

**RULES
OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-06
PEER REVIEW PROGRAM**

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0020-06-.01 DEFINITIONS.

- (1) For purposes of this Chapter, unless the context otherwise requires:
 - (a) "Approved peer review program" means any peer review program conducted by the Board, the Public Company Accounting Oversight Board (PCAOB), the Tennessee Society of Certified Public Accountants, the AICPA or any other similar program conducted by another individual or entity approved by the Board;
 - (b) "Licensee" means certified public accountant or public accountant;
 - (c) "Firm" means CPA firm and PA firm as defined in Tenn. Code Ann. § 62-1-103;
 - (d) "Firm location" means an individual office location of a firm;
 - (e) "Peer Review" shall be defined as in Tenn. Code Ann. § 62-1-103.

Authority: T.C.A. §§ 62-1-105(e)(6) and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003.

0020-06-.02 PURPOSE.

The purpose of the Peer Review Program (Program) is to improve the quality of financial reporting and to assure that the public can rely on the fairness of presentation of financial information on which licensees issue reports. Appropriate educational programs or rehabilitation procedures will ordinarily be recommended or required where professional services do not comply with applicable professional standards; however, when a licensee is unwilling or unable to comply with such standards, or a licensee's professional services are so egregious as to warrant disciplinary action, such action may be taken as the appropriate means of protecting the public interest.

Authority: T.C.A. §§ 62-1-105, 62-1-111, and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-06-.03 REVIEW COMMITTEE.

- (1) The Board shall appoint a peer review oversight committee (the Committee) to assist it in the implementation of the Program. The Committee shall be comprised of three licensees in good

(Rule 0020-06-.03, continued)

standing, one from each grand division of the state. Committee members shall serve for a term of three (3) years but may be reappointed by the Board at the end of each term.

- (2) Each committee member shall:
 - (a) Be an actively licensed CPA in good standing, and
 - (b) Possess accounting, attest and peer review experience deemed sufficient by the Board.
- (3) The responsibilities of the Committee shall include the following:
 - (a) Developing procedures for the internal operation of the review.
 - (b) Developing criteria for approval of reviewers.
 - (c) Assisting in the selection and training of reviewers.
 - (d) Developing and recommending a system for the selection of reports and/or workpapers to be reviewed.
 - (e) Evaluating the determinations and recommendations of the reviewers.
 - (f) Compiling and reporting the statistics on the impact and effect of the Program.
 - (g) Monitoring approved peer review programs and reporting periodically to the Board on whether these programs meet the requirements of these rules and Tenn. Code Ann. § 62-1-201 et seq.
 - (h) Considering such other matters and performing such other duties regarding the Program as may be necessary from time to time.

Authority: T.C.A. §§ 62-1-105, 62-1-111, and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-06-.04 BASIC REQUIREMENTS.

- (1) Each firm location required to hold a permit to practice under Tenn. Code Ann. § 62-1-108, which performs attest services, shall be covered by a peer review at least once every three (3) years with a report of that review to be submitted to the Committee. However, the initial review must be completed by August 31 of the next calendar year following the initial date of issuance of the firm permit.
- (2) Each firm that performs one or more audit engagements shall have an on-site peer review. Firms that perform only compilations or reviews in accordance with SSARS shall have either an on-site or off-site peer review.
- (3) Each firm is responsible for having the review(s) performed at its own cost by a reviewer approved by the Committee or in the alternative, submitting proof of compliance with an approved peer review program.
- (4) Failure of a firm to be enrolled in a board-approved peer review program in a timely manner will result in the denial of the firm's permit to practice.
- (5) Firms with multiple locations may submit a single peer review report covering all locations.

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- (6) Firm locations not providing attest services shall not be required to undergo a peer review
- (7) The Peer Review Program of the Board does not provide for reviews of Audits of Governmental Grant Recipients, Publicly Traded Companies, or Financial Institutions. Those reviews must be obtained through one (1) of the other approved peer review programs.
- (8) Firms receiving peer reviews under the PCAOB program will also be required to have a peer review under an approved peer review program that covers the portion of the firms' practice not regulated by the U.S. Securities and Exchange Commission.

Authority: T.C.A. §§ 62-1-105 and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012.

0020-06-.05 REVIEWERS AND REVIEWS.

- (1) All individuals desiring to perform peer reviews within the scope of this chapter must be approved by the Committee prior to undertaking such performance. Approval shall be granted upon proof that the individual:
 - (a) is a licensee in good standing, actively engaged in providing attest services, possesses adequate accounting and/or attest experience and has a current knowledge of applicable professional standards, and
 - (b) has completed a peer review training course(s) that has been approved by the Committee and completes a refresher review course every three (3) years hereafter.
- (2) Each reviewer shall determine and report to the Committee with respect to each engagement that is reviewed:
 - (a) Whether or not the engagement is in general conformity with applicable professional standards, and
 - (b) If not, in what regard the engagement contains significant departures from professional standards, and
 - (c) Any recommendations concerning the possible improvement of the quality of the firm location's professional services.
- (3) The review shall be performed and the report issued in a manner and form approved by the Committee.
- (4) Any firm location under review may submit to the Committee a response to the determinations and recommendations contained in the review report.
- (5) The identities of the sources of financial statements, reports and workpapers, received by the reviewer from a firm location, shall be preserved in confidence.
- (6) Reports submitted for review and the comments and workpapers related thereto of reviewers and of the Committee shall be retained for a period of at least three (3) years or until acceptance of the firm location's next peer review, whichever is greater in time. These items and documents shall be preserved in confidence except to the extent that they are communicated to the licensee and firm location which issued the report(s) and to the extent that consideration of remedial or disciplinary action is appropriate pursuant to Rule 0020-06-.06.

(Rule 0020-06-.05, continued)

Authority: T.C.A. §§ 62-1-105(e)(6), 62-1-111(a)(12) and (14), 62-1-201, and 62-1-202. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003.

0020-06-.06 PEER REVIEW RESULTS.

- (1) If the results of a peer review reveal that the professional services of a firm location are in general conformity with applicable professional standards, and the Committee concurs, the firm shall be notified of the acceptance of the review.
- (2) If the results of a peer review reveal significant or certain departures from applicable professional standards, and the Committee concurs, the Committee may:
 - (a) Require the firm location to undergo an additional on-site or off-site review;
 - (b) Require any individual licensee who had responsibility for the professional services in question to successfully complete specific courses or types of continuing education as specified by the Committee;
 - (c) Require that the firm location responsible for the professional services submit all or specified categories of its engagements for a preissuance review in a manner and for a duration prescribed by the Committee; and/or
 - (d) Inform the Board that the firm is not in compliance with the Peer Review Program if it appears that the firm location is unwilling or unable to comply with the Program, or the departures from professional standards are so serious as to warrant consideration of possible disciplinary action.
- (3) The costs of the remedial requirements imposed under subparagraphs (2)(a), (b) and (c) shall be borne by the firm.
- (4) The results of any remedial requirements imposed under this rule are subject to review and approval by the Committee or the Board's staff.

Authority: T.C.A. §§ 62-1-105(e)(6), 62-1-111(a)(12) and (14), and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-06-.07 PEER REVIEW SUBMISSION.

- (1) Each firm shall submit a copy of the results of its most recently accepted peer review to the Board. The required documents include:
 - (a) Peer Review Report in accordance with Tenn. Comp. R. & Regs. 0020-06-.05(3);
 - (b) Firm's letter of response, if applicable, in accordance with Tenn. Comp. R. & Regs. 0020-06-.05(4);
 - (c) Acceptance letter from the Committee, in accordance with Tenn. Comp. R. & Regs. 0020-06-.06(1);
 - (d) Letter(s) reflecting the Firm's agreement to comply with additional requirements prescribed by the Committee, if applicable, in accordance with Tenn. Comp. R. & Regs. 0020-06-.06(2); and

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- (e) Approval letter from the Committee, if applicable, in accordance with Tenn. Comp. R. & Regs. 0020-06-.06(4).
- (2) For peer reviews scheduled on or after June 1, 2018, all peer review documents referenced in Paragraph (1) shall be made available to the Board by the approved peer review program's sponsoring organization via a secured website. The documents listed in Paragraph (1)(a) through (1)(c) shall be submitted within thirty (30) days after the date of the acceptance letter. The documents listed in Paragraph (1)(d), if applicable, shall be submitted within thirty (30) days after the date on which the Firm signs the letter. The documents listed in Paragraph (1)(e), if applicable, shall be submitted within thirty (30) days after the date of the Committee's issuance.
- (3) Firms shall authorize the sponsoring organization to provide the Board access to the documents in Paragraph (1) via a secure website.

Authority: T.C.A. §§ 62-1-105 and 62-1-201. **Administrative History:** Original rule filed February 23, 2018; effective May 24, 2018.