EAQ) Initiative

Through the [Enhancing Audit Quality Initiative \(EAQ\)](#), the AICPA shares resources and education to help you avoid the most common audit quality issues. Check out their latest resources:

### COVID-19 Audit Implications

As auditors navigate the challenges presented by the COVID-19 pandemic, the AICPA is available to help. The A&A resource center at [aicpa.org/covidaudit](https://aicpa.org/covidaudit) is updated periodically to help you with your audit engagements that are impacted by the pandemic. Here are a few resources EAQ launched since November:

- Fraud risk [article](#) covering potential fraud risks to keep in mind when performing audit engagements.
- Real estate [blog](#) describing impairment considerations for auditors to keep in mind when performing audits for commercial real estate professionals.
- Healthcare [blog](#) highlighting major considerations to keep in mind when auditing these entities.
- Call for questions [blog](#) answering questions received relative to auditing during a pandemic.
- EBP [blog](#) covering 2021 audit considerations to keep in mind when performing EBP engagements.
- Fraud risk [webcast](#) covering the financial impact of COVID-19 pandemic on clients to help auditors understand their responsibilities and how to respond to these risks.

For information about how COVID-19 may impact other areas of your practice, from tax and personal financial planning to forensic accounting, check out [the AICPA Coronavirus Resource Center](#).

### Risk Assessment and Response

EAQ launched an updated risk assessment on demand [course](#) that reviews the risk assessment standard requirements and discusses the importance of risk assessment during the pandemic recovery period.

### Peer Reviewer Survey Results

The EAQ team conducted a survey of Peer Reviewers to gain insight on challenges in the current environment. Find out what we've shared by reading this [blog](#).

### Need a Deeper Dive?

If you prefer in-depth information on the topics discussed, here are some courses and programs from the AICPA:

#### Digital Asset

[Blockchain for Digital Assets: Accounting for Digital Assets Under U.S. GAAP](#)

#### Blockchain

[Blockchain Fundamentals for Accounting and Finance Professionals Certificate](#)

#### Service Organization Controls

[Introduction to SOC for Service Organizations Reporting](#)

[SOC for Service Organizations Deep Dive](#)

[SOC 2® Report Walkthrough](#)

[Advanced SOC for Service Organizations Certificate Exam](#)

[Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting \(SOC 1®\) - Guide](#)

[SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy](#)

## Some Ethical Prompts

### Let's hear it for NOCLAR

Noncompliance with laws and regulations (NOCLAR) is on the agendas of several standards-setting bodies these days, both in the United States and internationally. The AICPA Professional Ethics Executive Committee (PEEC) and Auditing Standards Board (ASB) are no exception and both executive bodies have exposure drafts out right now on this important topic.

**Comments are due June 30** for both exposure drafts, so you still have time to send your thoughts on the proposals.

[PEEC's proposal includes new NOCLAR interpretations](#) for members in business and members in public practice and amends several other ethics interpretations.

[The ASB's proposal narrowly amends AU-C section 210](#) in [AICPA Professional Standards](#) to require an auditor, once management approves it, to inquire about suspected fraud and matters involving NOCLAR. Each proposal has questions to guide the input PEEC and the ASB are looking for and the AICPA would love to hear your thoughts on this important topic.

### Have you read the latest new ethics guidance?

PEEC issued [a revised "Records Requests" interpretation](#) (ET sec. 1.400.200) and the revisions will be effective July 31, 2021. The revisions clarify which records need to be provided, who needs to receive them and in what format.

There's also a new ["Staff Augmentation Arrangements" interpretation](#) (ET sec. 1.275.007) and associated revised interpretations, which will all be effective November 30, 2021. This guidance covers ethical considerations for loaning staff to an attest client. It's an important topic in the current environment.

### Learn while you're on the go

[Ethically Speaking, the podcast of the AICPA Professional Ethics Division](#), is designed to:

- bring you up-to-date information on ethics matters relevant to your practice,
- keep you aware of the activities of the AICPA Professional Ethics Division, and
- offer ongoing ethics education.

If you haven't had a chance to check it out, now is a good time. In addition to member enrichment topics and our ongoing series that gives highlights of PEEC's quarterly meetings, we have some exciting new series coming up!

- Back to basics – A limited series for both members in business and members in public practice that will cover the foundations of professional ethics. Look for this series sometime in the second half of 2021.
- What's hot on the hotline? – An ongoing series that surveys trends in calls to the ethics division hotline. Look for the first episode in this series in mid-May — records requests and nonattest services are on the agenda.

You can find and subscribe to *Ethically Speaking* on [iTunes](#), [Google Podcasts](#), or wherever you listen to podcasts. Just search for "Ethically Speaking" and look for the jolly citrus logo.

## Technology Leads the Way: Digital Assets, Blockchain, and SOC

### Digital Assets – Are You Asking the Right Questions?

As more and more entities get involved in the digital assets space, this is an area of increased audit risk. Knowing the right questions to ask and being prepared with the resources necessary to make an assessment is of vital importance. Auditors must be aware of the many unique considerations and auditing challenges brought about with this new asset class.

In order to address financial reporting and auditing challenges, the AICPA's Digital Assets Working Group continues to develop nonauthoritative accounting and auditing guidance to help financial statement preparers and auditors who are operating in the digital asset space. The [Digital Assets Practice Aid](#), includes the following topics:

| Accounting   | Auditing  |
|--|---|
| <ul style="list-style-type: none"> <li>• Classification, measurement, recognition, and derecognition when an entity purchases or sells digital assets</li> <li>• Specialized accounting for investment companies and broker-dealers when engaging in digital asset activities</li> <li>• Considerations for crypto assets that require fair value measurement</li> <li>• Accounting for stablecoin holdings</li> </ul> | <ul style="list-style-type: none"> <li>• Client acceptance and continuance</li> <li>• Risk assessment and processes and controls</li> <li>• Laws and regulations and related parties</li> </ul> |

The Practice Aid was originally issued in [2019 and is updated periodically with new topics and content](#), to provide nonauthoritative guidance on how to account for and audit digital assets under U.S. generally accepted accounting principles for nongovernmental entities and generally accepted auditing standards, respectively. It is intended for those with a fundamental knowledge of blockchain technology and is based on existing professional literature and the experience of members of the Digital Assets Working Group.

### Have Blockchain Risks Been Considered in the Engagement?

Many entities are turning towards blockchain technology as a solution for their business, operational, regulatory or strategic initiatives. For example, entities may incorporate blockchain technology into their financial systems, or they may use a service organization that has integrated blockchain technology to provide services to the entity (such as, supply chain management, payroll processing, or employee benefit plan recordkeeping). However blockchain technology is being utilized, it is important for the auditor to understand and identify the unique risks as well as those controls that may be in place to mitigate those risks. It is important for the auditor to take these risks into account when gaining an understanding of the system and the assessment of the risk of material misstatement.

The Information Systems Audit and Control Association (ISACA) and AICPA & CIMA formed a joint working group, the *ISACA-AICPA & CIMA Joint Blockchain Working Group* to identify risks associated with enabling blockchain technology. The working group created a [risk by domain table](#), which is intended for those professionals with an advanced understanding of blockchain technology. This tool can be used by CPAs to assist an entity with identifying the relevant risks in each engagement.

The trend is clear: more and more entities will transform significant portions of their business, revenue model, or operations using blockchain technology and auditors will need to be aware of the unique risks. It is imperative that the assessment of the risk of using blockchain technology be considered throughout the

engagement. If a blockchain has already been incorporated within an entity, it will be important to perform a retrospective review to identify risks related to the five domains, as applicable, in order to identify control gaps that may threaten the achievement of the entity's objectives.

### Implications of the Use of Blockchain in SOC for Service Organization Examinations

The AICPA's Assurance Services Executive Committee's Implications of Blockchain on SOC 1 and SOC 2 working group has published the paper, "[Implications of the Use of Blockchain in SOC for Service Organization Examinations](#)." The objectives of this paper are to educate the service auditor about some of the unique aspects of blockchain and to discuss the implications of the use of blockchain in a system used to provide services to user entities of a SOC for service organization report. The paper includes examples of how service organizations might use blockchain in a system used to provide services to user entities, as well as additional AICPA resources for service auditors who want to learn more about blockchain.

The paper is divided into two parts:

- Part 1
  - Presents an overview of blockchain, including a discussion of the different types of blockchain networks and some of its unique features
  - Identifies specific risks of using blockchain
- Part 2
  - Presents an overview of relevant professional standards and criteria governing SOC for service organization examinations
  - Discusses the need for the engagement team to possess knowledge about blockchain and the specialized skills and competencies to perform the engagement, including the use of specialists when appropriate
  - Describes the unique elements of the auditor's understanding of a service organization's system when blockchain is integral to and interfaces with that system
  - Discusses unique considerations when forming an opinion on the description of a service organization's system that includes blockchain, the suitability of the design of the controls, and in a type 2 examination, the operating effectiveness of controls.

The complete paper may be found on the SOC web page [here](#).

For additional SOC resources, please visit the [Service Organization Controls: SOC Suite of Services](#) page.

### FAQs: SOC 2 and SOC 3 Examinations

The AICPA staff has issued nonauthoritative guidance on selected practice matters raised by members in connection with SOC 2® and SOC 3® examinations. The [Frequently Asked Questions: SOC 2® and SOC 3® Examinations](#) (FAQs) represent the views of AICPA staff based on the input of members of the AICPA Assurance Services Executive Committee's SOC 2® Working Group. The FAQs address the following topics:

- Change in the Opinion on Design and Operating Effectiveness
- Trust Services Categories Addressed
- Common Controls to meet the Trust Services Criteria
- SOC Providers
- Considering the Appropriate Period of Time for a SOC 2 Examination
- Lack of a Board of Directors
- SOC 2 Examination that Addresses Additional Subject Matters and Additional Criteria
- Use of Sampling
- Laws and Regulations

- Procedures for Testing Operating Effectiveness
- Consideration of Materiality in a SOC 2 Examination
- SOC 3 Examinations
- SOC Logo for CPAs

The complete FAQs may be found on the SOC web page [here](#).

## Other Items of Note

### Goodwill Impairment Triggering Event Evaluations for Private Companies and Not-For-Profits

FASB issued a [standard](#) on March 30 that provides an alternative to goodwill impairment triggering event evaluations for private companies and not-for-profits (NFPs).

Under the accounting alternative, private companies and NFPs will have the option to perform a goodwill triggering event assessment, and any resulting test for goodwill impairment, at the end of the reporting period, whether in an interim or annual period. Private companies and NFPs that elect this alternative no longer will be required to perform this assessment during a reporting period, as the requirement is limited to the reporting date only.

The scope of the proposed alternative is limited to goodwill that is tested for impairment in accordance with FASB ASC Subtopic 350-20, *Intangibles — Goodwill and Other — Goodwill*. The amendments take effect on a prospective basis for fiscal years beginning after December 15, 2019.

Early adoption is allowed for interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021. FASB is requiring that an entity should not retroactively adopt these amendments for interim financial statements already issued in the year of adoption.

The amendments in the ASU also include an unconditional one-time option for entities to adopt the alternative prospectively after its effective date. No additional disclosures would be required.

### SSAE No. 19 on Agreed-Upon Procedures Engagements Effective July 15

The Auditing Standards Board (ASB) issued [Statement on Standards for Attestation Engagements No. 19, Agreed-Upon Procedures Engagements](#) in December 2019. The standard is effective for all agreed-upon procedures reports dated on or after July 15, 2021. However, early implementation is permitted, and some practitioners implemented the new standard as soon as it was issued.

SSAE No. 19 supersedes SSAE No. 18 AT-C section 215 of the same title in AICPA *Professional Standards*. SSAE No. 19, which also amends SSAE No. 18 AT-C section 105, *Concepts Common to All Attestation Engagements*, provides flexibility to a practitioner's ability to perform an AUP engagement by (1) removing the requirement that the practitioner request a written assertion from the responsible party; (2) allowing procedures to be developed over the course of the engagement; (3) allowing the practitioner to assist in developing the procedures; (4) no longer requiring intended users to take responsibility for the sufficiency of the procedures and instead requiring the engaging party to acknowledge the appropriateness of the procedures prior to the issuance of the practitioner's report; and (5) allowing the practitioner to issue a general-use report.

AICPA staff prepared a [document](#) to provide a detailed summary of the standard. In addition, while the requirements and guidance with respect to agreed-upon procedures engagements contained in AT-C sections 305 and 315 will not be updated until the standard is fully effective, practitioners may perform agreed-upon procedures engagements on prospective financial information and compliance with specified requirements,

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respectively AICPA staff prepared an [additional document](#) to assist practitioners in performing such engagements prior to the effective date of SSAE No. 19.

