



DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**PROC MEETING  
NOTICE & AGENDA**

**Friday, August 24, 2012  
10:00 a.m. – 3:30 p.m.**

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone: (916) 263-3680  
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**PROC Purpose Statement**

*To provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.*

- I. Roll Call and Call to Order (**Nancy Corrigan, Chair**).
- II. Report of the Committee Chair (**Nancy Corrigan**).
  - A. Approval of the June 15, 2012 PROC Minutes.
  - B. Report on the July 26, 2012 CBA Meeting.
  - C. Appointment of PROC Vice Chair.
- III. Report on PROC Activities (**Nancy Corrigan**).
  - A. Report on the July 24, 2012 California Society of Certified Public Accountants (CalCPA) Report Acceptance Body (RAB) Meeting.
  - B. Report on the August 8, 2012 American Institute of Certified Public Accountants' (AICPA) Peer Review Board Meeting.
  - C. Assignment of Future PROC Activities.
- IV. Reports and Status of Peer Review Program (**April Freeman, CBA Staff**).
  - A. Updates on Peer Review Reporting Forms Received, Correspondence to Licensees, Verification of Peer Review Reporting Forms, and Citations Issued to Licensees that Failed to Respond to CBA.
  - B. Status of PROC Roles and Responsibilities Activity Tracking.
  - C. Status and Summary of Failed Peer Reviews.

**Lunch**
- V. Report of the Enforcement Chief (**Rafael Ixta, Enforcement Chief**).
  - A. Discussion Regarding Transportation Options for Traveling to PROC Meetings.

- B. Development of the 2012 Annual Report to CBA.
- C. Approval of Letter to the NASBA Compliance Assurance Committee Regarding Oversight of the National Peer Review Committee.
- VI. Future Meeting Dates and Agenda Items **(April Freeman)**.
- VII. Public Comment for Items Not on the Agenda.
- VIII. Adjournment.

Please note: Action may be taken on any item on the agenda. All times are approximate. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the PROC are open to the public. Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the PROC prior to the PROC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the PROC, but the PROC Chair may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the PROC to discuss items not on the agenda; however, the PROC can neither discuss nor take official action on these items at the time of the same meeting. (Government Code sections 11125, 11125.7(a).) CBA members who are not members of the PROC may be attending the meeting. However, if a majority of members of the full board are present at the PROC meeting, members who are not members of the PROC may attend the meeting only as observers.

The meeting is accessible to individuals with physical disabilities. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting April Freeman at (916) 561-1720, or by email at [afreeman@cba.ca.gov](mailto:afreeman@cba.ca.gov), or send a written request to the CBA office at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

For further information regarding this meeting, please contact:

April Freeman, Peer Review Analyst  
(916) 561-1720 or [afreeman@cba.ca.gov](mailto:afreeman@cba.ca.gov)  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

An electronic copy of this agenda can be found at <http://www.dca.ca.gov/cba/calendar.shtml>.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
 PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**PROC Item II.A.**  
 August 24, 2012

**MINUTES OF THE  
 JUNE 15, 2012  
 PROC MEETING**

San Jose Marriott  
 301 South Market Street  
 San Jose, CA 95113  
 Telephone: (408) 280-1300

<u>PROC Members:</u>	<u>June 15, 2012</u>
Nancy Corrigan, Chair	9:35 a.m. – 3:00 p.m.
Katherine Allanson	9:35 a.m. – 3:00 p.m.
Gary Bong	Absent
T. Ki Lam	9:35 a.m. – 12:00 p.m.
Sherry McCoy	9:35 a.m. – 3:00 p.m.
Robert Lee	9:35 a.m. – 3:00 p.m.
Seid M. Sadat	9:35 a.m. – 3:00 p.m.

Staff:

Rafael Ixta, Chief, Enforcement Division  
 April Freeman, Peer Review Analyst  
 Rich Andres, Information Technology Staff

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)  
 Jeannie Tindel, CalCPA  
 Janice Gray, National Association of State Boards of Accountancy (NASBA), Compliance Assurance Committee (CAC)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:35 a.m.

II. Report of the Committee Chair.

A. Approval of April 20, 2012 Minutes.

Nancy Corrigan asked if members had any changes or corrections to the minutes of the April 20, 2012 PROC meeting. No changes were made.

**It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the minutes of the April 20, 2012 PROC meeting.**

B. Report on the May 24-25, 2012 CBA Meeting.

Ms. Corrigan stated that her report to the CBA included highlights from Jim Brackens' presentation at the April 20, 2012 PROC meeting. She reported to the CBA that approximately 90% of peer reviews in California are administered by CalCPA and approximately 10% are administered by the National Peer Review Committee (NPRC). She further explained to the CBA that the PROC will be determining the level of oversight needed for California-licensed firms that have their peer reviews administered by other state societies or by a state using their own peer review program. Ms. Corrigan made the CBA aware that other states have inconsistent peer review oversight, and that NASBA and the CAC are working towards nationwide consistency.

Ms. Corrigan reported that the PROC continues to work on revisions to their roles and responsibilities which will go back to the CBA in July 2012. She also invited CBA members to attend PROC meetings when available.

C. Discussion and Possible Action to Recommend to CBA the Appointment of a Committee Person as Vice Chair for PROC.

Ms. Corrigan explained that the CBA decided that the PROC should have a Vice Chair. It is important for the PROC to have a succession plan and also to have a back-up in the event the Chair is unavailable. She also explained that PROC members have been reappointed for one-year terms in order to bring future PROC reappointments in line with other CBA committee reappointments.

Ms. Corrigan requested that members who are interested in the Vice Chair position or wish to nominate another PROC member as the Vice Chair should notify her no later than Friday, June 29, 2012. She will then make a recommendation to the CBA Vice President for appointment at the July 26, 2012 CBA meeting.

Ms. Corrigan suggested that she may select 2-3 Vice Chairs, serving consecutive one year terms, then she will make a recommendation to appoint one of the Vice Chairs to assume the Chair position.

III. Report on PROC Activities.

A. Report on the February 16, 2012 Administrative Site Visit at the CalCPA.

Sherry McCoy stated that the written report of the February 16, 2012 Administrative Site Visit to CalCPA has been completed. She expressed appreciation for CalCPA's openness during the visit and encouraged PROC members to think about ideas for rotating the focus of future administrative site visits.

B. Report on the April 26, 2012 CalCPA Peer Review Committee Meeting.

Ms. McCoy reported on her attendance at a CalCPA Peer Review Committee (PRC) meeting. She relayed a sense of camaraderie and getting everyone on the same page, especially with recurring issues.

Ms. Corrigan wants to make sure all PROC members are exposed to a PRC meeting in the future.

C. Report on the May 8, 2012 American Institute of Certified Public Accountants' (AICPA) Peer Review Board Meeting.

Ki Lam stated the members were very active and had a good discussion. Seid Sadat added that the discussion was highly technical and members are on top of the issues.

D. Report on the May 17, 2012 CalCPA Report Acceptance Body (RAB) Meeting.

Mr. Sadat stated he went to the CalCPA Glendale office to review the RAB materials prior to the meeting. The meeting was more insightful with the documents. He raised the issue of a 6-7 person firm that performed 120 compilations and 18 reviews in a specialized industry, and only two engagements were selected for review.

PROC members questioned their role when they observe these types of situations. They asked if they should ask questions as long as it doesn't interfere with the meeting.

Linda McCrone stated they are allowed to ask questions. Janice Gray added that they are encouraged to ask questions because the questions may have validity. She further recommended that they accept the answer given during the meeting and deal with any larger issues later with either the program director or the committee chair.

Rafael Ixta reminded members that while observing RAB meetings they should keep in mind that the minimum standards, as outlined in Title 16, California Code of Regulations Section 48, should always be their guide in determining if the program is in compliance with CBA peer review requirements.

E. Report on the May 23, 2012 CalCPA Peer Reviewer Training.

Ms. Lam stated that the peer reviewer training course provided a lot of information and the trainer was very knowledgeable and willing to answer follow-up questions after class.

Katherine Allanson stated it was an excellent class. She stated half the class time was dedicated to case studies and practical samples which she enjoyed. She added that there was a lot of interaction.

F. Assignment of Future PROC Activities.

Ms. Corrigan made/confirmed the following assignments:

- July 24, 2012 2 p.m. CalCPA RAB Meeting – Reassigned from Katherine Allanson to Sherry McCoy.
- August 8, 2012 AICPA Peer Review Board (PRB) Meeting – Seid Sadat
- October 11, 2012 AICPA PRB Meeting – Gary Bong & Ki Lam
- November 15-16, 2012 CalCPA PRC Meeting – Katherine Allanson & Robert Lee

Mr. Ixta stated that the August PROC meeting will be held in Sacramento, the October meeting in Burbank, and the December meeting might be changed to Sacramento. He added that any meetings currently scheduled on Fridays might need to be rescheduled if a 4-day work week is implemented in July due to budget cuts.

#### IV. Discussion Regarding the National Peer Review Committee (NPRC).

##### A. Presentation by the NASBA CAC Regarding Oversight of the NPRC.

Ms. Corrigan introduced Janice Gray, the Chair of NASBA's CAC. Ms. Gray began by stating that her presentation is made on behalf of NASBA, not the AICPA or her position as a member of the Oklahoma Board of Accountancy. She began with a history of the CAC including the fact that it includes one regulatory seat which is typically filled by a state board member.

Ms. Gray also gave a history of the NPRC which includes two seats filled by NASBA representatives that report back to NASBA and the CAC. She explained how the NPRC's technical review and report acceptance processes include the NASBA representatives, as well as gave statistics on how many reports were accepted by a team including one of the NASBA representatives. One of the NASBA representatives has expressed confidence that States can rely on NASBA's oversight of the NPRC.

Ms. Gray stated that the next third-party review of the NPRC will be completed in the next few months. The review will be conducted by a different reviewer and the report will be made public.

The CAC will continue to encourage every State to have an active PROC. This will provide assurance to all States that the peer review program is working effectively. She reiterated that States without a PROC have oversight of their peer review program by the AICPA and the state society.

Ms. Gray stated that the CAC will always consider suggestions from State PROCs and that the purpose of the CAC is to assist State PROCs. She mentioned that California could have representation on the CAC. She requested that CBA staff provide NASBA with names of former CBA members for consideration of appointment to the CAC. She also clarified that their appointment and role on the CAC would be to represent NASBA and not the CBA.

Ms. Allanson questioned how a PROC should balance the educational and consumer protection elements of peer review. Ms. Gray explained that the Oklahoma Board looks closely at all peer reviews with a fail and pass with deficiencies rating. Their board has the ability to take action above and beyond any corrective action order by the state society.

She added that the Oklahoma PROC reviews corrective actions ordered by the state society to determine if they are appropriate and if the actions will help to correct the problems outlined in the peer review report. The Oklahoma PROC can also refer cases to their enforcement program. At that point, they send out an investigator to review the firm independently without relying on the peer review.

Ms. Gray stated that the CAC would like every State PROC to follow up on corrective actions.

Mr. Sadat questioned how many State PROCs provide direct oversight of the NPRC. Ms. Gray responded that no State PROC oversees NPRC directly. Ms. Gray further stated that the NPRC in its current form is relatively new and State PROCs are still getting familiar with the role of the NPRC. Also, the CAC is requesting States to allow

sufficient time for the CAC to provide its oversight activities of the NPRC and report back to the State PROCs.

Ms. Gray explained that Oklahoma requires peer review for reviews and audits only. Licensees who perform compilations are required to complete four hours of continuing education annually in lieu of a peer review.

Staff will request NASBA to conduct a Quick Poll to determine if other states require a peer review for firms that perform compilations as their highest level of work.

B. Discussion and Possible Action Regarding Oversight of the NPRC Administration of the AICPA Peer Review Program.

Ms. Corrigan requested feedback from PROC members on how to proceed with oversight of the NPRC. Mr. Ixta suggested they consider the following options:

- Provide direct oversight to the NPRC.
- Delegate oversight of the NPRC to NASBA's CAC by monitoring the CAC's oversight activities and actively participating in the CAC's oversight process.

Ms. McCoy requested that they investigate the feasibility of attending the CAC's meetings via teleconference. Mr. Lee suggested ensuring that the PROC obtain copies of the CAC's oversight reports. Ms. Corrigan agreed and added that the PROC should also obtain CAC's oversight statistics on a regular basis.

Mr. Ixta suggested preparing a letter to the CAC outlining how the PROC would like to proceed in monitoring the CAC's oversight of the NPRC.

She stated the CAC has 3-4 teleconference meetings per year and one face-to-face meeting.

**It was motioned by Seid Sadat, seconded by Katherine Allanson, and unanimously carried by those present to direct staff to prepare a letter to the CAC requesting transparency in their oversight of the NPRC, including but not limited to, providing the PROC with copies of all oversight reports and statistics, and being permitted to participate in all teleconference meetings of the CAC.**

V. Reports and Status of Peer Review Program.

A. Statistics of Licensees Who Have Reported Their Peer Review Information to the CBA.

April Freeman reported that as of May 16, 2012, over 35,000 peer review reporting forms have been submitted to the CBA. The reporting forms are categorized as follows:

Licenses Ending in 01-33

Peer Review Required	2,231
Peer Review Not Required (firms)	4,216
Peer Review Not Applicable (non-firms)	15,429

Licenses Ending in 34-66

Peer Review Required	986
Peer Review Not Required (firms)	2,698
Peer Review Not Applicable (non-firms)	9,927

PROC members requested that each group of licensees be totaled and corresponding reporting due dates be added. Members also requested updates on the peer review citations and the reporting form verifications.

B. Status of Correspondence to Licensees Regarding Peer Review Reporting and Updates to License Renewal Application.

Ms. Freeman advised members that approximately 21,000 peer review notification letters will be mailed to the third group of licensees in July 2012.

C. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman stated that the chart has been updated to capture recently attended activities and upcoming events.

D. Draft Table of Contents for 2012 PROC Annual Report.

Ms. Freeman stated that the draft table of contents is exactly as it was in the PROC's 2011 Annual Report. Unless members have changes to the table of contents, it will be used to begin developing the PROC's 2012 Annual Report.

Members requested that the 2011 Annual Report be made available to them at the next meeting so that they may begin making updates.

VI. Discussion and Possible Action On Making Recommendations for Displaying Peer Review Information on the CBA's Website.

Mr. Ixta stated that at the last meeting, the PROC discussed posting peer review information on the CBA website. He gave an overview of what information the CBA's license look-up feature currently includes. The website also advises consumers to ask for a copy of their firm's most recent peer review.

Mr. Ixta stated that reading the minutes of the CBA meetings, the CBA never intended for peer review information to be made public. He further stated that there would be several policy issues to overcome, including legal issues and the current moratorium on database changes to the Consumer Affairs System (CAS) pending implementation of the BreZE System.

Staff researched ten other states and found that only Nevada posts peer review information on its website. Nevada only posts the year that peer review compliance is required.

Mr. Ixta asked if the PROC wanted to make a recommendation to the CBA on whether or not to display peer review information on the website. PROC members questioned whether the CBA would be amenable to posting any information.

Jeannie Tindel encouraged the PROC to go back to the CBA for a policy discussion. She stated that publishing peer review information will have a negative effect on the program. She added that peer review is not an indicator of future performance and agreed that the public should be advised to ask for a firm's peer review.

Mr. Ixta stated that the PROC should take the issue to the CBA for policy discussion, but it needs to be able to articulate exactly what information should be posted and why.

Ms. Allanson believes the PROC should get guidance from CBA before further developing the issue to post peer review information on the CBA website. She does not want to devote additional time if the CBA will not change its policy.

Mr. Ixta suggested the following options:

1. Present the information to the CBA during the PROC report at the next CBA meeting; or,
2. Prepare an issue paper for the next PROC meeting to articulate the PROC's recommendation to the CBA.

Staff will also request NASBA to conduct a Quick Poll to determine what, if any, information is posted by other states.

PROC members agreed to move forward with option two and have staff prepare an issue paper for discussion at the August PROC meeting.

VII. Discussion and Possible Action Regarding Recommendations for Change to the PROC's Roles and Responsibilities.

Ms. Corrigan reminded members that the PROC roles and responsibilities are being revised at the request of the CBA. She explained that the revised roles and responsibilities were created using the statutes and regulations, whereas the original roles and responsibilities were taken from a document adopted by the CBA in 2008.

She stated that the revised roles and responsibilities more accurately reflect the oversight activities currently being performed by the PROC.

**It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the revised PROC roles and responsibilities.**

VIII. Educational Presentation on California Practice Privilege Requirements.

Mr. Ixta presented information to the PROC regarding the requirements of the California Practice Privilege Program. He stated there is no requirement that individuals provide peer review information prior to receiving a practice privilege permit. The program began in 2006, before peer review was mandatory in California. He added that legislation would be necessary to change the practice privilege requirements to require that individuals provide peer review results prior to practicing in California.

According to Ms. Tindel, in early 2012, CalCPA performed a survey of 2,500 active practice privilege holders in California. Of the 718 responses received, 39% performed audits or reviews and virtually all were licensed in states that require peer review.

Mr. Ixta added that to be eligible for practice privilege, the individual must be licensed in a state that is considered to have education and experience requirements equivalent to that of California.

Mr. Lee believes that individuals should have to show proof of peer review to receive a practice privilege permit.

Ms. Gray added that in Texas and Oklahoma, you must show proof of a peer review in order to provide services to companies owned in those states.

Staff will request a NASBA Quick Poll to determine if other states require a peer review for out-of-state licensees.

IX. Discussion of Title 16 California Code of Regulations Section 40(b) Regarding Peer Review Due Dates.

Ms. Corrigan requested that this item be tabled to the August 24, 2012 meeting and that PROC members be provided with Linda McCrone's paper concerning issues with changes in entity.

X. Discussion and Possible Action Regarding Suggestions for Addressing the Length of Time it Takes to Complete the Peer Review Process (2011 PROC Annual Report Item).

Ms. Corrigan reminded members that the PROC 2011 Annual Report included an item for future consideration to determine if there is a way to shorten the length of the peer review process.

Mr. Ixta stated that the PROC has learned a lot about the peer review process in the past year. He asked if the PROC still wanted to look into this issue.

Ms. Allanson believes the length of time it takes to get a peer review is okay. The peer reviewers are working as hard as they can, and most of the time the delay is due to the firm being peer reviewed. She suggested we track the length of time it takes to complete a peer review. Mr. Ixta requested that CalCPA report back to the PROC with timeframes for peer review completion. Ms. McCrone stated she would check to see what statistics they have available.

XI. Future Agenda Items.

Agenda items for future meetings:

- Publicizing peer review Information
- Discussion of 18-month rule, mergers and dissolutions (CCR Section 40)
- Development of the 2012 PROC Annual Report
- Letter to NASBA CAC regarding NPRC oversight
- Follow-up on peer review citations and reporting form verifications
- Status of failed peer review trends
- Quick Poll results
- 2013 meeting calendar
- Peer review record retention

XII. Public Comment for Items Not on the Agenda.

None

XIII. Adjournment.

There being no further business, the meeting was adjourned at 3:00 p.m.

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Nancy J. Corrigan, Chair

April Freeman, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1720.



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**PROC Item III.C.**  
August 24, 2012

### **Assignment of Future PROC Activities**

**Presented by:** Nancy J. Corrigan, PROC Chair

**Date:** July 26, 2012

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#### **Purpose of the Item**

The purpose of this agenda item is to assign members to specific oversight activities.

#### **Action(s) Needed**

It is requested that all members bring their calendars to the meeting and be prepared to accept assignments.

#### **Background**

None

#### **Comments**

The PROC's 2012 Year-at-a-Glance calendar (**Attached**) includes meetings and activities that are currently scheduled for the following:

- CBA
- PROC
- American Institute of Certified Public Accountants' (AICPA) Peer Review Board
- California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body
- CalCPA Administrative Site Visit
- CalCPA Peer Review Committee
- CalCPA Peer Reviewer Training

#### **Fiscal/Economic Impact Considerations**

None

#### **Recommendation**

It is recommended that members continue to use the calendar as a resource when being assigned to participate in meetings and activities held by the AICPA and CalCPA.

#### **Attachment**

2012 Year-at-a-Glance CBA PROC Calendar, updated July 11, 2012.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PEER REVIEW OVERSIGHT COMMITTEE (PROC)  
2012 Year-at-a-Glance Calendar**  
(as of July 11, 2012)

**JANUARY 2012**

S	M	T	W	Th	F	S
1	2	3	4	5 T-2pm	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20 T	21
22	23	24 T-9am	25	26 SC	27 SC	28
29	30	31				

**FEBRUARY 2012**

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10 NC	11
12	13	14	15 T-2pm	16 SM	17	18
19	20	21	22	23	24	25
26	27	28	29			

**MARCH 2012**

S	M	T	W	Th	F	S
				1	2	3
4	5	6 T-9am	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22 NC	23 NC	24
25	26	27	28	29	30	31

**APRIL 2012**

S	M	T	W	Th	F	S
1	2	3	4 T-9am	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20 SC	21
22	23	24 T-9/2	25	26 SM	27	28
29	30					

**MAY 2012**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8 T	9	10	11	12
13	14	15	16	17 T-9/2	18	19
20	21	22	23 LA	24 SC	25 SC	26
27	28	29	30	31		

**JUNE 2012**

S	M	T	W	Th	F	S
					1	2
3	4	5	6 T-9/2	7	8	9
10	11	12	13	14	15 SJ	16
17	18	19	20	21	22	23
24	25 T-9/2	26	27 SM	28 SM	29	30

**JULY 2012**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24 T-9/2	25	26 NC	27	28
29	30	31				

**AUGUST 2012**

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8 T	9	10	11
12	13	14	15	16	17	18
19	20	21	22 T-9/2	23	24 SAC	25
26	27	28	29	30	31	

**SEPTEMBER 2012**

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18 T-9/2	19	20 SC	21 SC	22
23	24	25	26	27	28	29
30						

**OCTOBER 2012**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8 T-9/2	9	10	11 T	12	13
14	15	16	17	18	19 LA	20
21	22	23	24	25	26	27
28	29	30	31			

**NOVEMBER 2012**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15 NC	16 NC	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**DECEMBER 2012**

S	M	T	W	Th	F	S
						1
2	3	4 NC	5	6	7	8
9	10	11 T-9/2	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

- COMMITTEE/TASK FORCE**
- CBA** - California Board of Accountancy
  - PROC** - Peer Review Oversight Committee
  - AICPA** - American Institute of Certified Public Accountants
  - PRB** - Peer Review Board
  - CalCPA** - California Society of Certified Public Accountants
  - RAB** - Report Acceptance Body
  - PRC** - Peer Review Committee
  - NASBA** - National Assoc. of State Boards of Accountancy

- GENERAL LOCATION**
- NC**-NORTHERN CALIFORNIA
  - SC**-SOUTHERN CALIFORNIA
  - SJ**-SAN JOSE
  - SM** - SAN MATEO
  - OC** - ORANGE COUNTY
  - SAC** - SACRAMENTO
  - LA** - LOS ANGELES
  - T**-TELECONFERENCE

-  ON SHADED DATES CBA OFFICE IS CLOSED
-  CBA MEETING
-  PROC MEETING
-  AICPA PRB MEETING
-  CalCPA RAB MEETING
-  CalCPA PRC MEETING
-  PEER REVIEWER TRAINING
-  ADMINISTRATIVE SITE VISIT



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**PROC Item IV.**  
 August 24, 2012

### Reports and Status of Peer Review Program

**Presented by:** April Freeman, CBA Staff

**Date:** August 6, 2012

#### Purpose of the Item

The purpose of this agenda item is to provide a status of the peer review program and an overview of peer review statistics.

#### Action(s) Needed

No specific action is needed.

#### Background

None

#### Comments

##### A. Statistics of Licensees Who Have Reported Their Peer Review Information to the CBA

As of July 12, 2012, 43,507 peer review reporting forms have been submitted to the California Board of Accountancy (CBA). The reporting forms are categorized as follows:

License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total
01-33	7/1/11	2,366	4,236	15,522	22,124
34-66	7/1/12	1,277	3,280	11,015	15,572
67-00	7/1/13	485	1,608	6,140	8,233
		4,128	9,124	32,677	45,929

#### Correspondence to Licensees

On June 27, 2012, 20,954 notification letters were sent to the third group of licensees that are due to submit a Peer Review Reporting Form by July 1, 2013.

#### Verification of Peer Review Reporting Forms

Enforcement staff began reviewing the Peer Review Reporting Forms of licensees that reported they are operating as a firm but not subject to peer review. To date, staff has reviewed 359 reporting forms, with 94 needing additional research.

Verifications will be performed on 100% of the reporting forms submitted by licensees that received a citation for failing to respond to peer review correspondence. Additionally, verifications will be performed on 5% of corporations and partnerships, and 2% of Certified Public Accountants that reported prior to July 1, 2011.

Citations Issued to Licensees that Failed to Respond to CBA

In February 2012, Enforcement staff issued 872 citations to licensees who failed to respond to the CBA's requests for peer review information. Each citation included a \$250 administrative fine and an order of correction requiring the license submit the Peer Review Reporting Form within thirty days.

As of July 24, 2012, the status of the citations is as follows:

Closed – Compliance Obtained	438
Appeal Affirmed – Waiting for Payment	81
Appeal Affirmed – Waiting for PR-1	31
Appealed – Pending Decision	180
No Response to Citation	142

B. Status of PROC Roles and Responsibilities Activity Tracking

The Roles and Responsibilities Activity Tracking chart has been updated to reflect 2012 activities (**Attachment 1**).

C. Status and Summary of Failed Peer Reviews

Enforcement staff has prepared a Summary of Deficiencies in 106 Failed Peer Reviews (**Attachment 2**). The summary lists each failed peer review, the code(s) for the deficiencies cited in the peer review report, and the corrective action assigned by the Board-recognized peer review program provider. Also provided are the codes assigned to each deficiency and the number of times each deficiency is found in the 106 failed reports (**Attachment 3**).

**Fiscal/Economic Impact Considerations**

None

**Recommendation**

None

**Attachments**

1. PROC Roles and Responsibilities Activity Tracking 2012, as of July 11, 2012
2. Summary of Deficiencies in 106 Failed Peer Reviews, as of July 1, 2012
3. Summary of Peer Review Deficiencies, as of July 1, 2012

**Peer Review Oversight Committee (PROC) Roles and Responsibilities**  
**Activity Tracking – 2012**  
As of July 11, 2012

Activity	Notes
<b>PROC MEETINGS</b> <ul style="list-style-type: none"> <li>Conduct four one-day meetings.</li> </ul>	<ul style="list-style-type: none"> <li>PROC Meetings Held: 2/10, 4/20, 6/15</li> <li>PROC Meetings Scheduled: 8/24, 10/19, 12/4</li> </ul>
<b>ADMINISTRATIVE SITE VISIT</b> <ul style="list-style-type: none"> <li>Conduct, at a minimum, an annual administrative site visit of the peer review program provider.</li> </ul>	<ul style="list-style-type: none"> <li>California Society of Certified Public Accountants (CalCPA) Administrative Site Visit: 2/16</li> </ul>
<b>PEER REVIEW COMMITTEE MEETING</b> <ul style="list-style-type: none"> <li>Attend all peer review program providers' Peer Review Committee (PRC) meetings.</li> <li>Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees.</li> <li>Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards.</li> </ul>	<ul style="list-style-type: none"> <li>Attended: American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meetings 1/20, 5/8</li> <li>Attended: CalCPA PRC Meeting 4/26</li> <li>Scheduled: AICPA PRB 8/8; CalCPA PRC 11/15-16</li> </ul>
<b>PEER REVIEW SUBCOMMITTEE MEETING</b> <ul style="list-style-type: none"> <li>Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports.</li> <li>Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings.</li> <li>Ensure that peer reviews are being accepted in a consistent manner.</li> </ul>	<ul style="list-style-type: none"> <li>Attended: CalCPA Report Acceptance Body (RAB) Meetings 1/5, 1/24, 3/6, 5/17</li> <li>Scheduled: CalCPA RAB 7/24</li> </ul>
<b>REVIEW SAMPLING OF PEER REVIEWS</b> <ul style="list-style-type: none"> <li>Perform sampling of peer review reports.</li> </ul>	<ul style="list-style-type: none"> <li>CalCPA Administrative Site Visit: 2/16</li> </ul>
<b>PEER REVIEWER TRAINING</b> <ul style="list-style-type: none"> <li>Ensure that peer reviewers are properly qualified.</li> </ul>	<ul style="list-style-type: none"> <li>Attended: CalCPA Peer Reviewer Trainings 5/23, 6/27-28</li> </ul>
<b>EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS</b> <ul style="list-style-type: none"> <li>Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers.</li> </ul>	TBD
<b>ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY</b> <ul style="list-style-type: none"> <li>Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program.</li> </ul>	

\*Activities based on the November 9, 2010 PROC Agenda Item IV – Role of the PROC.

## Summary of Deficiencies in 106 Failed Peer Reviews\*

As of July 1, 2012

No.	Firm Policies	Audits	Reviews	Compilations	Government Auditing Standards	CalCPA Corrective Action
1		2, 3, 4, 5, 6		3		Team captain review of next ERISA audit
2		1, 2			2, 3, 5	Team captain revisit
3	1, 4, 5	1, 2			2, 6	Team captain revisit
4	3, 4, 5	1, 2				Submit audit engagement to Team captain
5	3, 6	1, 6			5	Team captain revisit
6			1			Team captain post issuance review
7	2, 3	4			1	Team captain revisit
8		1, 2			2	Team captain revisit
9	4, 5	1				8 hrs CPE Audit, Submit audit engagement to Team captain
10	3, 4, 5	2, 4				Will no longer perform audits
11	3, 4, 5	2	1			Team captain revisit, 8 hrs CPE in Audit
12		1, 2				Team captain review of audit engagement and work papers, 8 hrs CPE Audit
13			1	3		Team captain preissuance review
14	3	1, 2			2, 5, 7	CPE in Gov, Team captain review (Nevada)
15	1, 3	1, 2, 6			2, 6	Accelerated review by 12/31/2010, not yet completed
16				2		8 hrs CPE Compilation & Reviews
17		1, 6		3, 7		Submit copy of monitoring report
18			1, 2, 4			8 hrs CPE Comp & Reviews, Team captain post issuance review
19				2,7		8 hrs CPE Compilation & Reviews
20				9		8 hrs CPE Compilation & Reviews
21	3		1		1, 2, 4, 5	Team captain revisit (all Gov audits, no prior peer review)
22				1, 2		8 hrs CPE Compilation & Reviews
23		2, 6		2	1, 2, 6	80 hrs Gov CPE, Team captain revisit
24	1, 3	2, 3			2	Accelerated review by 6/30/2011
25	1				1, 2, 5	80 hrs Gov CPE, Team captain revisit

Attachment 2

\* See Attachment 3 for code references.

## Summary of Deficiencies in 106 Failed Peer Reviews\*

As of July 1, 2012

No.	Firm Policies	Audits	Reviews	Compilations	Government Auditing Standards	CalCPA Corrective Action
26				7		8 hrs CPE Financial Statements
27			3			8 hrs CPE Compilation & Reviews
28				2, 7		8 hrs CPE Compilation & Reviews
29				5		8 hrs CPE Non Profit Financials
30				1, 2		8 hrs CPE Compilation & Reviews
31			1	4, 7		8 hrs CPE Compilation & Reviews
32				5, 6, 8		8 hrs CPE Compilation & Reviews
33				1, 7		8 hrs CPE Compilation & Reviews
34				2		8 hrs CPE Compilation & Reviews
35				3		8 hrs CPE Compilation & Reviews
36				1, 2, 4		8 hrs CPE Compilation & Reviews
37				2		8 hrs CPE Compilation & Reviews
38	1, 4	1, 2, 7, 8, 9				Submit monitoring report to Committee, audit workpapers to the team captain
39				3, 7		8 hrs CPE Compilation & Reviews
40				1, 2, 7		8 hrs CPE Compilation & Reviews
41	4, 5	6, 7				Team captain review of audit engagement and work papers
42	4, 5	6, 7				Team captain review of audit engagement and work papers
43	3, 5	1, 6				8 hrs CPE Compilation & Reviews, Submit audit engagement and workpapers to team captain
44	2, 4, 5	1				Team captain revisit, report due to Committee
45				1, 2		8 hrs CPE Compilation & Reviews
46				1, 2		8 hrs CPE Compilation & Reviews
47				1, 2		8 hrs CPE Compilation & Reviews
48				3, 7		8 hrs CPE Compilation & Reviews
49	1, 4	4, 7		1	5	Team captain revisit, report due to Committee
50			5	2, 5		8 hrs CPE Compilation & Reviews
51			2			8 hrs CPE Compilation & Reviews
52				7		8 hrs CPE Compilation & Reviews

\* See Attachment 3 for code references.

## Summary of Deficiencies in 106 Failed Peer Reviews\*

As of July 1, 2012

No.	Firm Policies	Audits	Reviews	Compilations	Government Auditing Standards	CalCPA Corrective Action
53			2	2		8 hrs CPE Compilation & Reviews
54			1	2		8 hrs CPE Compilation & Reviews
55				2, 3, 7		8 hrs CPE Compilation & Reviews
56				2, 8		8 hrs CPE Compilation & Reviews
57				1, 2		8 hrs CPE Compilation & Reviews
58				2,3,7		8 hrs CPE Compilation & Reveiws
59				3		8 hrs CPE Compilation & Reveiws
60				2		8 hrs CPE Compilation & Reveiws
61	1	3,7				Submit monitoring report to Committee, audit workpapers to the team captain
62				2, 7		8 hrs CPE Compilation & Reveiws
63			1	2		8 hrs CPE Compilation & Reveiws
64				3		8 hrs CPE Compilation & Reveiws
65				2,3		8 hrs CPE Compilation & Reveiws
66				1,2		8 hrs CPE Compilation & Reveiws
67				2		8 hrs CPE Compilation & Reveiws
68				2,7		8 hrs CPE Compilation & Reveiws
69				1,2		8 hrs CPE Compilation & Reveiws
70				1,2,6,7		8 hrs CPE Compilation & Reveiws
71				1,7,8		8 hrs CPE Compilation & Reveiws; 8 hrs CPE in GAAP
72				1,2,3,7		8 hrs CPE Compilation & Reveiws
73				1,2		8 hrs CPE Compilation & Reveiws
74				1,2,7		8 hrs CPE Compilation & Reveiws
75	1, 4	1, 2			5	The firm will complete the actions in their report. Compliance will be monitored during the next review Dec. 31, 2013.
76			1	3,7		8 hrs CPE Compilation & Reveiws
77	1,3,4	1,2,7				Submit monitoring report to Committee
78				1		8 hrs CPE Compilation & Reviews

\* See Attachment 3 for code references.

## Summary of Deficiencies in 106 Failed Peer Reviews\*

As of July 1, 2012

No.	Firm Policies	Audits	Reviews	Compilations	Government Auditing Standards	CalCPA Corrective Action
79				2,5		8 hrs CPE Compilation & Reviews
80				1,2		8 hrs CPE Compilation & Reviews
81	2,3,4			2		Submit a copy of the monitoring report
82	2,3,4,6	2			1,2	Permit outside party to perform a preissuance review and submit report. NPRC - National Peer Review Committee
83				1,2		8 hrs CPE Compilation & Reviews
84	4,5	1,5		2		Team captain revisit, report due to Committee
85	3,4,5	1				Team captain revisit, report due to Committee
86	1,5	1,6				Submit audit engagement to peer reviewer
87			2,6			8 hrs CPE Compilation & Reviews
88				2,5		8 hrs CPE Compilation & Reviews
89				2		8 hrs CPE Compilation & Reviews
90				1,2		8 hrs CPE Compilation & Reviews
91				1,2,7		8 hrs CPE Compilation & Reviews
92				1,2		8 hrs CPE Compilation & Reviews
93				1		8 hrs CPE Compilation & Reviews
94				1,2		8 hrs CPE Compilation & Reviews
95	4	1,3,7		1,2		Submit audit engagement to peer reviewer
96	4	3,8		1,2	4,5,6	Submit CE records, copy of next monitoring report
97				2		8 hrs CPE Compilation & Reviews
98		1,7				Team captain revisit, report due to Committee
99				7		8 hrs CPE Compilation & Reviews
100				1,2		8 hrs CPE Compilation & Reviews
101	1,3	1				No longer going to do audits
102	2,4	2,4,7			1,2,3,5,7	Team captain revisit, report due to Committee
103			2			8 hrs CPE Compilation & Reviews
104				2		8 hrs CPE Compilation & Reviews
105	1,2,3,4	1,2,8,9				No longer going to do audits
106			1	2		8 hrs CPE Compilation & Reviews

\* See Attachment 3 for code references.

## SUMMARY OF PEER REVIEW DEFICIENCIES

As of July 1, 2012

Code		Quantity
<b><u>Firm Policies:</u></b>		
1	Lack of a quality control system.	12
2	Quality control procedures not followed.	6
3	Quality control policies and procedures not in compliance with professional standards.	16
4	No monitoring procedure/not properly performed.	20
5	No Statement on Quality Control Standards (SQS 7).	12
6	Lack of proper continuing professional education (CPE).	2
<b><u>Reviews:</u></b>		
1	Lack of inquiry and analytical review procedure/documentation.	10
2	Lack of adherence to professional standards in departures from GAAP and Financial Statement presentation.	5
3	Improper Financial Statement presentation (current and long term liabilities).	1
4	Repeat deficiencies from prior peer reviews.	1
5	Failed to obtain management rep letter.	1
6	Lack of engagement letter.	1
<b><u>Audits:</u></b>		
1	Lack of planning documentation and the steps completed.	22
2	Procedures not adequately performed.	18
3	Lack of engagement/communication documentation.	5
4	Financial statements missing disclosures/necessary supplemental schedules.	5
5	Repeat deficiencies from prior peer reviews.	2
6	Lack of/ineffective monitoring.	9
7	Lack of audit procedure documentation.	9
8	Lack of management/legal rep letters.	3
9	Accountant's report not updated to current standards/or lacked necessary disclosures or modification.	2

Code		Quantity
<b><u>Compilations:</u></b>		
1	Lack of/not current to professional standards engagement letter.	28
2	Accountant's report not updated to current standards.	49
3	Accountant's report lacked necessary disclosure/modification.	13
4	Repeat deficiencies from prior peer reviews.	2
5	Non-disclosure financial Statement - improper financial statement presentation.	6
6	Full disclosure financial statement - misclassifications.	2
7	Financial statements did not conform to standards.	21
8	Additional note disclosures required.	3
9	Lack of accountant's report with trust financials.	1
<b><u>Government Auditing Standards:</u></b>		
1	Lack of audit planning and documentation.	6
2	Procedures not adequately performed as required by professional standards.	11
3	Lack of annual monitoring.	2
4	Ineffective monitoring procedures.	2
5	Lack of required prior 3 year peer review.	9
6	Lack of proper CPE.	4
7	Financial statements not conforming to standards.	2



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**PROC Item V.A.**  
August 24, 2012

## **Discussion Regarding Transportation Options for Traveling to PROC Meetings**

**Presented by:** Rafael Ixta, Enforcement Chief

**Date:** July 12, 2012

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### **Purpose of the Item**

The purpose of this agenda item is to provide Peer Review Oversight Committee (PROC) members with information regarding economical modes of ground transportation.

### **Action Needed**

No specific action is required on this agenda item.

### **Background**

Travel while on official State of California business should be accomplished by using the most economical mode of transportation for the State. If a more expensive mode of transportation is chosen, reimbursement will be limited to the least expensive mode of travel.

### **Comments**

Attached is a memorandum dated June 20, 2012 from Deanne Pearce, Assistant Executive Officer, to assist you in selecting the most economical mode of transportation (**Attachment 1**). Adherence to the memorandum will ensure that travel expense claims are not subject to adjustment. The memorandum may not cover all situations; therefore, California Board of Accountancy (CBA) staff are compiling a list of questions to submit to the Department of Consumer Affairs for further direction. If you have questions which are not addressed in the memorandum, please bring them to the attention of CBA staff at the August 24, PROC meeting.

### **Fiscal/Economic Impact Considerations**

None

### **Recommendations**

None.

### **Attachment**

Memorandum dated June 20, 2012 from the Assistant Executive Officer, Deanne Pearce, regarding economical modes of ground transportation.

State of California  
Department of Consumer Affairs

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

## Memorandum

To : CBA Members  
EAC Members  
PROC Members  
QC Members

Date : June 20, 2012

Telephone : 916-561-1740  
Facsimile : 916-263-3678  
E-mail : dpearce@cba.ca.gov

From : Deanne Pearce  
Assistant Executive Officer

Subject: Economical Modes of Ground Transportation

To assist you with selecting the most economical mode of ground transportation and ensure your travel expense claim isn't subject to adjustment, below I have provided information to consider when traveling for State of California (State) business.

### **Rental vs. Private Vehicle Use**

The State contract's with Enterprise Rental Car to provide rental vehicles to employees traveling on State business. Presently, the cost to rent a vehicle is \$30 per day, while mileage for private vehicle use is reimbursed at an amount of 55.5 cents per mile. As a result, it is often less expensive to rent a vehicle than to use your private vehicle.

#### Rental Vehicle

When renting a vehicle, you must do so through Enterprise Rental Car. The cost will be billed directly to the State. Insurance coverage is included in the state-contracted rates, so additional insurance coverage should be declined. Additionally, it is your responsibility to refuel the vehicle prior to returning it to Enterprise – do not use the Fuel Service Option. You will be reimbursed the refueling amount when you submit your receipt with the travel expense claim. You can claim mileage reimbursement for using your private vehicle for travel to and from Enterprise Rental Car at a rate of 55.5 cents per mile.

#### Private Vehicle

When using your private vehicle, the mileage reimbursement rate of 55.5 cents per mile *includes*:

- Gasoline
- The cost of maintenance (oil, lube, routine maintenance)
- Insurance (liability, damage, comprehensive and collision coverage)
- Licensing and registration
- Depreciation and all other costs associated with operation of the vehicle

Generally, the use of a private vehicle while on State travel status for a trip of no more than 60 miles *roundtrip* is the most economical mode of travel and, you will be reimbursed at the rate of 55.5 cents per mile. We have, however, received guidance from the Department of Consumer Affairs indicating that private vehicle use, when traveling no more than 100 miles *roundtrip* can sometimes be reimbursed at the rate of 55.5 cents per mile, provided you supply sufficient justification of why the private vehicle is necessary.

Please keep in mind that use of a rental vehicle cannot be required; however, should you choose to use a private vehicle in lieu of a rental vehicle, only \$30 per day will be reimbursed. There will be no additional reimbursement for fuel.

For all future travel, if you intend to drive, please take into consideration the roundtrip mileage for the destination prior to deciding your mode of travel – Rental vs. Private vehicle.

To assist you with making rental car reservations, we have attached an instruction sheet for you to reference, which includes contact information for Enterprise Rental Car.

#### **Rental vs. Shuttle Van and/or Taxi**

You must also consider the most economical mode of transportation when selecting a mode of travel from an airport to a destination for State business. Please consider the following options:

- If the destination is a hotel, contact the hotel to inquire about a complimentary shuttle.
- If a complimentary shuttle is not available, determine if a private shuttle company would be less expensive than hiring a Taxi. This is usually dependent on the distance from the airport to the destination.
- Rental vehicles should also be considered for short stays, where the destination is over 15 miles (one way) from the airport.

Should you need assistance with determining the most economical mode of travel or assistance with making travel reservations, please contact:

Barbara Coleman  
Assistant Personnel Analyst  
(916) 561-1785

Additionally, CBA Members and Committee Members can contact their respective Staff Liaison, identified below.

CBA Members  
Kari O'Connor  
(916) 561-1716

Enforcement Advisory Committee Members

Allison Nightingale  
(916) 561-1723

Peer Review Oversight Committee Members

April Freeman  
(916) 561-1720

Qualifications Committee Members

Vicky Thornton  
(916) 561-1742

Attachment

## ENTERPRISE RENTAL INSTRUCTIONS FOR CBA

### ONLINE OPTION

Go to the [DCA Enterprise Reservation Link](#)

1. Enter the established headquarters city where the vehicle will be picked up.
2. Enter the Pickup Date and Time and Return Date and Time.
3. Select "Show Me Everything" under Vehicle Class and Click "Search"  
All locations in the city searched will be displayed. Dates and Hours of operation may be viewed by clicking "View Branch Details" under each listing.
4. Select the branch to pick up the vehicle and click "Select".  
A list of all vehicle classes available at the selected location will be displayed. If an alternate pickup location is needed, click "Show nearest locations" in the top right corner of the vehicle classes screen.
5. Choose the preferred vehicle class and click "Select".
  - Only Compact and Intermediate Classes are included in the state contract.
6. If a larger vehicle is selected, a [Justification Form](#) provided on page 2 must be completed and submitted with the Travel Expense Claim. The [Justification Form](#) can also be found on the [DCA Enterprise Reservation Link](#). After selecting the vehicle class, you will be prompted to enter the Renter's Name, Phone Number, and Department Code. From the drop down menu, select the applicable code from the following list based on the type of business to be conducted:

0312-03000-57448	Board Member
0335-03000-57456	Qualifications Committee
0344-03000-57484	Peer Review Oversight Committee
0342-03000-57459	Enforcement Advisory Committee

7. Complete the remaining personal information fields on the screen and click "Continue".
8. A summary of the reservation will display on the screen. If no changes are needed, click "Book Now". Your reservation is complete.

### PHONE OPTION

1. Contact the local Enterprise Branch or call (800) RENT-A-CAR or (800) 736-8227
2. Provide the State of California, Department of Consumer Affairs, Board account # DBCA181.
3. Provide personal information including driver's license number and cost coding listed above.
4. You will need to be in possession of a valid driver's license, Cost Code, and Confirmation # to pick up the vehicle.

### IMPORTANT NOTES

Employees must return the vehicle with a full tank of fuel. If a fuel receipt is not submitted with the Travel Expense Claim, submission of a [Justification Form](#) is necessary. This form has been provided on page 2 and can also be found at the [DCA Enterprise Reservation Link](#) on the right side of the webpage.

Insurance is already included in the State's rate with Enterprise. Employees should not opt for additional Collision Damage Waiver (CDW). Should the employee choose CDW, the additional costs will be charged back to the employee. Other options with excess costs such as GPS and Upgraded Vehicle Classes will be charged back to the employee unless a valid [Justification Form](#) is submitted.

Short-Term Vehicle Justification Form

TO: State Controller's Office
Division of Claim Audits
3301 'C' Street, Suite 700 (B18)
Sacramento, CA 95816

From: Agency Name Division Name

RE: Name of Employee (s)

Subject: Substantiation for renting a larger vehicle rather than the contract vehicle OR for daily rate exceeding contract rate OR refueling charges, OR other request.

1. Employees Traveling Together
Two or more employees traveling together with luggage and other belongings. More economical to rent one larger vehicle.

2. Employee is Large in Stature
Please describe the circumstances and advise the make and model of vehicle rented and the make and model available for contract rate

3. Medical Problem: A statement from a medical doctor is on file with the supervisor.

4. Other:
This will include specialty vehicles (Hybrids, Large Vans, etc.), vehicles utilized over the intermediate contracted rate, rentals with non contracted companies and refueling charges

NOTE: Crescent City, CA Car Rental Exemption.
There are only two rental car vendors in Crescent City, Hertz and Two Guys Express Auto Rental. DGS/OFA approval not needed per SCO & DGS/OFA.

Signature - Employee's SUPERVISOR Date Printed SUPERVISOR Name Title

I hereby certify that the information listed above is true and correct.



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**PROC Item V.B.**  
August 24, 2011

## **Development of the 2012 Annual Report to CBA**

**Presented by:** Rafael Ixta, Chief of Enforcement

**Date:** July 13, 2012

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### **Purpose of the Item**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) a copy of the 2011 Annual Report (Report) to the California Board of Accountancy (CBA) that can be used to begin developing the 2012 Annual Report to the CBA.

### **Action(s) Needed**

PROC members are requested to make revisions to the Report to reflect 2012 PROC oversight activities.

### **Background**

Pursuant to Title 16, California Code of Regulations Section 47(c), the PROC is required to report to the CBA annually regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.

### **Comments**

At the June 15, 2012 PROC meeting, members requested a copy of the 2011 Annual Report (**Attachment 1**) to use as a foundation to begin developing the 2012 Annual Report.

### **Fiscal/Economic Impact Considerations**

None

### **Recommendations**

None

### **Attachment**

PROC 2011 Annual Report to the CBA



CALIFORNIA BOARD OF ACCOUNTANCY  
PEER REVIEW OVERSIGHT COMMITTEE  
2011 Annual Report



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## I. Message from the Committee Chair

I am pleased to present the Peer Review Oversight Committee's (PROC) 2011 Annual Report. We have made significant progress on our assignment to establish a peer review oversight process with the ultimate goal of making recommendations to the California Board of Accountancy (CBA) to ensure the effectiveness of mandatory peer review.

Since my initial planning session with CBA staff in October 2010 and the first committee meeting held in November 2010, I have reported our activities to you at each CBA meeting. Our first few meetings focused on understanding the administration of the peer review process, the various bodies involved in the process, including the program provider and the administering entity, and our roles and responsibilities. This process was necessary in order to gain a foothold and establish ourselves as an operating committee.

In 2011, members provided oversight at sixteen peer review events, including peer review board and committee meetings, report acceptance body meetings, and a peer reviewer training course all directed by the program provider and administering entity. In order to document these activities, the committee developed checklists for event monitoring. The checklists we developed were created using information gathered from states with active oversight committees, which we revised to meet California's unique needs. The checklists we have developed have received praise from the National Association of State Boards of Accountancy and are being used as templates to create and improve oversight materials nation-wide.

The PROC has also provided input to the CBA on three American Institute of Certified Public Accountants' (AICPA) exposure drafts, and developed a PROC Procedures Manual which outlines the roles and responsibilities of the committee and defines how and when oversight activities are to be performed.

While the majority of 2011 was spent acquainting ourselves with the process, we have already faced challenges and identified several potential future issues to address. The matter concerning the conflicts of interest involving committee members has been largely resolved, whereas work is still being done on the oversight of the National Peer Review Committee (NPRC) and the ability to access peer review documents. These issues are discussed in more detail in the report.

Although we still have work ahead of us, we believe we are progressing well to achieve the CBA objectives for our Committee, as you will see presented within this report.

In closing, I want to thank the CBA members for their vision and guidance which enabled the PROC to accomplish so much in its first year. I would also like to thank PROC members for their contributions to our Committee's accomplishments. I also want to add that the PROC has enjoyed an excellent working relationship with the CBA staff, and that they have been a tremendous support to the committee and our goals and objectives.

Nancy J. Corrigan, CPA  
*Committee Chair*

## **II. Background**

In 2009, the CBA sponsored Assembly Bill 138 (AB 138) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and became effective on January 1, 2010, requiring all California licensed firms providing accounting and auditing services, including sole proprietorships, to undergo a peer review once every three years as a condition of license renewal. At the time the legislation passed, 41 other jurisdictions had already implemented a peer review requirement.

On January 1, 2010, emergency regulations became effective to implement, interpret and make specific peer review requirements. On June 30, 2010, Division 1, Title 16, California Code of Regulations (CCR), Article 6, Sections 39 through 48.6, were adopted as permanent peer review regulations.

Peer review is defined as the study of a firm's accounting and auditing practice by an independent Certified Public Accountant (CPA) using professional standards, the purpose of which is to promote quality in the accounting and auditing services provided by CPAs.

## **III. PROC Responsibilities**

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P). The PROC is comprised of seven CPAs of this state who maintain a license in good standing and who are authorized to practice public accountancy. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The CBA, at its January 2008 meeting, adopted the following roles and responsibilities for the PROC:

- Oversee the activities of Board-recognized peer review program providers (Providers) related to how peer reviews are processed and evaluated
- Ensure Providers are administering peer reviews in accordance with the standards adopted by the CBA
- Ensure that peer reviewers are properly qualified
- Ensure that peer reviews are being accepted in a consistent manner by Providers
- Conduct site visits of Providers and their peer review committees
- Review a sample of peer review reports
- Represent the CBA at Providers' peer review meetings
- Evaluate organizations that apply to become Board-recognized Providers

#### IV. Committee Members

The PROC is comprised of seven members, all of whom must possess and maintain a valid and active license to practice public accountancy issued by the CBA. Members are appointed to two-year terms and may serve a maximum of four consecutive terms.

<u>Current members:</u>	<u>Term Expiration Date:</u>
Nancy Corrigan, CPA, Chair	August 13, 2012
Katherine Allanson, CPA	August 31, 2012
Gary Bong, CPA	July 28, 2012
T. Ki Lam, CPA	August 19, 2012
Robert Lee, CPA	July 28, 2012
Sherry McCoy, CPA	August 19, 2012
Seid Sadat, CPA	July 28, 2012

#### V. Legislation and Regulations

On October 3, 2011, Senate Bill (SB) 543 made the following changes to B&P Code Sections 5076 and 5076.1:

- Removed the January 1, 2014 sunset date, making mandatory peer review and the PROC permanent.
- Changed the date of the report that is due to the Governor and Legislature regarding peer review requirements to January 1, 2015.
- Added additional reporting requirements in the report to the Governor and Legislature. A detailed list of the items to be included in the report can be found in Section VII – Peer Review Voluntary Survey.

These changes were operative on January 1, 2012.

On January 20, 2011, the CBA adopted regulations adding Sections 38, 47, and 48.4 to Article 6, Title 16, CCR. These sections address the purpose of the Article, further defined the PROC, and provide an appeal process for peer review program provider applicants who are denied Board recognition.

On May 25, 2011, the CBA adopted regulations modifying Section 48.3 which requires a Board-recognized peer review program provider to provide the CBA with copies of substandard peer review reports issued to California licensed firms within 60 days from the acceptance date.

## **VI. Reporting Requirements**

Pursuant to B&P Code, Section 5076(n)(1), as amended on October 3, 2011 by SB 543, the CBA is required to provide the Legislature and Governor with a report regarding the peer review requirements that include, without limitation:

- The number of peer review reports completed to date and the number of substandard peer review reports which were submitted to the board.
- The number of enforcement actions that were initiated as a result of an investigation of a failed peer review report.
- The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
- The extent to which mandatory peer review of accounting firms enhances consumer protection.
- The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
- A recommendation as to whether the mandatory peer review program should continue.
- The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
- The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
- The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
- A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

## **VII. Statistics**

The following statistics provide perspective on the size of the peer review program in California.

With the implementation of mandatory peer review, all licensees are required to submit a Peer Review Reporting Form (Form PR-1(1/10)) to the CBA. Licensees with a license number ending in 01-33 had a reporting date of July 1, 2011, licensees with a license number ending in 34-66 have a reporting date of July 1, 2012, and licensees with a license number ending in 67-00 have a reporting date of July 1, 2013.

Using information collected on the Peer Review Reporting Form, the following table illustrates the number of firms required to undergo a peer review, firms not required to undergo peer review, and licensees that do not operate as firms.

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011	2,099	4,105	15,014	21,218	1,701
34-66	July 1, 2012	591	1,848	6,846	9,285	10,884
<b>Total</b>		<b>2,690</b>	<b>5,953</b>	<b>21,860</b>	<b>30,503</b>	<b>12,585</b>

\* Data as of January 9, 2012.

The data in the following table reflects the number of peer review reports accepted by the California Society of Certified Public Accountants (CalCPA) in 2010 and 2011.

Peer Review Reports Accepted by the CalCPA*			
Type of Review	2010	2011	Total
System	413	406	819
Engagement	535	870	1,405
<b>Total</b>	<b>948</b>	<b>1,276</b>	<b>2,224</b>

\*Data received from CalCPA as of February 21, 2012.

## VIII. Peer Review Voluntary Survey

In order gather information on the impact of mandatory peer review, the CBA developed a voluntary survey for firms to complete as they submit their Online Peer Review Reporting Form. The survey went live on the CBA website on December 9, 2010. The PROC will continue to use the results of this ongoing survey to ensure the effectiveness of mandatory peer review.

For the purpose of analysis, preliminary survey results (**Appendix A**) were divided into two groups: (1) firms that have not undergone a peer review in the past, and (2) firms that have previously been peer reviewed. Although not all licensees answered all the survey questions, between 1,025 and 1,150 responses were received for each question. In general, the results revealed:

- **CORRECTIVE ACTION ORDERED**  
Less than 25% of the firms were required to take corrective action, with the most common action being continuing professional education.
- **VOLUNTARY ACTION TAKEN**  
Approximately half of the firms responding made voluntary changes to improve their processes.

- **FEES**  
Fewer than 10% of the firms increased fees to offset the cost of undergoing a peer review. The average increase for firms that raised fees was 12%.
- **OCBOA**  
A large majority of the firms have workload consisting of 25% or less OCBOA engagements.
- **IMPROVED SERVICES**  
70% of the firms believe that undergoing a peer review has helped improve service to clients.
- **CLIENT NOTIFICATION**  
50% of the firms intend to notify clients that they have undergone a peer review.
- **MARKETING**  
31% of the firms will use peer review as a marketing tool.
- **CESSATION OF SERVICES:**  
8% of the firms will cease providing accounting and auditing services to eliminate the need for a future peer review.

Of the 174 general comments received as part of the survey, 30% were supportive of mandatory peer review whereas 52% were not supportive.

## **IX. Board-recognized Peer Review Program Providers**

### **a. American Institute of CPAs (AICPA)**

The AICPA is currently the only Board-recognized Peer Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in CCR Section 48. Further, the CBA accepts all AICPA-approved organizations authorized to administer the AICPA Peer Review Program. At present, there are 42 administering entities. The PROC has the authority to request information and materials from all organizations; however, its 2011 oversight responsibilities focused on the CalCPA.

The AICPA's Peer Review Board (PRB) is responsible for maintaining, furthering and governing the activities of the AICPA's Peer Review Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity.

The Peer Review Program provides for a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

**i. California Society of CPAs (CalCPA)**

CalCPA administers the AICPA Peer Review Program in California. As the administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's *Standards*. The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews. The PRC delegates a portion of the report acceptance function to Report Acceptance Bodies (RABs).

**ii. National Peer Review Committee**

The AICPA also administers a peer review program through the National Peer Review Committee for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB.

**X. Activities and Accomplishments**

The PROC held its first meeting in November 2010. This being the inaugural year of operations of the PROC, there were many challenges that the PROC faced. Despite those challenges, the PROC had a very productive year. Following are the salient activities and accomplishments during the inaugural year.

**a. Committee Meetings**

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC held eight meetings as follows:

- November 9, 2010 – Sacramento
- January 20, 2011 – San Jose
- March 4, 2011 – Ontario
- May 6, 2011 – Oakland
- July 8, 2011 – Sacramento
- August 30, 2011 – Los Angeles
- October 27, 2011 – San Jose
- December 9, 2011 – Irvine

The PROC Chair has attended all CBA meetings to report on PROC activities.

## **b. Administrative Functions**

### **i. PROC Procedures Manual**

The PROC developed the PROC Procedures Manual (**Appendix B**) which outlines specific procedures and processes to fulfill its duties.

### **ii. Oversight Checklists**

The PROC developed several oversight checklists which serve to document the members' findings and conclusions after each oversight activity. Members submit the completed checklists to the CBA for future reference.

The following checklists were created to track oversight activities:

- Summary of Peer Review Committee Meeting
- Summary of Peer Review Subcommittee Meeting
- Summary of Administrative Site Visit
- Summary of Peer Reviewer Training

The checklists are part of the PROC Procedures Manual (**Appendix B**).

Additional checklists will be developed if deemed necessary.

### **iii. Exposure Drafts**

The PROC has reviewed and prepared responses on behalf of the CBA for the following AICPA Exposure Drafts:

- Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Education (CPE) Programs, June 1, 2010
- Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Compilations Performed Under SSARS 19, January 31, 2011
- Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Reviews of Quality Control Materials, August 22, 2011

## **c. Program Oversight**

The PROC is charged with providing oversight of all Board-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA.

From November 2010 through December 2011, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and the CalCPA as the administering entity and report acceptance body.

## **i. Meetings**

### **A. AICPA Peer Review Board**

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity. The PRB holds four meetings per year. Two to three PROC members participated in each of the following PRB meetings via teleconference:

- January 21, 2011
- May 3, 2011
- August 10, 2011
- October 6, 2011

### **B. CalCPA Peer Review Committee**

The CalCPA Peer Review Committee is responsible for ensuring that the peer review program is performed in accordance with the standards and guidance issued by the AICPA's PRB. The PRC meets in person twice a year. PROC members observe how the PRC executes its duties in the meeting to determine whether or not this aspect of the peer review process is operating effectively in the State of California.

Two PROC members attended each of the following PRC meetings:

- June 2-3, 2011 – Laguna Beach
- October 20-21, 2011 – Desert Springs

### **C. CalCPA Report Acceptance Body**

The CalCPA holds multiple RAB meetings per year. The RAB meetings generally occur via conference call. RAB members review and present the peer review reports subject to discussion on a general call. PROC members observe how the RAB executes its duties in the meeting to determine whether the peer review process is operating effectively in the state of California.

One to three PROC members participated in each of the following RAB meetings via teleconference:

- February 23, 2011
- June 2, 2011

- June 15, 2011
- July 7, 2011
- July 26, 2011
- August 25, 2011
- September 20, 2011
- October 20, 2011
- December 13, 2011

#### **D. National Association of State Boards of Accountancy PROC Summit**

The National Association of State Boards of Accountancy (NASBA) held a Peer Review Oversight Committee Summit in North Carolina on August 16, 2011. The purpose of the Summit was to promote peer review oversight and assist peer review committees from state boards of accountancy.

Due to travel restrictions, the PROC Chair did not receive approval from the Department of Consumer Affairs to attend the Summit. At NASBA's request, the PROC sent its draft oversight checklists to be shared with other states' committees. At the Summit, California's PROC was complimented on the materials it has developed.

The PROC sent a follow-up letter to NASBA suggesting that future Summits be held on a regular basis and be available via teleconference and webcast.

#### **ii. Administrative Site Visit**

The PROC is charged with conducting, at a minimum, an annual Administrative Site visit of all Providers. The visit will be to determine if the provider is administering peer reviews in accordance with the standards adopted by the CBA.

Two PROC members have conducted a preliminary visit of the CalCPA's administrative office to document processes and procedures. The official administrative visit is scheduled for February 16, 2012.

#### **iii. Peer Reviewer Training**

The PROC is responsible for ensuring that Providers develop a training program designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

The CalCPA Education Foundation offers two peer reviewer trainings per year. A two-day course for new peer reviewers and a one-day refresher course are each offered once a year. Three PROC members attended the two-day training course *How to Conduct a Review Under the AICPA Practice-Monitoring Program* on July 18-19, 2011 in Los Angeles.

#### **iv. Sample Reviews**

The PROC is in the process of developing a system for sampling peer review reports. The first review will be completed in February 16, 2012 in conjunction with the administrative site visit.

#### **v. Approval of Board-recognized Peer Review Program Providers**

At such time that the CBA receives an Application to Become a Board-recognized Peer Review Program Provider, the PROC will review the application and documentation and determine if the program meets the requirements outlined in Title 16, CCR Section 48. Based on the review, the PROC will provide a recommendation to the CBA that the application be approved or denied.

#### **vi. Withdrawal of Board Recognition of a Peer Review Program Provider**

The PROC has not made any recommendations to the CBA concerning the withdrawal of Board recognition of a peer review program provider.

### **XI. Findings**

Based on PROC members' attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

#### **AICPA Peer Review Board**

The PROC found the AICPA PRB meetings to be informative, efficient and structured. PROC members were invited to participate at regular intervals throughout the meetings. The PRB was diligent with regard to their responsibility for the peer review process and ensuring that the process is integrated with changes to professional standards. The PRB appears devoted to the quality of peer reviewers and how the AICPA could enhance this quality for the overall good of CPA firms.

#### **CalCPA Peer Review Committee**

PROC members were impressed with the CalCPA PRC members' technical expertise. The PRC deals with issues such as interpreting standards and applying consistency as the standards change and evolve. The PRC maintains a running list of recurring peer review deficiencies that they monitor and gauge, as well as monitoring the performance of peer reviewers.

#### **CalCPA Report Acceptance Body**

Through participation in nine RAB meetings, PROC members found RAB members professional and able to effectively discuss issues and arrive at well thought out conclusions.

## **CalCPA Peer Reviewer Training**

PROC members found the course to be informative and effective. The presenter had a practical approach and spent an ample amount of time going through specific cases and explaining why certain decisions were made. It was noted that, although the course is marketed to new peer reviewers, the course seemed to be designed for more experienced peer reviewers. Although the presenter used advanced terminology, she was always willing to answer questions and provide further explanation.

## **XII. Conclusions and Recommendations**

Based on its oversight activities, the PROC concluded that the American Institute of CPAs and its administering entity, the California Society of CPAs, function effectively as a peer review program provider. The PROC recommends that the CBA continue to recognize the American Institute of Certified Public Accountants as a peer review program provider.

Notwithstanding, the PROC offers the following recommendations to improve the program and facilitate future oversight efforts:

- a. As a result of the 2010 requirement for mandatory peer review, the demand on existing qualified peer reviewers has increased dramatically. As a result, there is a significant need to increase the number of qualified peer reviewers.

We recommend that the CBA continue to promote and encourage CPAs to consider developing the skills required to become peer reviewers in support of our profession and the benefit of the public.

- b. Currently, the CBA's record retention policies for enforcement matters require documents to be retained for six to twelve years. Our understanding is that this requirement extends to records that the PROC might obtain during its monitoring activities, including reports and client files submitted to RABs for review. The AICPA Peer Review Program, as administered by the CalCPA, requires that all client and peer review records be destroyed within 120 days for purposes of client confidentiality. Consequently, the CBA document retention policy prevents the PROC from monitoring the peer review report acceptance process to the level currently desired.

We recommend that the CBA review its document retention policy to determine if it would be appropriate to assign a 120 day document retention period to RAB meeting documents for purposes of PROC oversight.

### **XIII. Future Considerations**

#### **a. National Peer Review Committee**

The NPRC is one of the forty two administering entities of the AICPA Peer Review Program. It administers peer reviews for AICPA firms required to be registered with and inspected by the PCAOB, or performing audits of non-SEC issuers pursuant to the standards of the PCAOB.

The NASBA's Compliance Assurance Committee (CAC) is charged with exploring, developing and implementing opportunities for state boards to become uniformly involved in standard setting and oversight of mandatory peer review or other compliance assurance review programs. The CAC is currently developing a report to state boards on the process of oversight for the NPRC.

Upon receipt of the CAC's report, the PROC will determine how best the PROC will provide oversight to the NPRC.

#### **b. Length of Peer Review Process**

The CalCPA currently estimates the length of time to complete the entire peer review process at 2-7 months. The PROC intends to study the process to determine if the duration can be reduced.



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**PROC Item V.C.**  
August 24, 2012

**Approval of Letter to NASBA Compliance Assurance Committee  
Regarding Oversight of the National Peer Review Committee**

**Presented by:** Rafael Ixta, Enforcement Chief  
**Date:** July 16, 2012

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**Purpose of the Item**

The purpose of this agenda item is to provide members of the Peer Review Oversight Committee (PROC) with correspondence to the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) regarding its oversight of the National Peer Review Committee (NPRC).

**Action(s) Needed**

PROC members are requested to make any necessary revisions to the draft letter.

**Background**

The PROC is legislatively mandated to provide oversight of all Board-recognized peer review program providers in California. The American Institute of Certified Public Accountants (AICPA) is authorized to administer peer reviews in California. As an AICPA administering entity, the NPRC falls under the PROC's oversight responsibilities.

The AICPA and the NASBA have agreed that the CAC will provide oversight of the NPRC. In 2011, the CAC issued its first report of its oversight of the NPRC. To gain a better understanding of the oversight process used by the CAC, Ms. Janice Gray, Chair of the CAC was invited to the June 15, 2012 PROC meeting. At this meeting, the PROC directed staff to prepare a letter to the CAC requesting further information regarding their oversight of the NPRC (**Attachment 1**). The letter includes a list of specific items requested by the PROC, including:

- Allow the PROC to telephonically attend CAC meetings;
- Provide the PROC with copies of all CAC oversight reports;
- Provide the PROC with copies of all third-party reviewer reports;
- Provide the PROC with oversight statistics annually;
- Provide the PROC with a CAC calendar of events.

**Comments**

None

Approval of Letter to NASBA Compliance Assurance Committee  
Regarding Oversight of the National Peer Review Committee  
Page 2 of 2

**Fiscal/Economic Impact Considerations**

None

**Recommendation**

Staff recommends approval of the letter to the CAC.

**Attachment**

Draft Letter to Janice Gray, Chair, NASBA, CAC



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DATE

**Attachment 1**

Janice Gray, CPA, CVA, Chair  
Compliance Assurance Committee  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417

Dear Ms. Gray:

Thank you for attending the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC) meeting on June 15, 2012. The information you shared regarding the Compliance Assurance Committee's (CAC) role in providing oversight of the National Peer Review Committee (NPRC) was very informative in understanding the history of the NPRC and the objectives that the CAC is carrying out.

As you are aware, the PROC is legislatively mandated to provide oversight to all Board-recognized peer review program providers in California. The American Institute of Certified Public Accountants (AICPA) is authorized to administer peer reviews in California. As an AICPA administering entity, the NPRC falls under the PROC's oversight authority.

In order for the PROC to further understand the CAC's oversight process of the NPRC and in order for the PROC to make an informed decision on how best to provide oversight of the NPRC, the PROC is requesting the following information:

- Copies of CAC oversight reports;
- Copies of third-party reviewer reports;
- Oversight statistics annually;
- A calendar of events to include CAC oversight activities, scheduling of third-party reviews and administrative site visits, report development activities, etc.

The PROC would also like to attend the CAC's teleconference meetings on a regular basis. We look forward to working closely with the CAC to continue to improve the effectiveness of peer review in California and nationwide.

If you have any questions or concerns, please contact April Freeman, Peer Review Analyst, at (916) 561-1720 or [afreeman@cba.ca.gov](mailto:afreeman@cba.ca.gov).

Sincerely,

Nancy J. Corrigan, CPA, Chair  
Peer Review Oversight Committee

c: Marshal A. Oldman, Esq., President, California Board of Accountancy  
Patti Bowers, Executive Officer, California Board of Accountancy

DRAFT



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**PROC Item VI.**  
August 24, 2012

### **Future Meeting Dates and Agenda Items**

**Presented by:** Nancy J. Corrigan, PROC Chair

**Date:** July 12, 2012

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#### **Purpose of the Item**

The purpose of this agenda item is to discuss dates for the 2013 Peer Review Oversight Committee (PROC) meetings. The 2013 Year-at-a-Glance Calendar is attached for reference.

#### **Action(s) Needed**

It is requested the PROC adopt one of the options provided by staff.

#### **Background**

The PROC held its first meeting in November 2010. Subsequently, the PROC met seven times in 2011 and is schedule to meet six times in 2012. The frequency of meetings was necessary in order for the PROC to gain knowledge of the peer review process, become acquainted with the standards of the current peer review program provider, and develop oversight materials and a procedure manual.

#### **Comments**

The PROC may consider reducing the number of meetings per year, as its oversight activities have become more stable.

Staff has developed the following two options for consideration by the PROC members:

1. Hold four PROC meetings on the following proposed dates:
  - February 22, 2013
  - June 14, 2013
  - August 30, 2013
  - December 6, 2013
  
2. Hold six PROC meetings on the following proposed dates:
  - February 22, 2013
  - April 26, 2013
  - June 21, 2013
  - August 16, 2013
  - October 18, 2013
  - December 13, 2013

**Fiscal/Economic Impact Considerations**

None

**Recommendation**

Staff does not have a recommendation.

**Attachment**

PROC 2013 Year-at-a-Glance Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PEER REVIEW OVERSIGHT COMMITTEE (PROC)  
2013 Year-at-a-Glance Calendar**  
(as of July 11, 2012)

**JANUARY 2013**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10 T-9/2	11	12
13	14	15	16	17	18	19
20	21	22	23	24 SC	25 SD	26
27	28	29 T-9/2	30	31		

**FEBRUARY 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20 T-9/2	21	22	23
24	25	26	27	28		

**MARCH 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19 T-9/2	20	21 NC	22 NC	23
24	25	26	27	28	29	30
31						

**APRIL 2013**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18 T-9/2	19	20
21	22	23	24	25	26	27
28	29	30				

**MAY 2013**

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7 T	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23 SC	24 SC	25
26	27	28	29	30	31	

**JUNE 2013**

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**JULY 2013**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25 NC	26	27
28	29	30	31			

**AUGUST 2013**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14 T	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**SEPTEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26 SC	27 SC	28
29	30					

**OCTOBER 2013**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**NOVEMBER 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 NC	22 NC	23
24	25	26	27	28	29	30

**DECEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**COMMITTEE/TASK FORCE**  
**CBA** - California Board of Accountancy  
**PROC** - Peer Review Oversight Committee  
**AICPA** - American Institute of Certified Public Accountants  
**PRB** - Peer Review Board  
**CalCPA** - California Society of Certified Public Accountants  
**RAB** - Report Acceptance Body  
**PRC** - Peer Review Committee  
**NASBA** - National Assoc. of State Boards of Accountancy

**GENERAL LOCATION**  
**NC**-NORTHERN CALIFORNIA  
**SC**-SOUTHERN CALIFORNIA  
**T**-TELECONFERENCE  
**SD** - SAN DIEGO

**ON SHADED DATES CBA OFFICE IS CLOSED**  
**CBA MEETING**  
**PROC MEETING**  
**AICPA PRB MEETING**  
**CalCPA RAB MEETING**  
**CalCPA PRC MEETING**  
**PEER REVIEWER TRAINING**  
**ADMINISTRATIVE SITE VISIT**