**Section 1420.75 Peer Review**

a) Establishment of Peer Review Program

1) Pursuant to Section 16(e) of the Act, the Division establishes a Peer Review Program to monitor a CPA firm's and sole practitioner's compliance with applicable accounting, auditing and other attestation standards adopted by generally recognized standard-setting bodies. The program may include education, remediation, disciplinary sanctions or other corrective action in which performance does not comply with professional or regulatory standards.

2) The Division shall not require any CPA firm or sole practitioner to become a member of any Peer Review Administrator.

b) Standards for Peer Reviews

The Division adopts the AICPA Standards for Performing and Reporting on Peer Reviews (2017, no later amendments or editions apply) and related Interpretations (2018, no later amendments or editions apply), 1211 Avenue of the Americas, New York NY 10036-8775, for reviews commencing on or after January 1, 2009, and, for public company audit firms, the firm inspection standards required under the Sarbanes-Oxley Act of 2002 (SOX) (18 USC 7201 et seq.) as its minimum standards for review.

c) Peer Review Administrators

1) The Division, upon recommendation of the Committee, approves the following as Qualified Peer Review Administrators:

A) The AICPA;

B) The AICPA National Peer Review Committee;

C) The Society;

D) Other state CPA societies;

E) Other organizations that are fully involved in the administration of the AICPA Peer Review Program; and

F) The Public Company Accounting Oversight Board (PCAOB).

2) A Peer Review Administrator not listed in subsection (c)(1) shall submit an application to the Division, on forms provided by the Division, to receive authorization to act as a Peer Review Administrator.

3) To qualify as a Peer Review Administrator, an entity must annually submit a peer review plan of administration to the Division for review and approval. The plan of administration must:

A) Establish a PRRC, and subcommittees as needed, and provide professional staff as needed for the operation of the peer review program;

B) Establish a program to communicate to CPA firms and sole practitioners participating in the peer review program the latest developments in peer review standards and the most common findings in the peer reviews conducted by the Peer Review Administrator;

C) Establish procedures for resolving any disagreement that may arise out of the performance of a peer review;

D) Establish procedures to resolve matters that may lead to the dismissal of a CPA firm or sole practitioner from the peer review program;

E) Establish procedures to evaluate and document the performance of each reviewer, which may lead to the disqualification of a reviewer who does not meet the AICPA standards;

F) Require the maintenance of records of peer reviews conducted under the program in accordance with the record retention rules of the AICPA; and

G) Provide reports on the results of the peer review program to the Division upon request.

4) A Peer Review Administrator shall submit its plan of administration on forms provided by the Division. Peer Review Administrators set forth in subsection (c)(1) are exempt from the plan of administration submission requirements.

5) A Peer Review Administrator is subject to oversight by the Division for the purpose of carrying out the provisions of the Act.

d) Enrollment and Participation

1) For renewals on or after July 1, 2012, satisfactory completion of a peer review is required as a condition for renewal of a license for each CPA firm or sole practitioner who performs accountancy activities outlined in Section 8.05(a)(1) of the Act. For purposes of this Section, satisfactory completion shall be defined as follows:

A) Peer reviews of CPA firms and sole practitioners that are accepted by the PRRC without remedial or corrective actions shall be considered completed when accepted.

B) Peer reviews of CPA firms and sole practitioners that are accepted by the PRRC subject to any identified remedial or corrective actions shall be considered accepted on the date the CPA firm or sole practitioner signs an acceptance letter from the PRRC agreeing to complete the remedial or corrective actions and shall be considered completed when the CPA firm or sole practitioner completes the remedial or corrective actions to the satisfaction of the PRRC. The Division may grant renewal of a CPA firm's or sole practitioner's license upon the acceptance of its peer review, rather than upon the completion of its peer review.

C) Pursuant to Section 16(g) of the Act, the Division may hold a hearing for any CPA firm or sole practitioner that fails to satisfactorily complete a peer review or comply with any remedial or corrective actions determined necessary by the PRRC.

2) Each CPA firm or sole practitioner required to participate under Section 16(e) of the Act shall be enrolled in the program of an approved Peer Review Administrator and shall comply with the review due date assigned by an approved Peer Review Administrator. It is the responsibility of the CPA firm or sole practitioner required to complete a peer review to schedule and satisfactorily complete a peer review prior to the expiration date set for renewal. Failure to schedule a peer review with an approved Peer Review Administrator in sufficient time to enable the Peer Review Administrator to accept the review, as determined by the Peer Review Administrator, by the renewal date shall not constitute an excuse for failure to satisfactorily complete the peer review required for renewal.

3) The Division, in its discretion, may accept extensions granted by the Peer Review Administrator to complete a review. Extensions exceeding 3 months beyond the original due date established by the Peer Review Administrator must be approved by the Division and only for reasonable cause. Reasonable cause shall be determined on an individual basis by the Division and be defined as an inability to fulfill the peer review requirements during the applicable prerenewal period due to:

A) Full-time service by a sole practitioner in the Armed Forces of the United States of America during a substantial part of the prerenewal period;

B) A temporary incapacitating illness of a sole practitioner documented by a statement from a currently licensed physician;

C) Undue hardship (including, but not limited to, prolonged hospitalization, family illness, CPA firm dissolution or reorganization); or

D) Other similar extenuating circumstances.

4) A CPA firm or sole practitioner may choose from among the list of Qualified Peer Review Administrators in subsection (c) to administer its peer review; but must comply with all requirements of the Peer Review Administrator in which it is enrolled.

5) A CPA firm or sole practitioner choosing to change to another Peer Review Administrator may do so provided that the CPA firm or sole practitioner authorizes the previous Peer Review Administrator to communicate to the succeeding Peer Review Administrator any outstanding corrective actions related to the CPA firm's or sole practitioner's most recent review. Any outstanding actions must be corrected and the peer review satisfactorily completed in accordance with subsections (d)(1)(A) and (B) prior to transfer between Peer Review Administrators.

6) An out-of-state CPA firm practicing in this State pursuant to a practice privilege provided for in Section 5.2(d) of the Act must comply with the peer review program of the state in which the CPA firm is licensed.

7) An out-of-state CPA firm practicing in this State pursuant to a practice privilege provided for in Section 5.2(d) of the Act from a state without a peer review program must comply with the peer review requirements set forth in Section 16(e) of the Act.

8) An out-of-state CPA firm practicing in this State pursuant to a practice privilege provided for in Section 5.2(d) of the Act must submit proof of satisfactory completion of a peer review (or equivalent) at the request of the Division.

9) In the event a CPA firm's or sole practitioner's practice is sold, dissolved or merged with the practice of one or more CPA firms or sole practitioners, determination of successor or predecessor CPA firms, peer review year-end and peer review due date, if any, will be determined by the Peer Review Administrator.

e) Effect of Successive Substandard Reviews

1) CPA firms and sole practitioners enrolled in a Peer Review Program are required under the AICPA Standards for Performing and Reporting on Peer Reviews to cooperate with the Peer Reviewer, Peer Review Administrator, PRRC, and AICPA Peer Review Board or its equivalent in all matters related to the review that could impact the CPA firm's or sole practitioner's enrollment in the program.

2) If a CPA firm or sole practitioner receives a system or engagement review with a peer review rating of pass with deficiencies or fail, the Peer Review Administrator shall send notification to the CPA firm or sole practitioner, or its successor, via certified mail, or other delivery method providing proof of receipt, that failure to receive a report rating of pass on its next system or engagement review may be deemed failure to cooperate under subsections (e)(3) and (4).

3) If a CPA firm or sole practitioner, or its successor, receives two consecutive system or engagement reviews with a peer review rating of pass with deficiencies or fail, the Peer Review Committee shall assess whether the CPA firm or sole practitioner, or its successor, has failed to cooperate in all matters related to the review.

4) If a CPA firm or sole practitioner, or its successor, is deemed to have failed to cooperate, the Peer Review Committee may refer the CPA firm or sole practitioner, or its successor, to the AICPA Peer Review Board, or its equivalent, to consider whether a hearing should be held regarding the CPA firm's or sole practitioner's, or its successor's, termination from the Peer Review Program.

5) If a CPA firm or sole practitioner, or its successor, is deemed to have cooperated in all matters related to the review, the CPA firm or sole practitioner, or its successor, shall complete any required remedial or corrective actions to the satisfaction of the PRRC and undergo another peer review within 3½ years after the due date of the prior review.

6) If a CPA firm or sole practitioner, or its successor, receives a third consecutive peer review rating of pass with deficiencies or fail, the Peer Review Committee shall refer the CPA firm or sole practitioner, or its successor, to the AICPA Peer Review Board, or its equivalent, to consider whether a hearing will be held regarding the CPA firm's or sole practitioner's, or its successor's termination from the Peer Review Program.

7) The Division, in its discretion, may require any CPA firm or sole practitioner that has received a report with a peer review rating of pass with deficiencies or fail to be subject to remedial action as determined by the Division.

f) PRRC Qualifications and Responsibilities

1) PRRC members are subject to the qualifications and have the responsibilities outlined in the AICPA Standards for Performing and Reporting on Peer Reviews and related guidance.

2) Each PRRC member must comply with the confidentiality requirements of Section 16(f)(2) of the Act. The Peer Review Administrator may annually require its PRRC members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.

g) Division Access to Results of CPA Firm's or Sole Practitioner's Peer Reviews

1) A CPA firm or sole practitioner shall submit the following peer review documents promptly upon Division request:

A) Peer review report;

B) Letter of response, if applicable;

C) Acceptance letter;

D) Letter signed by the reviewed CPA firm accepting the peer review documents with the understanding that the CPA firm agrees to take certain actions, if applicable; and

E) Letter notifying the reviewed CPA firm that certain required actions have been completed, if applicable.

2) To comply with the Division's request in subsection (g)(1), the Peer Review Administrator for CPA firms or sole practitioners shall post the documents listed in subsection (g)(1) within 45 days after the Division's request to the AICPA Facilitated State Board Access website, to which the Division shall have access.

3) Documents received under this Section are subject to the confidentiality provisions stated in the Act.

h) The Division may consider the recommendation of the Public Accountant Registration and Licensure Committee regarding peer review in the State of Illinois.

(Source: Amended at 44 Ill. Reg. 184, effective January 3, 2020)