

Dear Managing Partner and/or Peer Review Contact:

Affective May 1, 2018, the annual fee structure for peer reviews administered by the Alabama Society of CPAs (ASCPA) will change. From this date forward, all fees associated with peer review administration will be streamlined into a single annual fee that will be billed to your firm at the beginning of each fiscal year. Due to rising costs administering this service at the society level, the ASCPA has increased these fees over your 3-year peer review cycle so that we can continue to provide a quality program for our firms.

Under our old peer review fee structure each firm paid an annual fee in a fixed amount plus an additional amount based upon the number of professionals in the firm. In the year of a firm's peer review, the firm also paid an additional fee based upon the type of review required (engagement review or system review). The new fee structure should be less complex and generally smooth the cost more evenly over a three year peer review period.

Within the AICPA's focused initiative for Enhancing Audit Quality (EAQ), the AICPA has placed more detailed and defined requirements upon peer review administrative entities to gain consistency in application of peer review standards across the US and to ensure timely processing of reviews through the peer review process. Meeting these requirements while continuing to successfully administer the Peer Review Program for our Alabama firms has resulted in a need to restructure and increase our peer review fees.

The ASCPA Peer Review staff members are dedicated to provide you with the best service and resources that will enable your firm to move as smoothly as possible through the peer review process while being available to assist you with structured guidance during this period. The attachment to this email provides more detail related to the new fee structure and will help you understand the impact on your firm.

If you have any questions or concerns please contact our team at (334)834-7650 or email us at peer.review@ascpa.org.

Sincerely,

ASCPA Peer Review

Alabama Society of Certified Public Accountants
Peer Review Fee Structure
Effective May 1, 2018

Background

In 2014 the AICPA launched a focused initiative for Enhancing Audit Quality (EAQ). This initiative produced a *6-Point Plan to Improve Audits*. One of the six points addresses Peer Review. As a part of EAQ the AICPA has placed more detailed and defined requirements upon peer review administrative entities to gain consistency in application of peer review standards across the US and to ensure timely processing of reviews through the peer review process.

Staffing requirements for administrative entities have also been expanded under these new requirements and each entity is required to have a CPA on staff with responsibility over peer review administration. The ASCPA has proactively increased staff from one to three personnel with one of the additional staff serving as the required CPA on staff.

The amount of time that the ASCPA's technical reviewers require to review and prepare a peer review for committee approval has increased and is expected to continue to expand. Again, this is caused by the changes related to the EAQ initiative.

While many state Societies are terminating or considering termination of their peer review administration, the ASCPA is committed to continuing to serve our members as a peer review administrator. However, the changes discussed above have increased our costs of delivering these services to you. As a result, we are restructuring and increasing our peer review fees. We have compared our fees to several state programs and to the AICPA national program. We find that our peer review fees will remain among the lowest while providing a high level of support to firms and maintaining a quality program meeting AICPA standard.

Under our old peer review fee structure each firm paid an annual fee in a fixed amount plus an additional amount based upon the number of professionals in the firm. In the year of a firm's peer review the firm also paid an additional administrative fee based upon the type of review required (engagement review or system review). The new fee structure should be less complex and generally smooth the cost more evenly over the 3-year peer review period. We believe the new fee structure will be easier to budget since there will not be a surcharge applicable during the peer review year.

The New Peer Review Fee Structure

1. Annual Base Fee

Professionals In Firm		
From	To	Fee
1	5	\$ 275
6	10	\$ 400
11	24	\$ 525
25	25+	\$ 650

a.

b. Professionals are as defined by the AICPA Peer Review Standards (all individuals who perform professional services for which the firm is responsible whether they are CPAs or not).

2. Plus \$25 per professional in the firm

3. Additionally, for each year where an enrolled firm performs a "Must Select" (high risk) engagement there will be a fee of \$85. This fee only applies to firms subject to system reviews. The fee will be due annually based upon the firm's profile as updated annually in PRIMA. It is due when the firm has one or more "Must Select" engagements as defined by the AICPA standards. Currently "Must Select" Engagements include Employee Benefit Plans, Governmental Audits, Depository Institutions subject to FDICIA, Broker Dealers and Service

Organization Control Report Engagements. The AICPA may add additional or remove “Must Select” criteria at any time.

Effective Date

The new fee structure will take effect on May 1, 2018. All firms who have peer reviews administered by ASCPA will transition to this structure.

If your firm’s due date is on or before April 30, 2018 your firm will also owe the prior administrative fee due in the peer review year under the old structure.

Examples of Fee Calculations Under the New System

1 Professional Without High Risk Fee			1 Professional With High Risk Fee				
		Year 3 - Peer			Year 3 - Peer		
<u>Year 1</u>	<u>Year 2</u>	<u>Review Year</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Review Year</u>		
275	275	275	275	275	275		
25	25	25	25	25	25		
-	-	-	85	85	85		
300	300	300	385	385	385		
15 Professionals Without High Risk Fee			15 Professionals With High Risk Fee				
		Year 3 - Peer			Year 3 - Peer		
<u>Year 1</u>	<u>Year 2</u>	<u>Review Year</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Review Year</u>		
525	525	525	525	525	525		
375	375	375	375	375	375		
-	-	-	85	85	85		
900	900	900	985	985	985		
26 Professionals Without High Risk Fee			26 Professionals With High Risk Fee				
		Year 3 - Peer			Year 3 - Peer		
<u>Year 1</u>	<u>Year 2</u>	<u>Review Year</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Review Year</u>		
650	650	650	650	650	650		
650	650	650	650	650	650		
-	-	-	85	85	85		
1,300	1,300	1,300	1,385	1,385	1,385		

Other Fees related to peer review are as follows:

1. Peer Review Enrollment fee \$100
2. Peer Review Reinstatement fee \$250
3. Peer Review Late Payment fee \$100