

TXCPA Executive Board Peer Review Termination Resolution
TXCPA Member Firms Enrolled in the TXCPA Peer Review Program

(Adopted November 12, 2004 with amendments through January 1, 2009, and April 29, 2017)

WHEREAS, a firm enrolled in the Texas Society of CPAs (TXCPA) Peer Review Program is required to have a peer review once every three years performed in conformity with the AICPA *Standards for Performing and Reporting on Peer Reviews*; and

WHEREAS, a firm enrolled in the TXCPA Peer Review Program is required under the TXCPA Bylaws to cooperate with the peer reviewer, TXCPA Peer Review Committee, and TXCPA Executive Board in all matters related to the review, that could impact the firm's enrollment in the program;

NOW, THEREFORE, BE IT RESOLVED: A firm is deemed as failing to cooperate by actions including but not limited to:

- Not responding to inquiries once the review has commenced
- Withholding information significant to the peer review, for instance but not limited to:
 1. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing or attestation engagements from regulatory, monitoring or enforcement bodies;
 2. omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements],
- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas,
- Not responding to MFCs or FFCs timely,
- Limiting access to offices, personnel or other, once the review has commenced,
- Not facilitating the arrangement for the closing and exit conference on a timely basis,
- Failing to timely file the report and the response thereto related to its peer review, if applicable,
- Failing to cooperate during oversight, or
- Failing to timely acknowledge and complete required corrective actions or implementation plans.

The firm will be advised by certified mail, or other delivery method providing proof of receipt, that the TXCPA Peer Review Committee (Committee) will appoint a hearing panel to consider whether the firm's enrollment in the peer review program should be terminated. A firm enrolled in the TXCPA Peer Review Program that has been notified that it is the subject of such a hearing, may not resign from the program until the matter causing the hearing has been resolved. After a hearing is held, a firm whose enrollment in the TXCPA Peer Review Program has been terminated has the right to appeal the panel's decision to the TXCPA Executive Board within 30 days of the hearing.

If a firm omits or misrepresents information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews* that results in a material departure¹ in the firm's most recently accepted peer review, acceptance of the peer review documents will be recalled. A hearing panel will determine whether the firm's enrollment in the TXCPA Peer Review Program should be terminated. If the hearing panel determines that the firm's enrollment will not be terminated, at a minimum the hearing panel will require that the firm have a replacement review submitted to the TXCPA Peer Review Department by the due date which will be approximately 60 days after the hearing panel's decision.

Firms that voluntarily notify the Committee of an omission or misrepresentation resulting in a material departure will not be subject to a hearing panel. This notification from the firm must be prior to the TXCPA being otherwise notified of or discovering the omission or misrepresentation and prior to the firm receiving notification from another regulatory or monitoring agency. Acceptance of the peer review documents will be recalled and the firm will be required to submit a replacement review to the TXCPA Peer Review Department by the due date which will be approximately 90 days after the firm's notification.

If a firm's enrollment is terminated for omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews* or subsequent failure to submit a replacement review by the due date established by the hearing panel, the matter will result in referral to the TXCPA Professional Ethics Committee for investigation of a possible violation of the TXCPA *Code of Professional Conduct*. If a firm's enrollment is terminated for such an omission or misrepresentation, re-enrollment will be subject to approval by a hearing panel.

BE IT FURTHER RESOLVED: That a firm's failure to cooperate with the Committee includes failing to receive a pass report rating subsequent to receiving notification via certified mail, or other delivery method providing proof of receipt, after a peer review rating of pass with deficiencies or fail that a consecutive peer review rating of pass with deficiencies or fail may be considered a firm's failure to cooperate.

BE IT FURTHER RESOLVED: The Committee has the authority to determine if a firm's response is sufficiently substantive. If the Committee determines that a response is not sufficiently substantive, and the firm does not adequately revise its response or submits additional responses to the satisfaction of the Committee, this would also be deemed a firm's failure to cooperate.

BE IT FURTHER RESOLVED: The Committee has the authority to determine if erroneously provided or omitted information by a firm results in a significant change in the planning, performance, evaluation of results, or peer review report is a matter of non-cooperation. The firm's failure to provide substantive responses during the process of resolving such a matter may also be deemed as a firm's failure to cooperate.

BE IT FURTHER RESOLVED: That a firm's failure to cooperate with the Committee would also include failing to timely notify that it is performing a type of engagement(s) or engagement(s) in an industry in which the firm had previously represented by written communication to the Committee that it was no longer performing and had no plans to perform, in response to a related corrective action or implementation plan wherein the corrective action or implementation plan was eliminated by the Committee based on the representation.

¹ Material departure is defined in the Report Acceptance Body Handbook, Chapter 3, Section VII, Recall of Peer Review Documents.

BE IT FURTHER RESOLVED: A firm's enrollment in the TXCPA Peer Review Program will be terminated for failure to cooperate in any of the preceding situations, without a hearing, upon receipt of a plea of guilty from the firm; and

BE IT FURTHER RESOLVED: Pursuant to the TXCPA Bylaws, the fact that a firm's enrollment in the TXCPA Peer Review Program has been terminated, with or without hearing, will be published in such form and manner as the Executive Board may determine. If a firm's enrollment is terminated, it will result in a referral to the Texas State Board of Public Accountancy.