



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**PROC MEETING
NOTICE & AGENDA**

**Friday, October 19, 2012
9:30 a.m. – 12:30 p.m.**

Marriott Los Angeles Burbank Airport
2500 North Hollywood Way
Burbank, CA 91505-1019
(818) 843-6000

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 J. Corrigan, Chair**).
- II. Report of the Committee Chair (**Nancy J. Corrigan**).
 - A. Approval of the August 24, 2012 PROC Minutes.
 - B. Report on the September 20-21, 2012 CBA Meeting.
- III. Report on PROC Activities (**Nancy J. Corrigan**).
 - A. Report on the October 11, 2012 American Institute of Certified Public Accountants' Peer Review Board Meeting.
 - B. Scheduling of the 2013 Administrative Site Visit of the California Society of Certified Public Accountants (CalCPA).
 - C. Discussion Regarding CalCPA's Verification of Reviewer Qualifications.
 - D. 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, and Citations Issued to Licensees that Failed to Respond to CBA.
 - B. Status of PROC Roles and Responsibilities Activity Tracking.
- V. Discussion Regarding the Proposed Checklists for Peer Reviewer Training Courses and Peer Review Board Meetings (**Nancy J. Corrigan**).
- VI. Report of the Enforcement Chief (**Rafael Ixta, Enforcement Chief**).
 - A. Development of the 2012 Annual Report to the CBA.
 - B. Discussion Regarding the Checklist for Recommending Approval of Peer Review Program Provider Applications.

- C. Discussion and Possible Action Regarding the National Association of State Boards of Accountancy's Compliance Assurance Committee's Response to the PROC's August 31, 2012 Letter Regarding Oversight of the National Peer Review Committee.
- D. Discussion of Options for Committee Members and the Public to Attend PROC Meetings Remotely.
- VII. Future Agenda Items (**April Freeman**).
- VIII. Public Comment for Items Not on the Agenda.
- IX. 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, 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
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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PROC Item II.A.
 October 19, 2012

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

**MINUTES OF THE
 AUGUST 24, 2012
 PROC MEETING**

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

<u>PROC Members:</u>	<u>August 24, 2012</u>
Nancy Corrigan, Chair	10:00 a.m. – 12:17 p.m.
Katherine Allanson	10:00 a.m. – 12:17 p.m.
Gary Bong	10:00 a.m. – 12:17 p.m.
T. Ki Lam	10:00 a.m. – 12:17 p.m.
Sherry McCoy	10:00 a.m. – 12:17 p.m.
Robert Lee	10:00 a.m. – 12:17 p.m.
Seid M. Sadat	10:00 a.m. – 12:17 p.m.

Staff:

Rafael Ixta, Chief, Enforcement Division
 April Freeman, Peer Review Analyst

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)
 Jeannie Tindel, CalCPA
 Jason Fox, CalCPA

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 10:00 a.m.

II. Report of the Committee Chair.

A. Approval of June 15, 2012 Minutes.

Nancy Corrigan asked if members had any changes or corrections to the minutes of the June 15, 2012 PROC meeting. No changes were made.

It was motioned by Seid Sadat, seconded by T. Ki Lam, and unanimously carried by those present to adopt the minutes of the June 15, 2012 PROC meeting.

B. Report on the July 26, 2012 CBA Meeting.

Ms. Corrigan stated that she was unable to attend the July 26, 2012 CBA meeting. In her absence, Rafael Ixta presented the PROC report based on her notes.

Mr. Ixta stated that the report to the CBA included the PROC's recent oversight activities, an explanation of the process used to select the PROC's Vice Chair, an overview of the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee's (CAC) presentation to the PROC, the NASBA Quick Polls requested by the PROC, the revised roles and responsibilities of the PROC, and the PROC's discussion concerning posting peer review information on the CBA website.

As a result of the PROC report, CBA members directed the PROC to refrain from discussing policy issues unless directed by the CBA. Should the PROC identify an issue that requires policy discussion, it should be brought to the CBA for consideration and assignment. The CBA members stated that the scope of the PROC is monitoring and providing oversight of the peer review process.

Mr. Ixta explained that as a result of the CBA's direction, the following items were removed from the PROC agenda: NASBA Quick Poll results, Discussion Regarding Posting of Peer Review Information on the CBA Website, Discussion Regarding Title 16, California Code of Regulations, Section 40 Concerning Peer Review Due Dates, and Discussion Regarding Record Retention, which was previously assigned to the Committee on Professional Conduct.

Ms. Corrigan appreciated the CBA's feedback concerning the scope of the PROC. She added that it sounds like the CBA does not mind the PROC making suggestions, but doesn't want time spent on issues until they are officially assigned. Mr. Ixta suggested members listen to the segment of the July 26, 2012, CBA meeting where members discussed the role of the PROC. Ms. Corrigan directed Mr. Ixta to provide members with the specific information needed for them to view the meeting webcast.

C. Appointment of PROC Vice Chair.

Ms. Corrigan announced that Robert Lee was appointed as the PROC's Vice Chair. She also stated that Sherry McCoy is second in line. Ms. Corrigan reminded members that she will select 2-3 Vice Chairs, serving consecutive one year terms, after which she will make a recommendation to appoint one of the Vice Chairs to the Chair position.

III. Report on PROC Activities.

A. Report on the July 24, 2012 CalCPA Report Acceptance Body (RAB) Meeting.

Ms. McCoy stated that she went to CalCPA's Glendale office to review the materials prior to the teleconference. She added that due to the number of firms going through peer review, the number of RAB meetings have increased. She stated that a lot of firms are going through peer review for the first time and that both firms and peer reviewers are learning a lot.

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

Mr. Sadat stated that this was his third attendance at an AICPA Peer Review Board meeting and it was very informative. The discussion focused on the automation of the Matters for Future Consideration (MFCs). He stated the topic created a lot of robust discussion.

Linda McCrone added that there was additional discussion regarding firms that are not online. It was decided that the Peer Review Team Captain will enter the information into the computer, then print the documents needed for the firm to sign.

C. Assignment of Future PROC Activities.

Ms. Corrigan made/confirmed the following assignments:

- October 11, 2012 AICPA PRB Meeting – Gary Bong & T. Ki Lam
- November 15-16, 2012 CalCPA PRC Meeting – Katherine Allanson & Robert Lee
- December 11, 2012 CalCPA RAB Meeting – T. Ki Lam

IV. Reports and Status of Peer Review Program.

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.

April Freeman reported that as of July 12, 2012, over 43,000 peer review reporting forms have been submitted to the 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

PROC members requested that the number of responses pending from each group of licensees be added to the statistics. Mr. Ixta added that the way peer review statistics are reported to the CBA will be modified. Future reports will be broken down by phase and include the number of letters sent, citations issued, failed reports, etc. Those statistics will be included in the CBA meeting materials which are available on the CBA website.

Ms. Freeman advised members that approximately 20,954 peer review notification letters were mailed to the third group of licensees in late June 2012. These licensees are due to submit a Peer Review Reporting Form by July 1, 2013.

She added that staff are preparing to mail approximately 4,200 deficiency letters to licensees that were required to submit a Peer Review Reporting Form by July 1, 2012, but have not yet submitted the required form.

Ms. Freeman advised members that staff began reviewing the Peer Review Reporting Forms of Certified Public Accountants that reported they are operating as a sole proprietor but not subject to peer review. To date, staff has reviewed almost 400 reporting forms.

Based on information obtained from the licensees' renewal forms, 91 licensees have been referred to Enforcement. These licensees are being asked to provide the CBA with a description of their highest level attestation engagement, and copies of their timesheets and billing invoices issued for a specific period of time. Mr. Ixta added that the CBA specifically directed staff to request billing invoices.

Ms. Freeman reminded members that 872 citations were issued in February 2012 to licensees who did not respond to the CBA's letters regarding peer review. She gave a status of the citations, including that 489 have been closed. She also explained that licensees that have not complied with the citation will not be able to renew their license until the administrative fine is paid.

B. 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.

C. Status and Summary of Failed Peer Reviews.

Ms. Freeman asked if members had any questions regarding the information on failed peer reviews. No questions were raised.

V. Report of the Enforcement Chief.

A. Discussion Regarding Transportation Options for Traveling to PROC Meetings.

Mr. Ixta stated that although PROC members were provided with Deanne Pearce's June 20, 2012 memorandum regarding Economic Modes of Ground Transportation, he wanted to give them the opportunity to ask questions. He reminded members that they are supposed to use the least expensive mode of transportation to attend meetings, including using a rental car if their travel exceeds 60 miles round trip. Members were reminded that they should not accept any insurance on a rental car, return the car with an empty gas tank, or purchase a refueling package. Members were advised that gas is reimbursable with a receipt.

Mr. Ixta stated that the guidelines are set by the Department of Consumer Affairs (DCA); not the CBA. He also reminded members that all travel claims are reviewed by DCA.

B. Development of the 2012 Annual Report to CBA.

Mr. Ixta reminded members that the PROC approved the Table of Contents for the 2012 Annual Report at its June PROC meeting. Also at that meeting, members requested a copy of the 2011 Annual Report so they could begin making updates.

Mr. Ixta stated that the report will be presented to the CBA at its March 2013 meeting, which means the report needs to be finalized at the PROC's February meeting. He also asked that members decide whether they want a stand-alone report every year, or provide addendums to the current report and only prepare a new report every two to

three years. PROC members agreed that the CBA members would probably prefer a fresh report each year.

The PROC went through the 2011 report section by section and made updates. Staff was directed to bring an underline/strikeout draft of the 2012 report to the October PROC meeting.

Members discussed and agreed that the 2012 report should include policy issues that were raised and discussed throughout the year. Ms. Corrigan confirmed that the CBA could then choose whether or not to assign the issue to the appropriate committee.

C. Approval of Letter to the NASBA CAC Regarding Oversight of the National Peer Review Committee (NPRC).

Mr. Ixta stated that staff prepared a draft letter to the NASBA CAC regarding oversight of the NPRC. He summarized the letter and stated that he emailed the draft letter to Janice Gray for her to share at meetings with the CAC and the AICPA Peer Review Board Oversight Task Force. He did not know the results of those meetings.

Gary Bong inquired as to why the PROC is asking for the information and not just telling them we need it. Mr. Ixta explained that the PROC has two options for overseeing the NPRC: (1) provide direct oversight, or (2) monitor the CAC's oversight. He further pointed out that the letter is directed to NASBA, not the NPRC. Mr. Bong suggested the letter be sent directly to the NPRC and expressed concern that all firms be held to the same standard.

Ms. Corrigan reminded members that the PROC has not yet made a final decision on how to oversight the NPRC. Katherine Allanson believes the PROC is being sensitive to the NPRC since it is subject to oversight from all 50 states. Mr. Lee added that the PROC is trying to get the CAC's information in order to determine if the PROC needs to provide additional oversight.

It was motioned by Robert Lee, seconded by Katherine Allanson, and unanimously carried by those present to finalize the draft letter to the NASBA CAC as presented.

VI. Future Meeting Dates and Agenda Items.

Ms. Corrigan asked members for feedback regarding the number of PROC meetings needed for 2013. Members agreed that four meetings would be sufficient, even if the meetings were longer.

The proposed PROC meeting dates for 2013 are:

February 22, 2013
June 21, 2013
August 23, 2013
November 1, 2013

It was motioned by Seid Sadat, seconded by T. Ki Lam, and unanimously carried by those present to accept the proposed PROC meeting dates for 2013.

Mr. Bong requested information on the possibility of attending meeting via teleconference. Staff will research options.

VII. Public Comment for Items Not on the Agenda.

None

VIII. Adjournment.

There being no further business, the meeting was adjourned at 12:17 p.m.

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.D.
October 19, 2012

Assignment of Future PROC Activities

Presented by: Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair
Date: September 18, 2012

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 (**Attachment 1**) and 2013 Year-at-a-Glance calendar (**Attachment 2**) includes meetings and activities that are currently scheduled for the following:

- California Board of Accountancy
- 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

1. 2012 Year-at-a-Glance CBA PROC Calendar, updated September 18, 2012.
2. 2013 Year-at-a-Glance CBA PROC Calendar, updated September 18, 2012.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)
2012 Year-at-a-Glance Calendar**
(as of September 18, 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

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5	6	7	8	9	10 NC	11
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MARCH 2012

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APRIL 2012

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MAY 2012

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JUNE 2012

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JULY 2012

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AUGUST 2012

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SEPTEMBER 2012

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OCTOBER 2012

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NOVEMBER 2012

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DECEMBER 2012

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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

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)
2013 Year-at-a-Glance Calendar**
(as of September 18, 2012)

JANUARY 2013

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FEBRUARY 2013

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MARCH 2013

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APRIL 2013

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MAY 2013

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JUNE 2013

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JULY 2013

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AUGUST 2013

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SEPTEMBER 2013

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OCTOBER 2013

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NOVEMBER 2013

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DECEMBER 2013

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22	23	24	25	26	27	28
29	30	31				

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PROC Item IV.
 October 19, 2012

Reports and Status of Peer Review Program

Presented by: April Freeman, CBA Staff
Date: October 4, 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 October 4, 2012, 48,444 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	Licensees Still Needing to Report
01-33	7/1/11	2,405	4,243	15,540	22,188	807
34-66	7/1/12	1,535	3,530	11,604	16,669	3,128
67-00	7/1/13	561	1,859	7,167	9,587	11,367
		4,501	9,632	34,311	48,444	15,302

Correspondence to Licensees

Enforcement staff is currently preparing to send approximately 4,200 deficiency letters to licensees who were required to submit a Peer Review Reporting Form by July 1, 2012, but have not yet done so.

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 licensee to submit the Peer Review Reporting Form within thirty days.

As of October 4, 2012, the status of the citations is as follows:

Closed – Paid	443
Closed – Withdrawn	162
Closed – Payment Added to Renewal Fee	116
Paid – Waiting for PR-1	28
Appeal Affirmed – Waiting for Payment	70
Appeal Affirmed – Waiting for PR-1	13
Appealed – Pending Decision	5
Pending Administrative Hearing	35

B. Status of PROC Roles and Responsibilities Activity Tracking

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

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

PROC Roles and Responsibilities Activity Tracking 2012, as of September 18, 2012

Peer Review Oversight Committee (PROC) Roles and Responsibilities

Activity Tracking – 2012

As of September 18, 2012

Activity*	Notes
<p>PROC MEETINGS</p> <ul style="list-style-type: none"> Conduct four one-day meetings. 	<ul style="list-style-type: none"> PROC Meetings Held: 2/10, 4/20, 6/15, 8/24 PROC Meetings Scheduled: 10/19, 12/4
<p>ADMINISTRATIVE SITE VISIT</p> <ul style="list-style-type: none"> Conduct, at a minimum, an annual administrative site visit of the peer review program provider. 	<ul style="list-style-type: none"> California Society of Certified Public Accountants (CalCPA) Administrative Site Visit: 2/16
<p>PEER REVIEW COMMITTEE MEETING</p> <ul style="list-style-type: none"> Attend all peer review program providers' Peer Review Committee (PRC) meetings. Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees. Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards. 	<ul style="list-style-type: none"> Attended: American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meetings 1/20, 5/8, 8/8 Attended: CalCPA PRC Meeting 4/26 Scheduled: CalCPA PRC 11/15-16; AICPA PRB 10/11
<p>PEER REVIEW SUBCOMMITTEE MEETING</p> <ul style="list-style-type: none"> Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports. Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings. Ensure that peer reviews are being accepted in a consistent manner. 	<ul style="list-style-type: none"> Attended: CalCPA Report Acceptance Body (RAB) Meetings 1/5, 1/24, 3/6, 5/17, 7/24 Scheduled: CalCPA RAB 12/11
<p>REVIEW SAMPLING OF PEER REVIEWS</p> <ul style="list-style-type: none"> Perform sampling of peer review reports. 	<ul style="list-style-type: none"> CalCPA Administrative Site Visit: 2/16
<p>PEER REVIEWER TRAINING</p> <ul style="list-style-type: none"> Ensure that peer reviewers are properly qualified. 	<ul style="list-style-type: none"> Attended: CalCPA Peer Reviewer Trainings 5/23, 6/27-28
<p>EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS</p> <ul style="list-style-type: none"> Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers. 	TBD
<p>ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY</p> <ul style="list-style-type: none"> Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program. 	<ul style="list-style-type: none"> Scheduled: March 2013

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



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PROC Item V.
October 19, 2012

**Discussion Regarding the Proposed Checklists for
Peer Reviewer Training Courses and Peer Review Board Meetings**

Presented by: Nancy J. Corrigan, Chair
Date: September 25, 2012

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with proposed oversight checklists to use when attending peer reviewer training courses and Peer Review Board meetings.

Action(s) Needed

It is requested that members review the proposed checklists and make revisions in order to finalize the checklists.

Background

The PROC has developed several checklists to document its oversight activities of Board-recognized peer review program providers.

The proposed Peer Reviewer Training Course Checklist (**Attachment 1**) and Peer Review Board Meeting Checklist (**Attachment 2**) have been prepared by a PROC member for use while providing oversight at peer reviewer training courses and Peer Review Board meetings, respectively.

Comments

Once the checklists are approved, they will be added to the PROC Procedures Manual.

Fiscal/Economic Impact Considerations

None

Recommendation

CBA staff recommend approval of the checklists.

Attachment

1. Proposed Peer Reviewer Training Course Checklist
2. Proposed Peer Review Board Meeting Checklist



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Peer Review Oversight Committee

Attachment 1

Peer Reviewer Training Course Checklist

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes training provided to new and experienced peer reviewers as further described in the PROC's Procedure Manual. Peer reviewer training is provided throughout the United States; however, in California, training is generally provided twice each year, one class for new peer reviewers currently 16 hours over 2 days, and one class for experienced peer reviewers currently 8 hours on one day. Both classes are conducted with live instruction. Participants are provided with the materials upon arrival at the training location. The objective of this aspect of PROC oversight is to observe how the peer reviewers are trained and determine whether or not this aspect of the peer review process is operating effectively in the state of California.

Date of Meeting: _____

Name of Peer Reviewer Training: _____

Name of Instructor: _____

EVALUATION OF THE TECHNICAL ASPECTS OF THE TRAINING CONTENT	YES	NO	N/A
1. Does the instructor appear knowledgeable about:			
The technical aspects of their reviews, both peer review standards as well as general audit and accounting standards.			
Critical peer review issues and risk considerations (focus matters).			
Industry specific issues (i.e. requirements of ERISA, Governmental Standards/Regulations, etc.).			
The differences in matters, findings, deficiencies and significant deficiencies.			
Appropriate types of reports.			
Circumstances for requiring revisions to review documents.			
2. Is the subject matter covered relevant to conducting peer reviews?			
3. Was sufficient time allotted?			
4. Did the course achieve the training objectives?			
5. Comments regarding the overall evaluation of the technical aspects of the peer reviewer training:			

EVALUATION OF THE TRAINING PROCESS	YES	NO	N/A
6. Does the instructor keep the class engaged and involved in discussions?			
7. Does the instructor respond to questions from participants accurately and respectfully?			
8. Is sufficient time allowed for material covered and experience level of participants?			
9. Are the instructors' presentations skills effective for this course?			
10. Are the training materials relevant to the subject matter?			
11. Are the training materials useful/organized as a reference guide to peer reviewers?			
12. Comments regarding the overall evaluation of general training process:			
CONCLUSION			
13. Rate the training as to its effectiveness for its role in the peer review process: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
14. Other comments, if any:			

The above checklist was prepared by:

Print Name

Signature

* A rating of "No" or "Does Not Meet Expectations" requires a comment.



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Peer Review Oversight Committee

Attachment 2

Peer Review Board Meeting Checklist

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Peer Review Board (PRB) meetings as further described in the PROC's Procedures Manual. The PRB meetings generally occur via conference call. PRB members are provided with the materials needed to review and prepare for discussions on a general call; however, given the oversight nature of the PROC, such materials are not distributed to PROC members. Rather, the objective of this aspect of PROC oversight is to observe how the PRB executes its duties in the meeting and determine whether or not this aspect of the peer review process is operating effectively in the state of California. These matters are then summarized and reported to the California Board of Accountancy as part of the PROC reporting.

Date of Meeting: _____

Name of Peer Review Program Provider: _____

Number of reports discussed at the meeting: _____

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION	YES	NO	N/A
1. Do the PRB members appear knowledgeable about their responsibilities?			
2. Are PRB members knowledgeable about:			
The technical aspects of both peer review standards as well as general audit and accounting standards.			
Critical peer review issues and risk considerations (focus matters).			
Challenges facing peer reviewers.			
Challenges facing CPA firms being peer reviewed.			
Appropriateness of recommended corrective or monitoring actions.			
The need to providing CPAs an appropriate balance of education and discipline.			
3. Based upon your observations, were the PRB's discussions and actions taken reasonable in the circumstances?			
4. Comments regarding the overall evaluation of the technical aspects of the meeting content and discussion:			

EVALUATION OF THE GENERAL MEETING PROCESS	YES	NO	N/A
5. Was sufficient time allowed for discussion of each matter?			
6. Were there a required minimum number of PRB members present to take action?			
7. Was the nature of the discussion appropriate?			
8. Do members appear to have a good rapport with one another? Are members respectful of each other, i.e., are members' ideas given appropriate consideration?			
9. Comments regarding the overall evaluation of general meeting process:			
CONCLUSION			
10. Rate the meeting as to its effectiveness for its role in the peer review process: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
11. Other comments, if any:			

The above checklist was prepared by:

Print Name

Signature

* A rating of "No" or "Does Not Meet Expectations" requires a comment.



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PROC Item VI.A.
October 19, 2012

Development of the 2012 Annual Report to the CBA

Presented by: Rafael Ixta, Chief of Enforcement

Date: September 25, 2012

Purpose of the Item

The purpose of this item is to provide the PROC members with a framework to begin drafting the 2012 Annual Report to the California Board of Accountancy (CBA).

Action(s) Needed

It is requested that the PROC review the draft 2012 Annual Report (**Attachment 1**) and provide guidance to CBA staff regarding the focus and content of the report.

Background

At its August 24, 2012 meeting, PROC members directed staff to make updates to the 2011 Annual Report and provide a version with track changes for review at the October 19, 2012 PROC meeting.

Comments

The report will be presented to the CBA at its March 2013 meeting.

Fiscal/Economic Impact Considerations

None

Recommendations

None

Attachment

Draft 2012 PROC Annual Report to the CBA

I. Message from the Committee Chair

Nancy J. Corrigan, CPA
Committee Chair

~~Deleted:~~ 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 ...

~~Deleted:~~ 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.¶

~~Deleted:~~ January 2008

~~Deleted:~~ 2011

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.

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 July 26, 2012 meeting, adopted the following revised roles and responsibilities for the PROC:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations Section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.

- o Attend, on a regular basis, peer reviewer training courses.
- Evaluate any Application to Become A Board-recognized Peer Review Provider and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

Deleted: <#>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.

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

Deleted: August 13, 2012
 Deleted: August 31, 2012
 Deleted: July 28, 2012
 Deleted: ¶
 Deleted: August 19, 2012
 Deleted: Robert Lee, CPA . . . July 28, 2012
 Deleted: ¶
 Deleted: August 19, 2012
 Deleted: ¶
 Deleted: July 28, 2012

V. Legislation and Regulations

On July 26, 2012, the CBA adopted regulations modifying Title 16, California Code of Regulations, Sections 40 and 45. The proposed changes would replace the initial phase-in reporting dates with the requirement that licensees report specific peer review information required by Form PR-1 at the time of renewal. The proposed language also clarifies that any firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, must complete a peer review within 18 months of the date it completes those services.

Deleted: 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.¶

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

Deleted: 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

Deleted: 2011

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.

In keeping with its purpose, the PROC will assist the CBA in any way necessary in preparing the report that is due to the Legislature and Governor on January 1, 2015.

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 had 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.

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					
34-66	July 1, 2012					

- Deleted: ve
- Deleted: 2,099
- Deleted: 4,105
- Deleted: 15,014
- Deleted: 21,218
- Deleted: 1,701
- Deleted: 591
- Deleted: 1,848
- Deleted: 6,846
- Deleted: 9,285
- Deleted: 10,884
- Deleted: 2011

67-00	July 1, 2013					
Total						

* Data as of _____

The data in the following table reflects the number of peer review reports accepted by the California Society of Certified Public Accountants (CalCPA) in 2011, and 2012.

Peer Review Reports Accepted by the CalCPA*				
Type of Review		2011	2012	Total
System				
Engagement				
Total				

*Data received from CalCPA as of _____

- Deleted: 2,690
- Deleted: 5,953
- Deleted: 21,860
- Deleted: 30,503
- Deleted: 12,585
- Deleted: January 9, 2012
- Deleted: 2010
- Deleted: 2011
- Deleted: 2010
- Deleted: 413
- Deleted: 406
- Deleted: 819
- Deleted: 535
- Deleted: 870
- Deleted: 1,405
- Deleted: 948
- Deleted: 1,276
- Deleted: 2,224
- Deleted: 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 1,817 and 2,030 responses were received for each question. In general, the results revealed:

- Deleted: 1,025
- Deleted: 1,150

- **CORRECTIVE ACTION ORDERED**
Less than 20% 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**
Approximately 70% of the firms believe that undergoing a peer review has helped improve service to clients.
- **CLIENT NOTIFICATION**

Deleted: 25%

Deleted: 2011

50% of the firms intend to notify clients that they have undergone a peer review.

• **MARKETING**

30% of the firms will use peer review as a marketing tool.

Deleted: 31%

• **CESSATION OF SERVICES:**

9% of the firms will cease providing accounting and auditing services to eliminate the need for a future peer review.

Deleted: 8%

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

Deleted: 174

Deleted: 30%

Deleted: 52%

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.

Deleted: ; 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 (NPRC)

Deleted: 2011

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

Following are the salient activities and accomplishments during the PROC's second year.

Deleted: 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.

Deleted: inaugural

a. Administrative Functions

i. 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 six meetings as follows:

- February 10, 2012 – Sacramento
- April 20, 2012 – Glendale
- June 15, 2012 – San Jose
- August 24, 2012 – Sacramento
- October 19, 2012 – Burbank
- December 4, 2012

Deleted: <#>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 4 CBA meetings to report on PROC activities. In her absence, the Enforcement Chief reported on PROC activities.

ii. PROC Procedures Manual

The PROC updated the PROC Procedures Manual, which outlines specific procedures and processes to fulfill its duties. Updates include the PROC's revised roles and responsibilities, information regarding conflicts of interest, and newly created oversight checklists.

Deleted: developed

Deleted: (Appendix B)

Deleted:

iii. Oversight Checklists

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

Deleted: several

Deleted: each

The following two checklists were created to track oversight activities:

Deleted: 2011

- [Peer Reviewer Training Course Checklist](#)
- [Peer Review Board Meeting Checklist](#)

Checklists previously developed include:

- 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.

Additional checklists will be developed if deemed necessary.

Deleted: ¶

Deleted: (Appendix B)

iv. Appointment of PROC Vice Chair

At the request of the CBA, the PROC established a Vice Chair position. Robert Lee, CPA, was appointed Vice Chair by the CBA.

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.

The PROC has created a checklist to evaluate applications.

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.

Deleted: <#>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¶

b. 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.

During 2012, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and it's administering entities, the CalCPA and the NPRC.

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i. AICPA

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 20, 2012](#)
- [May 8, 2012](#)
- [August 8, 2012](#)
- [October 11, 2012](#)

Deleted: <#>January 21, 2011 ¶
<#>May 3, 2011 ¶
<#>August 10, 2011 ¶
<#>October 6, 2011 ¶

ii. CalCPA

A. 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:

- [April 26, 2012 – San Mateo](#)
- [November 15-16, 2012 - Napa](#)

Deleted: CalCPA

B. 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:

- [January 5, 2012](#)
- [January 24, 2012](#)
- [March 6, 2012](#)
- [May 17, 2012](#)
- [July 24, 2012](#)
- [December 11, 2012](#)

Deleted: <#>June 2-3, 2011 – Laguna Beach ¶
<#>October 20-21, 2011 – Desert Springs ¶

Deleted: CalCPA

Deleted: <#>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 ¶

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C. 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.

On February 16, 2012, the PROC reviewed the CalCPA's administration of the AICPA's Peer Review Program as part of the oversight program for the CBA. As an administering entity, CalCPA is responsible for administering the AICPA Peer Review Program in compliance with the AICPA Standards for Performing and Reporting on Peer Reviews, interpretations, and other guidance established by the board. The PROC's responsibility is to determine whether the peer review program complies with the Minimum Requirements for a Peer Review Program, pursuant to California Code of Regulations, Title 16, Section 48.

The following procedures were performed as part of the PROC's responsibilities:

- Read correspondence and other available documentation from other oversight activities performed at CalCPA;
- Reviewed the Report Acceptance Body assignment binder;
- Used the PRISM system-generated reports provided by CalCPA to select a sample of peer review reports and associated files for review;
- Discussed peer reviewer qualifications process with CalCPA personnel and selected one peer reviewer for resume inspection;
- Obtained a listing of extensions to evaluate consistency of reasons for extension with policies of CalCPA.

Based on the results of the procedures performed, the PROC concluded that the CalCPA has complied with the Minimum Requirements for a Peer Review Program.

D. Sample Reviews

The PROC developed a system for sampling peer review reports. The first review was completed in February 16, 2012 in conjunction with the administrative site visit.

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Deleted: will be

E. Peer Reviewer Training

The PROC is responsible for ensuring that peer review 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.

Deleted: P

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

Deleted: 2011

each offered once a year. PROC members attended the one-day training course AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers on May 23, 2012, and the two-day training course How to Conduct a Review Under the AICPA Practice-Monitoring Program on June 27-28, 2012,

Deleted: Three

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Deleted: July 18-19, 2011

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iii. **NPRC,**

Deleted: National Association of State Boards of Accountancy PROC Summit

A. Annual Monitoring Report

The PROC reviewed the NASBA CAC's first annual monitoring report of the NPRC. This report is the product of an agreement between NASBA and the AICPA to provide a mechanism by which the operations of the NPRC could be monitored and reported on by the CAC

B. AICPA Presentation

Deleted: ¶

The PROC arranged a presentation by Jim Brackens, Vice President Ethics & Practice Quality, AICPA, which included the various aspects of the AICPA's oversight of the NPRC.

C. CAC Presentation

The PROC arranged a presentation by Janice Gray, Chair of NASBA's CAC, which included information on the CAC's oversight of the NPRC.

The PROC sent a letter to the CAC requesting information necessary for the PROC to better understand the CAC's oversight process of the NPRC. The PROC requested 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.

Deleted: 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.¶

Deleted: Peer Review Board¶

Deleted: 2011

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

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

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.

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

PROC members found the courses 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.

NPRC

In 2012, PROC members began researching and developing an understanding of the NPRC, including the oversight provided by AICPA and NASBA's CAC.

XII. Conclusions

Based on its oversight activities, the PROC concluded that the American Institute of CPAs and its administering entities, CalCPA and NPRC, 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.

Deleted: Peer Review Committee¶

Deleted: CalCPA Report Acceptance Body¶

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Deleted: CalCPA Peer Reviewer Training¶

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

Deleted: <#>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.¶

Deleted: <#>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.¶

Deleted: <#>Future Considerations¶

¶ <#>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. ¶

¶

Deleted: <#>Length of Peer Review Process¶

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PROC Item VI.B.
October 19, 2012

Discussion Regarding the Checklist for Recommending Approval of Peer Review Program Provider Applications

Presented by: Rafael Ixta, Enforcement Chief
Date: September 20, 2012

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with a draft checklist to evaluate the *Application to Become A Board-Recognized Peer Review Program (01/10)* (**Attachment 1**).

Action(s) Needed

PROC members are requested to review the draft checklist and make any necessary revisions.

Background

Title 16, California Code of Regulations (CCR), Section 48.2 states that prior to receiving recognition from the California Board of Accountancy (CBA), a peer review program provider shall submit an *Application to Become a Board-Recognized Peer Review Program (01/10)*. With the application, the firm shall submit materials evidencing the program meets the requirements outlined in CCR Section 48.

The PROC is charged with reviewing peer review provider applications and making a recommendation to the CBA.

Comments

Staff has prepared a draft Peer Review Program Provider Checklist (**Attachment 2**). The checklist will assist the PROC in determining if the peer review program meets the requirements set forth in CCR Section 48.

Fiscal/Economic Impact Considerations

None

Recommendation

CBA staff recommends approval of the checklist.

Attachments

1. Application to Become A Board-Recognized Peer Review Program (01/10)
2. Peer Review Program Provider Checklist



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**PEER REVIEW PROGRAM PROVIDER
 CONTACT INFORMATION**

Attachment 1

Please provide all requested information listed below. The public contact information will be posted on the Board's Web site with the list of Board-recognized peer review program providers. Please send written notification to the Board if there are changes to any contact information.

PUBLIC CONTACT INFORMATION

Name of Organization: _____

Address: _____

City: _____ **State:** _____ **Zip Code:** _____

Telephone Number: () _____ **Fax Number:** () _____

Toll-Free Number (if available): () _____

Web site address (if available): _____

Name and title of contact person to be placed on approval list: _____

The information in the gray-shaded box below is for Board use only, and will not be placed on the Board's Web site.

Contact Information	Internal Use Only
Name: _____	
Telephone Number: () _____	E-mail Address: _____
Address where correspondence should be sent: _____	
City: _____	State: _____ Zip Code: _____



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PEER REVIEW PROGRAM PROVIDER CERTIFICATION AND COMPLIANCE AGREEMENT

This agreement must be signed and returned with all materials evidencing compliance with Section 48 of the California Board of Accountancy Regulations.

I certify that the statements, answers, and representations in this agreement, the application material, and any supplemental statements, are true and accurate, including the following:

1. I have read Article 6 of the California Board of Accountancy Regulations specifying the requirements for receiving Board recognition to administer peer reviews in California and agree to comply with requirements pertaining to providers, provider recognition and minimum requirements.
2. I authorize the California Board of Accountancy and its Peer Review Oversight Committee to review relevant records to ensure compliance with the requirements of Article 6.
3. I certify that the supplemental materials accompanying the application are designed in compliance with Section 48 of the California Board of Accountancy Regulations, and authorize the Board or its designee to review the materials to ensure compliance.
4. As the provider, I agree to be the responsible party for all administered peer reviews.
5. I agree to comply with the provisions of Section 17500 of the Business and Professions Code, Division 7, Part 3, Chapter 1, regarding false or misleading advertising.
6. I am the program provider representative authorized to sign this Certification and Compliance Agreement.

Peer Review Program Provider

Authorized Signature

Date

Print or Type Name

Position

Company



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Peer Review Oversight Committee

Attachment 2

Peer Review Program Provider Checklist

Purpose: Pursuant to Title 16, California Code of Regulations (CCR), Section 48.2, prior to receiving California Board of Accountancy (CBA) recognition to perform peer reviews in California, a peer review program provider shall submit an *Application to Become a Board-Recognized Peer Review Program* (1/10). With the application, the firm shall submit materials evidencing the program meets the requirements outlined in Section 48. Pursuant to CCR Section 47(f), the Peer Review Oversight Committee (PROC) shall review and recommend to the CBA for approval of peer review program provider applications for recognition by the CBA.

Name of Organization _____

Address _____

City _____ State _____ Zip Code _____

Telephone Number _____ Fax Number _____

Contact Person: _____

Title 16, California Code of Regulations, Section 48

For a peer review program provider to receive Board recognition and be authorized to administer peer reviews in California, the peer review program provider must submit evidence to the satisfaction of the Board that the peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews. A peer review program shall include the following components:

(a) Peer Review Types

Y	N
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A peer review program shall have a minimum of two types of peer reviews that include the following:

/ / / / /	/ / / / /
-----------	-----------

(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by the firm's personnel.

--	--

(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

--	--

(b) Peer Review Report Issuance	Y	N
(1) For firms undergoing peer reviews pursuant to subsection (a)(1), one of the following three types of peer review reports shall be issued:	/ / / / / / / /	/ / / / / / / /
(A) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel, which provides the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.		
(B) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that the firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.		
(C) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.		
(2) For firms undergoing peer reviews pursuant to subsection (a)(2), one of the following three types of peer review reports shall be issued:	/ / / / / / / /	/ / / / / / / /
(A) A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.		
(B) A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.		
(C) A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.		
(c) Peer Reviewer Qualifications	Y	N
Has the Provider established minimum qualifications for an individual to qualify as a peer reviewer, to include:	/ / / / / / / /	/ / / / / / / /
(1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.		
(2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.		
(3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.		
(4) Provide the Board-recognized peer review program provider with his/her qualifications to be a		

reviewer, including recent industry experience.		
(5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.		
(d) Planning and Performing Peer Reviews	Y	N
A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:		
(1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:		
(A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm, and (iv) select a representative cross-section of a firm's engagements.		
(B) In performing a peer review, the peer reviewer or peer review team shall test the reviewed engagements while assessing the adequacy of and compliance with a firm's system of quality control. The peer review is intended to provide the peer reviewer or peer review team with reasonable basis for expressing an opinion as to whether a firm's system of quality control is suitably designed and complied with by a firm's personnel such that the firm has reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.		
(2) For peer reviews performed in accordance with subsection (a)(2) of this section, a peer review program's guidelines and/or standards shall include the following:		
(A) Ensuring that prior to performing a peer review, a peer reviewer or peer review team select a representative cross-section of a firm's accounting and auditing engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports.		
(B) In performing a peer review, the peer reviewer or peer review team shall review the selected engagements to determine if the engagements were performed in conformity with the applicable professional standards.		
(3) Nothing in a peer review program provider's guidelines and/or standards shall prohibit a peer reviewer or peer review team from disclosing pertinent peer review-related information regarding a firm to a subsequent peer reviewer.		
(e) Plan of Administration and Accepting Peer Review Reports	Y	N
(1) The administration plan shall clearly outline the manner in which the peer review program provider intends on administering peer reviews and shall, at a minimum, include the following:		
(A) Identify a peer review committee, and if necessary subcommittees, and employ knowledgeable staff for the operation of the review program as needed.		
(B) Establish and perform procedures for ensuring that reviews are performed and reported on in accordance with the program's established standards for performing and reporting on peer reviews.		

(C) Establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the Board-recognized peer review program provider.		
(D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.		
(E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.		
(F) Establish guidelines for monitoring the prescribed remedial and corrective actions to determine compliance by the reviewed firm.		
(G) Establish and document procedures for ensuring adequate peer reviewers to perform peer reviews. This shall include ensuring a breadth of knowledge related to industry experience.		
(H) Establish and document procedures to ensure the qualifications of peer reviewers and to evaluate a peer reviewer's performance on peer reviews.		
(I) Establish a training program or training programs designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.		
(J) Establish and document procedures to ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge.		
(K) Require the maintenance of records of peer reviews conducted under the program. Such records shall include, at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review.		
(L) Provide to the Board's Peer Review Oversight Committee access to all materials and documents required for the administration of peer reviews.		
(2) As required by subsection (e)(1)(A) of this section, the peer review program provider shall establish a peer review committee to assist in the review and acceptance of peer review reports. The peer review program provider's committee shall:		
(A) Meet regularly to consider and accept peer review reports.		
(B) Assist the peer review program provider in resolving instances in which there is a lack of cooperation and agreement between a peer reviewer and/or reviewed firm in accordance with the peer review program's adjudication process.		
Make a final determination on a peer review report pursuant to subdivision (b).		
(f) Composition of the Peer Review Committee (PRC)	Y	N
(1) All committee members shall meet the peer reviewer qualification requirements established in Section 48(c).		
(2) In determining the size of the committee, consideration shall be given to the requirement for broad industry experience, and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review.		

(3) No committee member may concurrently serve as a member of the Board.		
(4) A committee member may not participate in any discussion or have any vote with respect to a reviewed firm when the member lacks independence as defined by California Code of Regulations Section 65 or has a conflict of interest. Examples of conflicts of interest include, but are not limited to:		
(A) the member's firm has performed the most recent peer review of the reviewed firm's accounting and auditing practice.		
(B) the member served on the review team which performed the current or the immediately preceding review of the firm.		
(C) the member believes he/she cannot be impartial or objective.		
(5) Each member of the committee shall comply with all confidentiality requirements. The peer review program provider shall annually require its committee members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.		

Recommendation:

Approval Denial

PROC Chair

Date

PROC Vice Chair

Date

Comments:



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PROC Item VI.C.
October 19, 2012

Discussion and Possible Action Regarding the National Association of State Boards of Accountancy's Compliance Assurance Committee's Response to the PROC's August 31, 2012 Letter Regarding Oversight of the National Peer Review Committee

Presented by: Rafael Ixta, Enforcement Chief
Date: September 25, 2012

Purpose of the Item

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

Action(s) Needed

It is requested that members review the information received from the CAC to make an informed decision on how best to provide oversight of the NPRC.

Background

On August 31, 2012, the PROC sent a letter (**Attachment 1**) to the CAC requesting information necessary for the PROC to better understand the CAC's oversight process of the NPRC. The PROC requested 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, and report development activities.

Comments

The California Board of Accountancy (CBA) has not received a written response from the CAC. However, CBA staff have been advised by Janice Gray, CAC Chair, that a response is forthcoming. If a response is received, copies will be made available at the meeting.

Fiscal/Economic Impact Considerations

None

Discussion and Possible Action Regarding the National Association of
State Boards of Accountancy's Compliance Assurance Committee's
Response to the PROC's August 31, 2012 Letter Regarding Oversight
of the National Peer Review Committee
Page 2 of 2

Recommendation

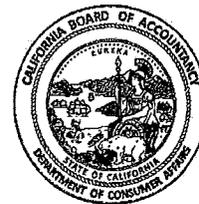
None

Attachment

PROC Letter to CAC, dated August 31, 2012



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August 31, 2012

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.

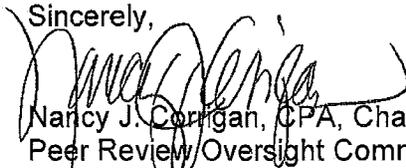
In order for the PROC to further understand the CAC's oversight process of the NPRC and in order for the PROC to make an informed decision on how best to provide oversight of the NPRC, the PROC is requesting the following information:

- 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.

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



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PROC Item VI.D.
October 19, 2012

**Discussion of Option for Committee Members and the Public
to Attend PROC Meetings Remotely**

Presented by: Rafael Ixta, Enforcement Chief
Date: September 26, 2012

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with information regarding attending PROC meetings from a remote location.

Action(s) Needed

None

Background

Government Code Section 11123 (**Attachment 1**) of the Bagley-Keene Open Meetings Act provides for audio and visual teleconference meetings for the benefit of the public and State body. When a teleconference meeting is held, each site from which a member of the body participates must be accessible to the public. All proceedings must be audible and votes must be taken by roll call. All other provisions of the Act also apply to teleconference meetings. For these reasons, it is recommended that a properly equipped and accessible public building be utilized for teleconference meetings.

Comments

In order to comply with Section 11123, staff request thirty (30) days minimum advance notice should a PROC member intend to attend a meeting from a remote location.

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

Government Code Section 11123

The Bagley-Keene Open Meetings Act
California Government Code

11123. (a) All meetings of a state body shall be open and public and all persons shall be permitted to attend any meeting of a state body except as otherwise provided in this article.

(b) (1) This article does not prohibit a state body from holding an open or closed meeting by teleconference for the benefit of the public and state body. The meeting or proceeding held by teleconference shall otherwise comply with all applicable requirements or laws relating to a specific type of meeting or proceeding, including the following:

(A) The teleconferencing meeting shall comply with all requirements of this article applicable to other meetings.

(B) The portion of the teleconferenced meeting that is required to be open to the public shall be audible to the public at the location specified in the notice of the meeting.

(C) If the state body elects to conduct a meeting or proceeding by teleconference, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the rights of any party or member of the public appearing before the state body. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. The agenda shall provide an opportunity for members of the public to address the state body directly pursuant to Section 11125.7 at each teleconference location.

(D) All votes taken during a teleconferenced meeting shall be by rollcall.

(E) The portion of the teleconferenced meeting that is closed to the public may not include the consideration of any agenda item being heard pursuant to Section 11125.5.

(F) At least one member of the state body shall be physically present at the location specified in the notice of the meeting.

(2) For the purposes of this subdivision, "teleconference" means a meeting of a state body, the members of which are at different locations, connected by electronic means, through either audio or both audio and video. This section does not prohibit a state body from providing members of the public with additional locations in which the public may observe or address the state body by electronic means, through either audio or both audio and video.