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Firm Requests for Extensions of Due Date

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Once the initial due date is set or the firm's ongoing due date is established based upon the year-end of their initial review, a firm is expected to maintain the same review due date going forward. Nevertheless, circumstances may arise that require the firm to extend its review due date. In such situations, a firm may do so only with prior, written approval of the Administering Entity (AE). The extended review due date only applies to the current review. Extensions for subsequent reviews' due dates must be re-requested (Interpretation 18-1).

The AE should be consulted, when possible, if the firm believes the situation has affected or will affect their peer review. The AE will help determine whether there could be a possible scope limitation due to the exclusion of any affected engagements/offices, the need for a change in year-end or an extension of due date and the effect on the firm's continuing peer review cycle (Interpretation 18-2).

AEs and firms should consider the following when consulting about due date extensions:

- Each extension request will be considered on a case-by-case basis.
- If a firm wishes to change its peer review year-end, that request must be made separately or in addition to any request for an extension of the peer review due date.
- The firm must ensure that any change in the review due date (or year-end) approved by the AE complies with governmental and regulatory bodies and any other organizations' peer review requirements. This includes but is not limited to state boards of accountancy (SBOA), the Governmental Accountability Office (GAO) and other regulators (Interpretation No.18-1).
- In certain circumstances, extension requests for due dates may be granted by the AEs, which may not be recognized by these regulators. Therefore, timing considerations should be discussed with the firm during the planning stage of the peer review when they are requesting an extension.

- If the firm requesting an extension performs engagements under the Generally Accepted Government Auditing Standards (GAGAS), the AE should discuss the fact that the GAO does not automatically accept extensions granted by the AE beyond 3 months. While AEs may grant extensions of more than 3 months for such firms under this administrative guidance, those firms must also request (and be approved for) an extension beyond 3 months from the GAO to avoid noncompliance with GAGAS.

Per GAGAS, for GAO purposes, “the external peer review should be conducted within 3 years from the date they start field work on the first engagement under GAGAS. Subsequent external peer reviews should be conducted every 3 years. Extensions beyond 3 months can only be granted by GAO and should only be requested for extraordinary circumstances.” The firm should be able to provide the team captain with an approved extension from the GAO, if applicable.

Requesting an Extension

Ordinarily, the request for an extension should be submitted by the firm via PRIMA. The request should cite the reasons the firm cannot undergo the review and should offer an alternative due date for the review.

Timing of Requests

Ordinarily,

- the request for an extension should be submitted during the planning stages of the review but not later than 60 days prior to the due date and
- extensions should not be granted after the due date.

However, otherwise valid extensions requested less than 60 days prior to the due date (including requests made after the due date)—particularly where extenuating circumstances would have prevented the firm from making a timely request—may be approved at the AE’s discretion.

Reasons for Denying Extensions

Generally, the Peer Review Board (PRB) will deny a firm's request for an extension if:

- The firm indicated that it needed more time to prepare for the review or to implement new quality control policies and procedures,
- The firm is developing a quality control document,
- The firm has added a new partner, or
- The nature of the firm's accounting and auditing practice changes (for example, a firm with an audit practice when it enrolled was assigned a due date, and later gave up its audit practice and the firm has not performed an audit for at least a year). In addition, changes in a firm's practice after this year-end should not change the review type or due date of the review, unless those changes would result in a step-up review.

Some firms may request extensions of their review due dates because they believe they are not yet ready for review. Extensions for this reason should not be granted because:

1. Peer reviews focus on the quality of a firm's accounting and auditing engagements. If a firm is doing quality work, it should have no problem passing a peer review. If it's not, it's better to find out sooner rather than later.
2. The profession has established a review program of unprecedented scope which is, among other things, relied upon by various governmental and regulatory bodies. There must be some basic rules because too many exceptions will be impossible to manage and control.

Unless the firm has a valid reason for an extension, AEs should not extend a firm's due date simply because a firm is overdue or because the firm is scheduling their review beyond their due date (i.e., to avoid overdue working paper notices to the reviewer).

Note: In cases where the review is scheduled after the due date, to avoid suspending an otherwise cooperative reviewer, AEs and reviewers may establish a new agreed upon working paper due date during the outreach phase of the overdue working paper process, after the first warning letter is sent to the reviewer (ODWPQ1).

Reasons for Extending a Firm's Due Date

Generally, the Peer Review Board will grant an extension if—

- The firm is a new firm because of a merger or dissolution or dissolution is imminent,
- The firm needs a few months to complete a major engagement (1 to 2 months),
- The firm is unable to have the review because of an absence, loss or turnover of personnel significant to the conduct of the review (applicable only to the smaller firms),
- The firm's records or offices have been severely damaged or destroyed because of a natural catastrophe,
- The firm needs more time because it has selected a reviewer who has a scheduling conflict and is unavailable to perform the review by the firm's due date but is available to perform the review within 30 days of the due date (in these cases, the AE should confirm the arrangements for the review with the review team), or
- There is an incomplete engagement (which is an initial engagement) and there is no comparable engagement (Interpretation 58-2).

EXTENSIONS FOR REVIEWS UNDERGOING OVERSIGHT OR PANEL REVIEW

In some situations, due to the size of the firm, the complexity of the peer review, and whether the review team is integrating peer review procedures with the firm's internal inspection procedures, it is common for a peer review to occur over several months. In such situations, when a firm's oversight is performed by the AE, it may extend its review due date by up to 6 months with prior, written approval of the AE (Interpretation 18-1).

Extensions for Firms Previously Subject to Non-AICPA Practice-Monitoring Programs A firm may request an extension of its review due date because it had an independent review of its system of quality control under a non-AICPA practice-monitoring

program. Reviews conducted and accepted under a participating state CPA society (See Chapter 2) peer review program prior to a firm joining the AICPA Peer Review Program can satisfy the AICPA practice-monitoring requirement. The PRB has agreed that firms in situations like this would have 3 years from the date of the review under the non-AICPA program and that their prior non-AICPA peer review would be counted for purposes of determining repeat findings.

GRANTING EXTENSIONS FOR FIRM STRUCTURE CHANGES

To facilitate the firm structure change process, firms may request reasonable extensions in writing from their AEs for their peer review due dates if a dissolution (or merger resulting in the dissolution of the firm to be reviewed) is imminent. A reasonable request is ordinarily considered no more than 3 months. As with all extensions, firms are responsible for complying with governmental and regulatory bodies and other organizations' peer review requirements.

Approving Extensions

If the firm requests an extension that is reasonable and granted by the committee, the committee should also evaluate the amount of time requested. Extensions of a review due date by more than 3 months should be rare (Interpretation 18-1).

The AE should record the receipt of an extension request and the decisions reached concerning the request in PRIMA and send a letter (via PRIMA) informing the reviewed firm of the decision to grant or deny the extension. AEs must retain due date extension and year-end change requests and approvals until the firm's subsequent peer review has been completed (Interpretation 25-1).

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