17 CAR § 236-1902. Definitions.

The following words and terms used in this subpart shall have the following meanings, unless the context clearly indicates otherwise:

(1)(A) "Deficiency in a system review" means one (1) or more findings that the peer reviewer has concluded that due to the nature, causes, pattern, or pervasiveness, including the relative importance of the finding to the reviewed licensee's system of quality management taken as a whole, could create a situation in which the licensee would not have reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one (1) or more important respects.

(B) It is not a significant deficiency if the peer reviewer has concluded that, except for the deficiency or deficiencies, the reviewed licensee has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects;

(2)(A) "Deficiency in an engagement review" means one (1) or more findings that the review captain concludes are material to the understanding of the financial statements or information and/or related accountant's reports or that represent omission of a critical procedure, including documentation, required by applicable professional standards.

(B) When the review captain concludes that deficiencies are not evident on all of the engagements submitted for review and there are no other deficiencies, such deficiencies are communicated in a report with a peer review rating of pass with deficiencies;

(3) "Deficient report" means any report which is classified as pass with deficiencies or fail;

(4) "Engagement review" means a peer review where the peer reviewer evaluates and reports on whether engagements submitted for review by the practice unit are performed and reported on in conformity with applicable professional standards in all material respects;

(5) "Enrollment in a peer review program" means a licensee is required to:

(A) Follow all requirements of the peer review process;

(B) Cooperate with those performing and administering the peer review;

(C) Comply with the peer review standards; and

(D) Inform sponsoring organizations when changes within the licensee's practice occur;

(6) "Fail on a system review" means significant deficiencies have been identified and:

(A) The licensee's system of quality management is not suitably designed to provide the licensee with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects; or

(B) The licensee has not complied with its system of quality management to provide the licensee with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects;

(7) "Fail on an engagement review" means the engagements submitted for review were not performed and/or reported in conformity with applicable professional standards in all material respects;

(8) "Pass on a system review" means the reviewed licensee's system of quality management for the accounting and auditing practice has been suitably designed and complied with to provide the licensee with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects;

(9) "Pass on an engagement review" means nothing came to the reviewer's attention that the engagements submitted for review were not performed and reported in conformity with applicable professional standards in all material respects;

(10) "Pass with deficiencies on a system review" means the design of the licensee's system of quality management for the accounting and auditing practice has been suitably designed and complied with to provide the licensee with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report;

(11) "Pass with deficiencies on an engagement review" means that nothing came to the attention of the reviewer that caused him or her to believe that the

engagements submitted for review were not performed in and reported on in conformity with applicable professional standards in all material respects except for the deficiencies that are described in the report;

(12) "Peer review" means board-approved study, appraisal, or review of one (1) or more aspects of the attest services rendered by a licensee in the practice of public accounting, performed by a person or persons who hold a license as a certified public accountant in this or another United States jurisdiction and not affiliated with the licensee being reviewed;

(13) "Peer review due date" means a date within six (6) months after the peer review year end, plus any extensions granted by the sponsoring organization or the Arkansas State Board of Public Accountancy;

(14) "Peer Review Standards" means the board-approved professional standards for administering and reporting on peer reviews;

(15) "Peer review year end" means the year end as determined by the licensee and its reviewer;

(16) "Performance of services" is deemed to start when an engagement letter or signed or agreement reached;

(17) "Significant deficiency in a system review" means one (1) or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed licensee's system of quality management or compliance with it such that the reviewed licensee's system of quality management taken as a whole does not provide the reviewed licensee with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all respects;

(18)(A) "Significant deficiency in an engagement review" means the review team captain concludes that all engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.

(B) The exception is when more than one (1) engagement has been submitted for review, the exact same deficiency occurs on each of those engagements, and there are no other deficiencies, which would ordinarily result in a report with a peer review rating of pass with deficiencies;

(19)(A) “Sponsoring organization” means a board-approved professional society, or other organization, responsible for the facilitation and administration of peer reviews through use of its peer review program and peer review standards.

(B) The board shall periodically publish a list of sponsoring organizations, which have been approved by the board; and

(20) “System review” means a peer review intended to provide the peer reviewer with a reasonable basis for expressing an opinion on whether, during the year under review the licensee’s:

(A) System of quality management for its accounting and auditing practice has been designed in accordance with quality management standards; and

(B) Quality management practices and procedures were being complied with to provide the licensee with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.