



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



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

**PROC MEETING
NOTICE & AGENDA**

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

**Friday, June 21, 2013
9:30 a.m. – 12:30 p.m.**

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 February 22, 2013 PROC Minutes.
 - B. Report on the March 21-22, 2013 CBA Meeting.
 - C. Report on the May 23-24, 2013 CBA Meeting.
 - D. Appointment of New PROC member.
 - E. Reappointments of PROC members.
 - F. Reappointment of the PROC Chair.
- III. Report on PROC Activities (**Nancy J. Corrigan**).
 - A. Report on the April 18, 2013 California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body (RAB) Meeting.
 - B. Report on the May 7, 2013 American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meeting.
 - C. Report on the May 8, 2013 CalCPA Advanced Peer Review Class.
 - D. Report on the May 9-10, 2013 CalCPA Peer Review Committee (PRC) Meeting.
 - E. Report on the May 15-16, 2013 Administrative Site Visit of CalCPA.
 - F. Discussion of the July 10, 2013 PROC Summit in Nashville, TN.
 - G. Discussion of Questions to Submit For Discussion at the July 10, 2013 PROC Summit.
 - H. Assignment of Future PROC Activities.

- IV. Reports and Status of Peer Review Program (**Julie Morrow, CBA Staff**).
- A. Updates on Peer Review Reporting Forms Received and Correspondence to Licensees.

- B. Status of PROC Roles and Responsibilities Activity Tracking.

Break

- V. Report of the Task Force Created to Review the Voluntary Peer Review Survey (**Nancy J. Corrigan, Seid Sadat**).
- VI. Report of the Enforcement Chief (**Rafael Ixta, Enforcement Chief**).
- A. Report on Revisions to CBA Regulations 40, 43, and 45.
- B. Report on Revision to Business and Professions Code section 5076.
- C. Discussion Regarding PROC Oversight for AICPA Peer Reviews Conducted by Administering Entities Other than CalCPA and the National Peer Review Committee.
- D. Discussion Regarding the Percentage of CPAs Subject to Peer Review in Other States.
- E. Discussion Regarding California's PROC compared to Other Large States' PROCs.
- F. Discussion and Revisions to the PROC Procedures Manual.
- VII. Future Agenda Items (**Julie Morrow**).
- 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 Julie Morrow at (916) 561-1762, or by email at julie.morrow@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:

Julie Morrow, Peer Review Analyst
(916) 561-1762 or julie.morrow@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

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



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

**MINUTES OF THE
 FEBRUARY 22, 2013
 PROC MEETING**

Hilton North Los Angeles/Glendale
 100 West Glenoaks Blvd.
 Glendale, CA 91202
 (818) 956-5466

<u>PROC Members:</u>	<u>February 22, 2013</u>
Nancy Corrigan, Chair	9:38 a.m. – 12:24 p.m.
Robert Lee, Vice Chair	Absent
Katherine Allanson	9:38 a.m. – 12:24 p.m.
Sherry McCoy	9:38 a.m. – 12:24 p.m.
Seid M. Sadat	9:38 a.m. – 12:24 p.m.

Staff:

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

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:38 a.m.

II. Report of the Committee Chair.

A. Approval of December 4, 2012 Minutes.

Ms. Corrigan asked if members had any edits to the minutes of the December 4, 2012 PROC meeting. Linda McCrone had a correction to item VII. regarding the CalCPA Annual Report to the CBA. It should read, "... the annual report for each of the past three years will be posted on their website."

It was motioned by Seid Sadat, seconded by Sherry McCoy, and unanimously carried by those present to accept the revision and adopt the revised minutes of the December 4, 2012 PROC meeting.

B. Report on the January 24-25, 2013 CBA Meeting.

Ms. Corrigan stated that she attended the CBA meeting on January 24; however, she did not attend the CBA meeting on January 25 as she and Ms. Allanson attended the AICPA Peer Review Board meeting.

Ms. Corrigan reported to the CBA on the PROC oversight functions it has been performing. She reported that CBA members had three questions regarding the PROC:

(1) **What is the future of the PROC, its continuity, and how long will it be around?**

Ms. Corrigan stated that the PROC is mandated by law and it has established itself as a prominent committee in the United States. The PROC will continue to conduct its oversight functions and it will submit its second Annual Report to the CBA in March 2013.

(2) **What are other states' PROCs doing?**

Ms. Corrigan replied that there are five to six states with very active PROCs, including California. The PROC has been very aggressive in tackling peer review oversight issues. Some states are very small with no resources and are unable to be proactive.

(3) **What is the continuity of PROC members?**

Ms. Corrigan stated that since all of the PROC members were appointed to the PROC at the same time, there is a potential risk in continuity if all members are rotated off at the same time. However, the CBA recently rotated two members off. This created two vacancies and Ms. Corrigan will be recommending the appointment of a new member. Also, Mr. Lee was appointed as Vice Chair. The Vice Chair position may also be rotated. These changes should ensure the continuity of the PROC.

Mr. Ixta asked Ms. McCrone if she knows of anyone who might be interested in being a member of the PROC. Ms. McCrone stated that she will look into this. If anyone is interested, they should contact Ms. Corrigan.

III. Report on PROC Activities.

A. Report on the January 10, 2013 California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body (RAB) Meeting.

PROC members were unable to attend due to scheduling issues.

B. Report on the January 25, 2013 American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meeting.

Ms. Corrigan reported that she and Ms. Allanson attended the AICPA PRB meeting. Ms. Allanson said that she was impressed at the commitment of the AICPA members, and stated that they are technically capable and are making the peer review process user friendly. Ms. Corrigan added that the subcommittee members are prepared and detailed, have read all of the reports ahead of time, are open to input, and are devoted to the peer review process.

C. Report on the January 29, 2013 CalCPA RAB Meeting.

PROC members were unable to attend due to schedule conflicts at the last minute.

Ms. Corrigan stated that she wants to make sure we are coordinating well enough in advance with CalCPA so that we aren't inconveniencing them. Ms. McCrone said it was a problem in Glendale since it is a small space and they had reserved it for us and had turned others away who also requested the space. She said that the PROC is welcome to attend any teleconference, but to make sure we attend if we commit. Mr. Ixta said that if there are competing demands for space, to let CBA staff know. The PROC has flexibility when it can attend oversight functions. He also stated that CBA staff member Julie Morrow is the point of contact.

D. Discussion of the 2013 Administrative Site Visit of CalCPA.

Mr. Lee and Ms. McCoy will conduct the administrative site visit of CalCPA. Ms. McCoy stated that the engagement letter has been drafted and the checklist has been completed. They need to decide if they want to do the same thing as last year or enhance their efforts. Ms. McCoy asked for feedback from PROC members regarding the site visit. Mr. Ixta suggested that Ms. McCoy and Mr. Lee put together a plan and submit it to Ms. Corrigan and Mr. Ixta for review. He also said that when in doubt, they should refer back to CBA regulation section 48 and review the minimum requirements. Ms. McCoy said that the engagement letter specifies a specific period using the calendar year ended on December 31. Ms. McCrone said that it is not a good date since records are shredded after 120 days of acceptance. She suggested using the RAB acceptance date; rather than the calendar year end. Ms. McCoy said that last year they reviewed 10-12 files and it required a lot of time. This year the site visit is scheduled for two days which will allow more time. Mr. Ixta suggested that they should focus on one element each year and to plan a three year audit cycle.

E. Discussion of CalCPA's Annual Report on Oversight.

Mr. Ixta had a question on page seven of the report regarding the table on California firms. Ms. McCrone said that the first column is entities where one owner of the firm is a member of AICPA and is considered an AICPA peer review firm. In the second column, no one is a member of the AICPA. Both groups are treated the same by CalCPA, but the AICPA statistically separates. Mr. Ixta asked for clarification on the meaning of "not performing," specifically whether this means they failed or passed with deficiencies. Ms. McCrone said that it depends if a system or engagement review was conducted. She stated that there is more discretion in a system review and a system review can be deficient in one area and not necessarily fail. Additionally, in engagement reviews they don't have that discretion and if they find one thing wrong, most will go to a pass with deficiency but some receive a fail. For example, not complying with SARS 19 or not getting an engagement letter. Ms. Allanson said that some states don't require a peer review for compilations without disclosures and maybe in the future California will change.

Mr. Sadat asked how the process works if a firm doesn't agree with the peer review deficiency. Ms. McCrone discussed the process: if they disagree, they can submit documentation to support their position, they can teleconference with CalCPA, then it can go to a hearing with three to four committee members and that group will make a decision. In 17 years only one case has gone to the AICPA. The process is in the RAB handbook in chapters seven and eight.

Mr. Sadat expressed concern, as a licensee can lose their license because a peer reviewer finds that licensee is performing substandard work. If there are two deficiencies in a row, it is problematic. Ms. McCrone said that the whole point is to be an educational process. Mr. Ixta said that if there are two fails in a row, the

enforcement division will investigate to see what is behind the failed reviews. They look at corrective actions to make sure they comply with CalCPA.

F. Assignment of Future PROC Activities.

Ms. Corrigan made/confirmed the following assignments:

- March 21-22 CBA Meeting – Nancy Corrigan.
- April 18, 2013 CalCPA RAB Meeting – Seid Sadat & Nancy Corrigan.
- May 7, 2013 AICPA PRB Meeting – Seid Sadat & Kathy Allanson.
- May 8, 2013 Peer Review Class (San Mateo) – TBD.
- May 9-10, 2013 CalCPA Peer Review Committee (PRC) Meeting (San Diego) – Seid Sadat & Kathy Allanson.
- May 23-24 CBA Meeting – Nancy Corrigan.
- July 10, 2013 PROC Summit in Nashville (pending approval) – Nancy Corrigan.
- July 25, 2013 Advanced Peer Review Class (So. Cal) – Seid Sadat will attend. Kathy Allanson can attend as a representative, unless the new member would like to attend and provide oversight.

Mr. Ixta directed staff to seek approval to attend the PROC Summit in Nashville, Tennessee and to start the approval process in May. Since the summit will be held in a new fiscal year, maybe Ms. Corrigan will be able to attend.

Ms. McCrone said that she will not be at the June 21, 2013 PROC meeting. Jason Fox will attend in her absence.

IV. Reports and Status of Peer Review Program.

A. Updates on Peer Review Reporting Forms Received and Correspondence to Licensees.

Ms. Morrow reported that as of January 15, 2013, 51,110 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	Licensees Still Needing to Report
01-33	7/1/11	2,454	4,254	15,628	22,336	717
34-66	7/1/12	1,801	3,837	12,577	18,215	1,953
67-00	7/1/13	704	2,076	7,779	10,559	10,395
		4,959	10,167	35,984	51,110	13,065

Mr. Sadat asked if all of the 717 licensees still needed to report from phase 1 have received citations. April Freeman stated that some of these licensees have extensions and we are following up with them to see if they got a peer review and haven't yet reported.

Ms. Morrow stated that Enforcement staff is in the process of sending approximately 10,000 letters to licensees who are required to submit a Peer Review Reporting Form by July 1, 2013, but have not yet done so. The letters are currently in the review process. They were slated to be sent by the end of February, but will go out in March due to the mass mailing process.

Ms. Morrow also stated that in January and February 2013, Enforcement staff issued 1,799 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.

B. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Morrow stated that the activity tracking chart for 2012 is included and has been updated to reflect 2012 activities that have been completed as of December 31, 2012. The activity tracking chart for 2013 has been updated to capture recently attended activities and upcoming events as of January 28, 2013.

V. Report of the Enforcement Chief.

A. Approval of the 2012 Annual Report to the CBA.

Mr. Ixta stated that the Annual Report is now complete and a motion to adopt is needed.

It was motioned by Mr. Sadat, seconded by Ms. McCoy, and unanimously carried by those present to adopt the 2012 PROC Annual Report.

B. FAQs to Address the Impact of Peer Review on Retirees, Dissolved Corporations and Partnerships, and Second Phase of Reporting).

Mr. Ixta stated that attachment 1 lists the current FAQs and attachment 2 lists the proposed FAQs. The proposed FAQs reflect regulatory and statutory law changes. Ms. McCrone asked if licensees have to file a Peer Review Reporting (PR-1) form if they are inactive. Mr. Ixta said that proposed regulation 45 requires all licensees to complete a PR-1 each time they renew their license. A question will be added to the renewal form where they will need to state if a PR-1 has been filed. Ms. McCrone said this is confusing because they don't have to do the education so why would they have to file the PR-1? Mr. Ixta said that this will be a change since inactive licensees were excluded previously from the peer review mass mailings letters. However, with the transition, all licensees will receive the PR-1 question on the renewal form and mass mailings are not being planned. Failure to file the PR-1 may prevent a licensee renewing timely.

Ms. Allanson asked if we should consider adding an FAQ for people who have a dispute with the peer review process. That way, there is an FAQ on the CBA's website. Mr. Sadat will write the FAQs for the peer review due process.

It was motioned by Mr. Sadat, seconded by Ms. Allanson, and unanimously carried by those present to accept the FAQs and add more later as needed.

C. Review and Discussion of Comments Received From the Voluntary Peer Review Survey.

Mr. Ixta said that he planned to bring the comments from the voluntary peer review survey to the meeting, however, many comments were not about peer review. He proposed the creation of a two person task force to review all the comments and report back to the PROC on those comments that pertained to peer review. Ms. Corrigan and Mr. Sadat will be on the task force and Ms. Morrow will provide the comments to them.

D. Discussion of AICPA Peer Reviews Conducted by Administering Entities Other than CalCPA and the National Peer Review Committee.

Mr. Ixta said the information listed on the issue paper came from the PR-1 forms filed. About 137 peer reviews were conducted by other entities other than CalCPA and the National Peer Review Committee (NPRC). The issue the PROC needs to decide is how much oversight to provide over the 28 other administering entities that have accepted a peer review of a California licensee. Ms. McCrone said these are mainly small to mid-sized firms or sole practitioners who moved to another state and aren't doing much accounting and auditing work in California, but didn't want to give up their California license. Mr. Sadat said we should look at firms in Oregon and Nevada. Mr. Ixta stated that we could select some firms for monitoring and first do a background analysis to see what type of work they are doing.

Ms. McCrone asked how the PROC would oversight these other states since we can't travel out of state. Mr. Ixta suggested that if the number of firms in a state is low, maybe the PROC could just look at AICPA reports since they are diligent when doing peer reviews. If the number of firms falls in the medium category, they could look at AICPA reports and their state PROC. Mr. Sadat said that the PROC should come up with a proposal on oversight so future PROCs know this issue was addressed. Ms. McCrone pointed out that the AICPA report is on their website and is accessible. Ms. Corrigan suggested that a task force be created in the future. Mr. Ixta recommended that they take the top five states and look at their AICPA peer review report and the PROC committee report. Ms. Corrigan suggested we table this until the next meeting and then decide what action to take.

E. Discussion and Possible Action Regarding PROC's Response to the National Association of State Boards of Accountancy's Compliance Assurance Committee's October 18, 2012 Letter Regarding Oversight of the National Peer Review Committee.

The PROC reviewed the draft letter to NASBA. There were no revisions.

It was motioned by Ms. Allanson, seconded by Mr. Sadat, and unanimously carried by those present to accept the letter as finalized and send to NASBA.

Ms. Morrow will forward the finalized letter to Ms. Corrigan for signature.

F. Discussion and Possible Action Regarding Correspondence Received Regarding Peer Review's Impact on Small Businesses.

Mr. Ixta stated that past CBA President, Marshal Oldman, assigned a letter from Joanne Schwarzer to the PROC for further study and consideration. Given that a report on the mandatory peer review program is due to the Governor and Legislature in 2015, CBA staff recommends the PROC take no further action on the letter because it is premature to recommend any policy or legislative changes until the report is prepared.

Mr. Sadat said that Ms. Schwarzer is performing engagements in the two highest risk areas and they are very technical. CBA regulation section 48 on peer review was created to ensure licensees have the required technical skills and knowledge to perform engagements in accordance with professional standards. Ms. McCoy asked how many letters have we received of this nature and asked if there is anything else that can be done, such as enhancing the educational process. Mr. Ixta stated that about a dozen similar letters have been received. Ms. Freeman said we have received more phone calls on this issue. Ms. McCoy does not think we should wait until 2015 to respond. Mr. Sadat suggested she receive a letter stating we will do a consideration and study the issue, but did not know if the letter should come from the PROC or from Patti Bowers stating what the PROC decided.

It was motioned by Ms. Allanson, seconded by Mr. Sadat, and unanimously carried by those present to assign Ms. Corrigan and Mr. Lee to work with Executive staff to clarify what action the PROC should take.

Mr. Sadat added that Ms. Schwarzer deserves a response explaining the purpose of peer review, possibly including statistics from PRISM, and to educate her and let her know that she is free to come to meetings. He also suggested that the PROC look at the population of people who feel this way and see if there is anything can we do. He also said that the response can either state that we are accumulating information on this issue and will study it, or we can say that people are unhappy.

VI. Future Agenda Items.

Future agenda items include:

- Provide comparison of California PROC to what other states are doing.
- FAQs to address CalCPA's appeal process for peer reviews with deficiencies and failed peer review.
- Task force report of comments received from the peer review survey.
- AICPA peer reviews conducted by administering entities other than CalCPA and NPRC.
- Response to Schwarzer letter.
- Provide comparison of California PROC to PROCs in other states.
- Request PROC to explore the percentage of California CPAs subject to peer review in other states, to see if our population is consistent with other states.
- Report on site visit of CalCPA.

VII. Public Comment for Items Not on the Agenda.

Mr. Ixta reported that Jeannie Tindel of CalCPA asked him if he could do a Q&A interview regarding peer review citations and the top citation violations. The interview will appear in the March/April edition of the California CPA magazine, in the Capitol Beat section.

Ms. McCoy suggested that an article could be written for *Update* on Ms. Schwarzer's concerns. It could discuss why CPAs doing audits/compilations are subject to peer review.

Ms. Corrigan thanked Ms. Freeman for her dedication and hard work to the PROC.

VIII. Adjournment.

There being no further business, the meeting was adjourned at 12:24 p.m.

Nancy J. Corrigan, Chair

Julie Morrow, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1762.



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PROC Item III.G.
June 21, 2013

**Discussion of Questions to Submit for Discussion at the
July 10, 2013 PROC Summit**

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

Date: June 4, 2013

Purpose of the Item

The purpose of this agenda item is to create a list of questions to be submitted for discussion at the open forum portion of the PROC Summit on July 10, 2013 in Nashville, TN.

Action(s) Needed

It is requested that members prepare questions to discuss and submit to the PROC Summit on July 10, 2013.

Background

The PROC Summit is a program of the National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC), chaired by Janice Gray of the Oklahoma Board of Accountancy. The conference is held every other year to support and promote Peer Review Oversight as a critical and valuable practice for all Boards of Accountancy. The conference is intended to assist Boards in learning how to establish a new PROC and also share experiences among existing PROCs to help each Board be more effective with Peer Review Oversight. Sessions and content are formed based on the most requested information by Accountancy Board Members and PROC Members considering the goals and objectives of the CAC. The first PROC Summit was held in 2011.

Comments

When considering questions, PROC members may want to consider submitting questions that will (1) assist PROC members in providing oversight to the National Peer Review Oversight Committee (NPRC), (2) assist PROC members in providing oversight to other AICPA Administering Entities, or (3) gain an understanding of the "best practices" utilized by other PROCs.

CBA staff developed the following list of questions:

- What oversight issues do other PROCs encounter as they provide oversight of their respective Administering Entity (AE)?

- What steps do states take to conduct oversight of the NPRC and peer review reports by AEs from another state?
- Are there plans to publish the milestones of CAC's oversight process for the NPRC?
- Is there access to PROC checklists and annual reports in one portal sponsored by NASBA?
- Are there plans to have PROC Summits on a yearly basis?
- Can the next PROC Summit be scheduled in a different state than NASBA headquarters (e.g., in California)?
- Can the PROC Summit be broadcasted so states with travel restrictions can participate?

Fiscal/Economic Impact Considerations

None

Recommendation

It is recommended that PROC members approve the final set of questions to submit to the PROC Summit and direct CBA staff to send the questions to the CAC.

Attachment

None



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PROC Item III.H.
June 21, 2013

Assignment of Future PROC Activities

Presented by: Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair
Date: May 23, 2013

Purpose of the Item

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

Action(s) Needed

It is requested that all members bring their calendars to the June 21, 2013 PROC meeting and be prepared to accept assignments.

Background

None

Comments

The PROC's 2013 Year-at-a-Glance calendar (**Attachment**) 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
- National Association of State Boards of Accountancy (NASBA)

Fiscal/Economic Impact Considerations

None

Recommendation

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

Attachment

2013 Year-at-a-Glance CBA PROC Calendar, updated May 23, 2013.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)
2013 Year-at-a-Glance Calendar**
(as of May 23, 2013)

JANUARY 2013

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

FEBRUARY 2013

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

MARCH 2013

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

APRIL 2013

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

MAY 2013

S	M	T	W	Th	F	S
			1	2	3	4
5	6	T	SM	SD	SD	11
12	13	14	SM	SM	17	18
19	20	21	22	23	SC	24
26	27	28	29	30	31	

JUNE 2013

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

JULY 2013

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	TN	11	12	13
14	15	16	17	18	19	20
21	LAX	LAX	23	LAX	25	26
28	29	T-2pm	T-9/2	31		

AUGUST 2013

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

SEPTEMBER 2013

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

OCTOBER 2013

S	M	T	W	Th	F	S
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13	14	15	16	17	18	19
20	21	T-9/2	T-9am	24	25	26
27	28	29	30	31		

NOVEMBER 2013

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DECEMBER 2013

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29	30	31				

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

- GENERAL LOCATION**
- NC - NORTHERN CALIFORNIA
 - SC - SOUTHERN CALIFORNIA
 - SAC - SACRAMENTO
 - SD - SAN DIEGO
 - TN - NASHVILLE, TN
 - GL - GLENDALE
 - ONT - ONTARIO
 - LAX - LOS ANGELES
 - SM - SAN MATEO
 - 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
 - NASBA PROC SUMMIT
 - CalCPA PEER REVIEW CLASS - INTRO
 - CalCPA PEER REVIEW CLASS - ADV



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item IV
 June 21, 2013

Reports and Status of Peer Review Program

Presented by: Julie Morrow, CBA Staff

Date: May 23, 2013

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 May 21, 2013, 55,918 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	2,501	4,277	15,700	22,478	575
34-66	7/1/12	1,937	3,968	12,990	18,895	1,273
67-00	7/1/13	1,160	2,789	10,596	14,454	6,409
		5,598	11,034	39,286	55,918	8,257

Correspondence to Licensees

In March 2013, enforcement staff sent approximately 10,000 letters to licensees who are required to submit a Peer Review Reporting Form by July 1, 2013.

B. Status of PROC Roles and Responsibilities Activity Tracking

The Roles and Responsibilities Activity Tracking chart has been updated to reflect 2013 activities (**Attachment**).

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

PROC Roles and Responsibilities Activity Tracking 2013, as of May 23, 2013.

Peer Review Oversight Committee (PROC) Roles and Responsibilities
Activity Tracking – 2013
As of May 23, 2013

Activity*	Notes
PROC MEETINGS <ul style="list-style-type: none"> • Conduct four one-day meetings. 	<ul style="list-style-type: none"> • PROC Meeting Held: 2/22 • PROC Meetings Scheduled: 6/21, 8/23, 11/1
ADMINISTRATIVE SITE VISIT <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: 5/15-16
PEER REVIEW COMMITTEE MEETING <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) Meeting 1/25 • Attended: CalCPA Peer Review Committee (PRC) Meeting 5/9-10
PEER REVIEW SUBCOMMITTEE MEETING <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"> • Scheduled: CalCPA Report Acceptance Body (RAB) Meetings 6/17, 6/18, 7/30, 7/31, 8/21, 8/22, 9/24, 9/25, 10/22, 10/23, 12/16, 12/17
REVIEW SAMPLING OF PEER REVIEWS <ul style="list-style-type: none"> • Perform sampling of peer review reports. 	<ul style="list-style-type: none"> • CalCPA Administrative Site Visit 5/15-16
PEER REVIEWER TRAINING <ul style="list-style-type: none"> • Ensure that peer reviewers are properly qualified. 	<ul style="list-style-type: none"> • Attended: Advanced Training Course 5/8 • Scheduled: Advanced Training Course 7/25
EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS <ul style="list-style-type: none"> • Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers. 	<ul style="list-style-type: none"> • Pending receipt of application
ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY	<ul style="list-style-type: none"> • TBD

<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.	
--	--

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



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item V
June 21, 2013

Report of the Task Force Created to Review the Voluntary Peer Review Survey

Presented by: Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair,
and Seid Sadat, PROC Member

Date: May 30, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the report of the task force created to review the voluntary peer review survey.

Action(s) Needed

PROC members are requested to review the summary of voluntary peer review comments.

Background

The California Board of Accountancy (CBA) collected comments from December 9, 2010 to September 18, 2012 on a peer review voluntary survey. At the February 22, 2013 meeting, members created a task force to review the survey comments and create a summary of the comments for PROC members to review and discuss at the June 21, 2013 meeting (**Attachment**).

Comments

None

Fiscal/Economic Impact Considerations

None

Recommendation

The task force offered four recommendations in the report. If the PROC agrees with any of the recommendations, they will need to take them to the CBA Board for consideration.

Attachment

Report of the Task Force of the PROC Summary of Voluntary Peer Review Survey
Comments

**Report of the Task Force of the
Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
Submitted from December 9, 2010 to September 18, 2012**

Attachment

Following is a summary of the comments that were submitted for the period from December 9, 2010 to September 18, 2012 from the peer review voluntary surveys. These comments were maintained on a confidential basis by CBA staff and were presented in a numbered list format to the PROC sub-committee for review and summarization for the purpose of determining whether the peer review process can be improved as a result of the survey comments submitted by peer reviewed firms. There were 339 comments that were listed from the survey that were largely in response to the following survey questions:

- Do you believe that undergoing peer review has helped to improve your overall service to your clients? (Survey question 7)
- Do you, or will you, use peer review as a marketing tool to potential clients? (Survey question 9)
- To eliminate the need for future peer review, will you cease providing the services which trigger a mandatory peer review under the law? (Survey question 10)
- Do you have any additional comments on the peer review process? (Survey question 11)

The tabulation of the responses to these questions is complicated in that many of them covered multiple questions in their responses; however the PROC task force attempted to identify the salient topic of the response in including it within the tabulation. We identified nine categories of responses with their respective tabulations as follows:

- | | |
|--|-----|
| (1) The profession has too many disclosure requirements and continuing education requirements along with the peer review requirement; the professional standards are overly burdensome. | 6 |
| (2) The peer review process is overly time consuming, costly, and a burden on small firms. | 77 |
| (3) The peer review process is educational, helpful and a necessity to maintain the quality of firms practicing in public accounting. | 116 |
| (4) The administration process over peer reviews, knowing who to contact, making the arrangements, due dates, having data requested by the administering entity and the peer reviewer and who to respond to with the final report, was very confusing. | 35 |
| (5) The peer review process is required too frequently for firms and should be extended over a longer period of time (five years, etc.) | 8 |
| (6) If firms perform no audits, perform only compilations without disclosure or just a few compilations with disclosure, they should be exempt from peer review. | 41 |
| (7) The process from having the peer review to being accepted is too long. | 4 |
| (8) The peer review process is not helpful, does not mean anything to clients, has no positive influence on clients, is punitive to the firms and of no benefit to the firms or their clients. | 45 |

(9) Other.

7

Total responses

339

**Report of the Task Force of the Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
Page 2 of 3**

Please note that category numbers 2 and 6 could be combined as they generally pertain to the time requirement and the cost of completing a peer review even if category 6 responders did not specifically mention the time or cost factor.

Additional Comments

- Numerous responding indicated that even with peer review they see substandard work when they obtain a new client, thus there is no benefit to the peer review process.
- Numerous responding did not see the impact that a few compilations have on the public (clients, bankers, etc.) and saw no risk to performing a few engagements and being exempt from peer review. They saw no value given the small practice that they have. Some believe that since they are retired or work part-time, they should not have to undergo peer review.
- Numerous responding saw no benefit to the process, and high cost, if they are only occasionally preparing financial statements without disclosures.
- Many small firm responders blame larger firms for getting their own clients and their own firms into trouble and then creating the peer review process for all firms.
- Many responding plan to reduce their practice to avoid the cost of the peer review process.
- Several responses indicated that to pay both a peer reviewer and the administering entity was unfair, with the total cost many times being all of their profits or a large percentage of what they bill the client. Many are unable to pass the cost to the client.
- Several responses compared CPAs to other professions (doctors and lawyers) who do not have similar requirements, indicating that the peer review process is punitive rather than educational. Some indicated that CPAs do not need to be regulated by the government.
- Several responded that the additional 24-hour continuing education required should be sufficient and that a peer review on top of this is excessive.

Recommendations of the Task Force

- (1) Provide more education on the benefits of peer review, including (a) the promotion of quality and consistency between CPA firms, (b) the educational benefits to smaller firms, and (c) the benefit of peer review as a marketing tool.
- (2) Provide more education on the concept that a CPA's primary objective is to protect the public interest. To do this CPAs need to understand that they need to promote an environment whereby

the public is protected by this primary objective, and that peer review and the regulations that we practice by are designed to ensure this.

- (3) Provide a simple chart showing the chronology of the beginning of the peer review process, who administers it and how it became to be self-policing. This is important to resolve the mystery that seems to surround peer review and its development and current process.

Report of the Task Force of the Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
Page 3 of 3

- (4) CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with the firms and that it is not to be punitive in nature. Comments from firms on the voluntary survey should be shared with the peer reviewers to facilitate this process.



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item VI.A.
June 21, 2013

Report on Revisions to CBA Regulations 40, 43, and 45.

Presented by: Rafael Ixta, Enforcement Chief

Date: May 21, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the revised California Board of Accountancy (CBA) Regulations 40, 43, and 45.

Action(s) Needed

PROC members are requested to review the revised regulations.

Background

The changes to CBA Regulations 40, 43, and 45 were approved by the Office of Administrative Law and went into effect on April 8, 2013. These regulations revised the peer review reporting requirements.

Comments

CBA staff has updated the FAQs to reflect these changes. The revised Peer Review Reporting (PR-1) Form (Rev. 1/12), is in the process of being posted to the CBA website. In the meantime, licensees can continue to use the current form. Finally, staff is in the process of revising the renewal form, revising procedures, and determining the best method to notify licensees of the changes to the peer review reporting requirements.

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

California Code of Regulations, Title 16, Division 1, Article 6, Sections 40, 43, and 45.

CALIFORNIA CODE OF REGULATIONS
Title 16. Professional and Vocational Regulations
Division 1. Board of Accountancy Regulations
Article 6- Peer Review

§ 40. Enrollment and Participation.

(a) A firm performing services as defined in Section 39(a) shall have a peer review report accepted by a Board-recognized peer review program once every three years in order to renew its license. (b) A firm performing services as defined in Section 39(a) for the first time shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the date it completes those services.

§ 43. Extensions.

(a) Should an extension of time be needed to have a peer review report accepted by a Board-recognized peer review program such request shall be submitted to the Board-recognized peer review program with which the firm is enrolled for consideration and approval or denial. (b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on form PR-1(Rev. 1/12), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.

§ 45. Reporting to the Board.

(a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the Board specific peer review information as required on Form PR-1 (Rev. 1/12), which is hereby incorporated by reference. (b) Prior to January 1, 2014, the date for existing California licensees to report peer review results, on the form indicated in subsection (a), shall be based on the licensee's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013. (c) A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 1/12) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item VI.B.
June 21, 2013

Report on Revisions to Business and Professions Code Section 5076

Presented by: Rafael Ixta, Enforcement Chief

Date: May 21, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the revision to Business and Professions (B&P) Code section 5076.

Action(s) Needed

PROC members are requested to review the revision to B&P Code section 5076.

Background

The change to B&P Code section 5076 went into effect on January 1, 2013. The new law states:

- (a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

Comments

Enforcement staff has updated the FAQs, Peer Review web content, and procedures to reflect the change in law.

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

None



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item VI.C.
 June 21, 2013

**Discussion Regarding PROC Oversight for AICPA Peer Reviews
 Conducted by Administering Entities Other than CalCPA
 and the National Peer Review Committee**

Presented by: Rafael Ixta, Enforcement Chief

Date: May 22, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the number of peer reviews conducted by administering entities other than the California Society of Certified Public Accountants (CalCPA) and the National Peer Review Committee (NPRC).

Action(s) Needed

It is requested that PROC members review the number of peer reviews conducted by American Institute of Certified Public Accountants (AICPA) administering entities, other than CalCPA and the NPRC, and adopt oversight strategies for the administering entities.

Background

This agenda item was discussed at the February 22, 2013 PROC meeting. PROC members requested that this item be tabled until the June 21, 2013 meeting.

Most California-licensed firms use CalCPA or the NPRC to perform their peer reviews. There are some California-licensed firms that have their peer reviews performed by AICPA administering entities other than CalCPA and NPRC. Since the PROC has peer review oversight responsibility of the AICPA Board-recognized peer review program, the PROC needs to consider how it will provide such oversight for administering entities that are outside of California.

Comments

CBA staff identified 137 peer reviews that were performed by administering entities, other than CalCPA and the NPRC, as follows:

Alabama	1	Illinois	7	Montana	2	Oklahoma	2
Arkansas	1	Indiana	1	Nevada	27	Oregon	24
Colorado	6	Iowa	2	New England	2	Pennsylvania	1
Florida	3	Kansas	1	New Jersey	2	South Carolina	1
Georgia	2	Massachusetts	2	New Mexico	2	Tennessee	1

Discussion Regarding PROC Oversight for AICPA Peer Reviews Conducted by Administering Entities Other than CalCPA and the National Peer Review Committee

Page 2 of 2

Hawaii	5	Michigan	1	New York	11	Texas	13
Idaho	8	Minnesota	1	Ohio	1	Washington	7

CBA staff has identified the following possible oversight strategies for PROC member consideration:

Number of peer reviews conducted by out of state administrating entity	PROC's oversight strategies
Low	<ol style="list-style-type: none">1. Review AICPA Oversight Report of the administrating entity.
Medium	<ol style="list-style-type: none">1. Review AICPA Oversight Report of the administrating entity.2. Review state's PROC Activities.
High	<ol style="list-style-type: none">1. Review AICPA Oversight Report of the administrating entity.2. Review state's PROC Activities.3. California PROC to conduct its own oversight activities, if warranted.

Fiscal/Economic Impact Considerations

None

Recommendation

Given the low number of peer reviews conducted by other administering entities, CBA staff recommends the PROC consider reviewing the AICPA Oversight Reports for the administering entity as its oversight strategy.



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item VI.D.
June 21, 2013

Discussion Regarding the Percentage of CPAs Subject to Peer Review in Other States

Presented by: Rafael Ixta, Enforcement Chief

Date: June 5, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the percentage of CPAs subject to peer review in other states.

Action(s) Needed

PROC members are requested to review the information.

Background

At the January 24-25, 2013 California Board of Accountancy (CBA) meeting, members requested information about the percentage of CPAs subject to peer review in other states. CBA staff contacted the National Association of State Boards of Accountancy (NASBA) to gather the requested information.

Comments

NASBA provided information based on the number of CPAs enrolled in a peer review program. The numbers of CPAs licensed in each state were self-reported by each state to NASBA.

Based on the information provided by NASBA, 5.73% of California CPAs are subject to peer review. Below are highlights of the information provided by NASBA:

- Lowest state: New York – 1.70%
- Highest state: Rhode Island – 10.75%
- States of interest:
 - Texas – 5.63%
 - Illinois – 3.00%
 - Florida – 4.67%
 - Arizona – 5.50%
 - Nevada – 8.81%
 - Oregon – 7.34%

Based on the information provided by NASBA, the percentage of California CPAs subject to peer review is 'in the middle' with 25 states having a higher percentage than

California. However, it should be noted that a simple comparison across states is not possible since peer review requirements vary from state to state.

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

Percentage of CPAs Subject to Peer Review in Other States

Percentage of CPAs Subject to Peer Review in Other States*

State	AICPA/non-AICPA**	State	AICPA/non-AICPA**
Alabama	6.98	Montana	3.18
Alaska	7.32	Nebraska	2.53
Arizona	5.50	Nevada	8.81
Arkansas	4.07	New Hampshire	5.05
California	5.73	New Jersey	5.78
Colorado	4.47	New Mexico	9.81
Connecticut	8.26	New York	1.70
Delaware	2.76	North Carolina	6.01
Florida	4.67	North Dakota	4.45
Georgia	5.96	Ohio	4.65
Hawaii	5.87	Oklahoma	3.98
Idaho	8.43	Oregon	7.34
Illinois	3.00	Pennsylvania	5.01
Indiana	5.85	Rhode Island	10.75
Iowa	5.21	South Carolina	9.40
Kansas	8.03	South Dakota	4.45
Kentucky	6.69	Tennessee	5.64
Louisiana	7.52	Texas	5.63
Maine	6.32	Utah	7.04
Maryland	4.03	Vermont	8.57
Massachusetts	6.83	Virginia	3.07
Michigan	9.60	Washington	3.84
Minnesota	N/A***	West Virginia	9.91
Mississippi	8.40	Wisconsin	3.69
Missouri	3.26	Wyoming	10.67

* Numbers are determined based on the number of CPAs who are enrolled in a peer review program. The numbers of CPAs licensed in each state were self-reported by that state to NASBA.

** Percentages based on numbers of CPAs who are enrolled in AICPA and non-AICPA who do not get Accounting and Auditing (A&A) letters each year.

*** Number of licensed CPAs in state not available.



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item VI.E.
 June 21, 2013

Discussion Regarding California's PROC Compared to Other Large States' PROCs

Presented by: Rafael Ixta, Enforcement Chief

Date: June 3, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with information on other large states' PROCs.

Action(s) Needed

PROC members are requested to review the information.

Background

At the January 24-25, 2013 California Board of Accountancy (CBA) meeting, members requested a comparison of the California PROC compared to other large states' PROCs.

Comments

The National Association of State Boards of Accountancy (NASBA) conducted a survey for their 2011 PROC Summit regarding state boards' peer review oversight committees. Of the 25 states that responded to the survey, 13 indicated that it had a PROC. CBA staff identified nine additional states that either have a PROC or are authorized to have a PROC.

Provided below is information regarding PROCs from other large states (states that have a significant number of licensees). Two states not included are Florida and Illinois. Although these states are considered large states and both have a peer review requirement, neither have a PROC.

	California	New York	Texas
PROC	Yes	Yes	Yes
Number of Members	7	5	3
Term (yrs)	2	5	Staggered
Can Board Member Serve on PROC	No	No	No
Annual Report to Board	Yes	Yes	Yes
Use of Oversight Checklists	Yes	Developing	Yes
Established	2010	2012	2009

It should be noted that NASBA will be conducting the second PROC Summit on July 10, 2013 in Nashville, Tennessee. NASBA will be updating the PROC information for all jurisdictions. CBA staff will review the information gathered by NASBA and report back to the PROC at a future meeting with additional updated information.

Fiscal/Economic Impact Considerations

None

Recommendation

None



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



PROC Item VI.F.
June 21, 2013

Discussion and Revisions to the PROC Procedures Manual

Presented by: Rafael Ixta, Enforcement Chief

Date: June 10, 2013

Purpose of the Item

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the revised PROC Procedures Manual.

Action(s) Needed

PROC members are requested to review and make any revisions to the PROC Procedures Manual.

Background

The PROC Procedures Manual was approved and distributed to members in December 2011. In July 2012, the California Board of Accountancy (CBA) made revisions to the role of the PROC. The changes to the role of the PROC required that revisions be incorporated into sections III and IV of the Procedure Manual, which were subsequently distributed to PROC members.

Comments

Changes to the Procedures Manual are shown in strikethrough and underline text. The significant revisions are:

- Addition of the Conflicts of Interest memos dated August 30, 2011 and March 12, 2012 (Appendixes D and E)
- Addition of the Peer Review Board Meeting Checklist (Appendix I)
- Addition of the Peer Review Program Provider Checklist (Appendix M)

Fiscal/Economic Impact Considerations

None

Recommendation

CBA staff recommends approval of the June 2013 PROC Procedures Manual.

Attachment

PROC Procedures Manual

Error! Reference source not found.
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CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE
PROCEDURES MANUAL



~~December 2011~~

June 2013

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SECTION I - INTRODUCTION

This procedure manual contains guidance assembled by the California Board of Accountancy's (CBA) Peer Review Oversight Committee (PROC) to be used by the PROC and the CBA in its peer review oversight roles and responsibilities as described herein. The peer review process utilizes a significant number of terms and acronyms which have been presented in a glossary (APPENDIX A). In addition, to provide a visual aid for the PROC's place in the peer review process, an organizational structure chart is included (APPENDIX B).

A. AUTHORITY

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P) as follows: The CBA shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy 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 composition and function of the PROC is further defined in Title 16 California Code of Regulations (CCR) Section 47.

B. PURPOSE

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. (B&P §5076.1)

C. MEMBERSHIP

The PROC shall be comprised of not more than seven (7) licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the CBA. No member of the committee shall be a current member or employee of the CBA. (B&P §5076.1(a), CCR §47)

All members of the PROC, at a minimum, must:

- Be a California-licensed CPA with an active license to practice in good standing in this state, with the authority to sign attest reports.
- Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.
- Regularly sign attest reports and have extensive experience in performing accounting and auditing engagements.
- Have completed the 24-hour Accounting and Auditing and eight-hour Fraud continuing education requirements for license renewal, as prescribed by Section 87 of the Accountancy Regulations.
- Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.
- Have extensive knowledge of the AICPA's *Standards for Performing and Reporting on Peer Reviews*.

D. TENURE

PROC members shall be appointed to two-year terms and may serve a maximum of four (4) consecutive terms. (B&P §5076.1)

E. CONFIDENTIALITY

All PROC members shall sign a confidentiality letter.

Any information obtained by the PROC in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- In connection with disciplinary proceedings of the CBA
- In connection with legal proceedings in which the CBA is a party
- In response to an official inquiry by a federal or state governmental regulatory agency
- In compliance with a subpoena or summons enforceable by court order
- As otherwise specifically required by law

All PROC members are required to sign a confidentiality letter (APPENDIX C).

F. CONFLICTS OF INTEREST

PROC members shall not participate in any discussions with respect to a reviewed firm when the member lacks independence as defined by Title 16 California Code of Regulations Section 65 or has a conflict of interest.

PROC members are allowed to conduct peer reviews as self-employed individuals, employees of a firm, or as an owner/partner of a firm. However, if any decisions involving the peer reviewed firm come before the PROC, the PROC member would have to disqualify himself/herself from all of the issues/decisions before the PROC.

Members are required to file the Fair Political Practices Commission's Form 700 upon appointment, annually, and upon leaving office. Members of the PROC are designated as Disclosure Category 4, which means that they must report:

All interests in real property and investments and business positions in, and any income, including gifts, loans and travel payments from, a business entity, professional association or individual where the business entity, professional association or individual's profession is regulated by or offers programs or courses qualifying for licensing or continuing education credit by the official's or employee's license agency.

If any PROC member receives any income, gifts, loans, or travel payments from any person or entity (as defined by the Act) regulated by the CBA, he or she must disclose the financial interest on the Form 700. This would be true even if such person or entity is not regulated in any manner by the PROC since Disclosure Category 4 requires disclosure when the regulation stems from the "official's or employee's licensing agency." A PROC member would be deemed to have a financial interest in a decision if certain financial limits are met.

The PROC received additional guidance from The Department of Consumer Affairs' Legal Office as outlined in APPENDIX D and APPENDIX E.

G. TRAVEL REIMBURSEMENT

Each PROC member shall be reimbursed for traveling and other reasonable expenses necessarily incurred in the performance of duties. (B&P §103)

General guidelines for travel reimbursement will be provided at the time of appointment.

H. COMPENSATION

Each PROC member shall receive a per diem of one hundred dollars (\$100) for each day actually spent in the discharge of official duties. (B&P §103)

SECTION II – GENERAL COMMITTEE MEETING INFORMATION

A. MEETINGS

The PROC shall hold meetings as necessary in order to conduct business and shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include the PROC Chair attending CBA meetings to report on the activities of the PROC. The PROC shall also prepare an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight. (CCR §47(c))

B. OPEN/CLOSED SESSION

PROC meetings may include both open and closed sessions.

C. QUORUM

Before any action may be taken on agenda items, a quorum must be present at the meeting. Therefore, attendance by PROC members is critical. A majority of the PROC membership shall constitute a quorum.

D. ATTENDANCE BY MEMBERS

PROC members are expected to attend all regularly scheduled meetings of the PROC as well as assigned meetings of peer review program providers. A member who is absent from two consecutive PROC meetings will be subject to review by the Chair. Upon recommendation to the CBA, the member may be dismissed.

E. ATTENDANCE BY OTHERS

PROC meetings may be attended by CBA members as well as the general public. Members of the general public are only allowed to attend the open session portion of the meeting.

To ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full California Board of Accountancy (CBA) are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

F. STAFF

CBA staff will be available prior to and during all PROC meetings to provide the following:

- Meeting room arrangements
- Travel arrangements
- Coordination of meeting materials
- Record meeting proceedings
- General support to members

SECTION III – ROLES AND RESPONSIBILITIES

A. ROLES & RESPONSIBILITIES

The PROC shall evaluate the responsibilities adopted for the PROC by the CBA to determine if the responsibilities are sufficient for the PROC to fulfill its purpose. Any recommendations for changes to the PROC's responsibilities shall be presented to the CBA for consideration and approval. Broadly stated, the PROC shall have the following roles and responsibilities (the specific oversight duty(ies) used to accomplish these goals are listed below each item):

- 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.
 - 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.

The PROC shall develop a more detailed plan for performing and completing the above roles and responsibilities as outlined in the manual. This plan shall be reviewed with the CBA on a routine basis and updated as appropriate to enable the PROC to fulfill its purpose. Documents resulting from the PROC's program shall be considered drafts until approved as final by the PROC and the CBA. Final documents shall be subject to the retention schedule in place at the CBA.

SECTION IV – PROC FUNCTIONS

The PROC oversight duties will include the following.

A. OVERSIGHT OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

1. Administrative Site Visits

The PROC shall conduct, 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.

Each PROC member performing an administrative site visit shall complete a “Summary of Administrative Site Visit” checklist (APPENDIX [DE](#)) and submit to the CBA office within thirty (30) days of the administrative site visit.

2. Peer Review Committee Meetings

The PROC shall attend all peer review committee meetings conducted by a Provider to monitor that the Provider is adhering to the minimum standards set forth by the CBA.

Each PROC member attending a peer review committee meeting shall complete a “Summary of Peer Review Committee Meeting” checklist (APPENDIX [EG](#)) and submit to the CBA office within thirty (30) days of the peer review committee meeting.

3. Peer Review Subcommittee Meetings (Report Acceptance Bodies)

The PROC shall attend at least four meetings per year of any peer review subcommittee created by a Provider for the purposes of accepting peer review reports. These meetings are commonly referred to as “Report Acceptance Body (RAB)” meetings. The PROC will monitor to ensure that peer reviews are performed and reported on in accordance with the Provider’s established standards.

Each PROC member attending a subcommittee meeting shall complete a “Summary of Peer Review Subcommittee Meeting” checklist (APPENDIX [FH](#)) and submit to the CBA office within thirty (30) days of the peer review subcommittee meeting.

4. Peer Review Board Meetings

The PROC shall attend selected Peer Review Board (PRB) meetings to observe how the PRB executes its duties in the meeting and to determine whether or not this aspect of the peer review process is operating effectively in the state of California. The PRB meetings generally occur via conference call.

Each PROC member attending a peer review board meeting shall complete a “Peer Review Board Meeting Checklist” (APPENDIX I) and submit to the CBA office within thirty (30) days of the peer review board meeting.

4.5. Sample Reviews

The PROC shall conduct reviews of peer reviews accepted by a Provider on a sample basis. The review may include, but is not limited to, the peer review report; reviewers' working papers prepared or reviewed by the Provider's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, the imposition of required remedial or corrective actions, the monitoring procedures applied, and the results.

Sample reviews may be conducted during the Administrative Site Visit.

Each PROC member conducting a sample review of peer reviews shall complete a "Summary of Sample Reviews" checklist (APPENDIX ~~GJ~~) and submit to the CBA office within thirty (30) days of the completion of the review.

5.6. Peer Reviewer Training

The PROC shall attend, on a regular basis, peer review training courses offered by a Provider. The PROC shall monitor the Provider's training program to ensure that the program is designed to maintain or increase peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

Each PROC member attending a subcommittee meeting shall complete a "Summary of Peer Reviewer Training" checklist (APPENDIX ~~HK~~) and submit to the CBA office within thirty (30) days of the peer reviewer training course.

6.7. Statistics

The PROC shall collect statistical monitoring and reporting data on a regular basis; such data should be in a mutually agreed upon format to be prepared by the Provider, and shall include, but not be limited to, the following:

- Types (system vs. engagement) and numbers of reviews in process
- Types (system vs. engagement) and numbers of reviews completed by month, and cumulatively for the annual reporting period
- Types (system vs. engagement) and numbers of reviews receiving a pass, pass with deficiencies, or fail rating
- Extensions requested and status (granted, denied, and completed)
- Corrective action matters (various types: overdue peer review reports, disagreements pending resolution, etc.)
- Delinquent reviews
- Firms expelled from the program

If not included in the statistical data reports, the PROC shall obtain a written outline of the administering entity's risk assessment process in conducting its peer review program activities.

B. EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

The PROC shall review any *Application to Become A Board-Recognized Peer Review Program Provider (01/10)* (APPENDIX ~~IL~~) received by the CBA. The PROC shall recommend approval or denial to the CBA based on the applicant's evidence that its peer

review program is comprised of a set of standards for performing, reporting on, and administering peer reviews and contain all the components outlined in Title 16, California Code of Regulations Section 48. The PROC shall complete a “Peer Review Program Provider Checklist” (APPENDIX M) and submit to the CBA office within thirty (30) days of the completion of the review.

C. WITHDRAWAL OF BOARD RECOGNITION OF A PEER REVIEW PROGRAM PROVIDER

The PROC is authorized to request from a Provider those materials necessary to perform its review. The PROC shall refer to the CBA any Board-recognized peer review program provider that fails to respond to any request.

D. ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY

The PROC shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight. The report should be submitted to the March CBA meeting each year.

E. DOCUMENTATION OF OVERSIGHT ACTIVITIES

All PROC members shall document their attendance at or participation in peer review oversight activities using the ~~following~~ checklists developed:

- ~~1. Summary of Administrative Site Visit~~
- ~~2. Summary of Peer Review Committee Meeting~~
- ~~3. Summary of Report Acceptance Body Meeting~~
- ~~4. Summary of Random Sampling of Peer Reviews~~
- ~~5. Summary of Peer Reviewer Training~~

All checklists should be signed by the PROC member and submitted to the CBA office within thirty (30) days of the oversight activity.

Checklists will be maintained by the CBA office in accordance with the Records Retention Policy.

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A

Accountants' Database	Former AICPA Library database covering 1974-1991 literature which as was merged into the Accounting and Tax Database in 1992.
Accountants' Index	Index to the accounting literature, including books and journal articles, published by the AICPA Library Services Team from 1920-1991. Reprints are available from UMI (University Microfilms Inc.).
Accounting & Tax Database	An online database covering the accounting literature produced by UMI and available since 1992 on the Knight-Ridder Dialog service, File 485. It includes the AICPA Library's Accountants Database and AICPA Library catalog records from 1992-1999 for books and pamphlets added to the AICPA Library.
Accounting and Review Services Committee (ARSC)	AICPA committee whose objective is to develop, on a continuing basis, procedures and standards of reporting by CPAs on the types of accounting and review services a CPA may render in connection with unaudited financial statements, as well as unaudited financial information of an entity that is not required to file financial statements with a regulatory agency in connection with the sale or trading of its securities in a public market.
Accounting Principles Board (APB)	Standards-setting body for accounting principles that issued its opinions from November 1962 to June 1973. Succeeded by Financial Accounting Standards Board.
Accounting Standards Executive Committee (AcSEC)	AICPA committee whose objective is to determine Institute technical policies regarding financial accounting and reporting standards. As a senior technical committee, it is authorized to make public statements, without clearance from Council or the Board of Directors, on matters related to its area of practice.
Accredited in Business Valuation (ABV)	Credential in business valuation awarded by the AICPA to those who have met prescribed requirements and passed an examination.
Adverse Opinion	Auditor's opinion which states that financial statements do not fairly present the financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.
Agreed Upon Procedures	Specific procedures agreed to by a CPA, a client and (usually) a specified third party. The report states what was done and what was found. Additionally, the use of the report is restricted to only those parties who agreed to the procedures.
AICPA Board of Directors	Executive Committee of Council which directs Institute activities between Council meetings. It is comprised of 23 members.
AICPA Council	AICPA governing body which determines Institute procedures and policies. It comprises of approximately 260 members representing every state and four U.S. territories.

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AICPA InfoBytes	Online library of CPE materials developed by the AICPA as a subscription service. Provides members with more than 1200 hours of continuing profession courses for an annual fee.
AICPA On Line	The AICPA's Web site on the Internet. The Web address is http://www.aicpa.org .
AICPA Personal Liability Umbrella Security Plan (AICPA PLUS)	AICPA insurance plan which provides members and their families with up to \$5 million personal liability coverage.
American Accounting Association (AAA)	National professional association for those involved in accounting education in higher education.
Association to Advance Collegiate Business Schools (AACBS)	Recognized agency that accredits academic programs. The Website address is: http://www.aacsb.edu/
American Society of Association Executives (ASAE)	National organization of managers of all types of trade and professional associations.
American Taxation Association (ATA)	This is the national professional association for tax professors in higher education.
American Tort Reform Association (ATRA)	Coalition of associations, nonprofit organization, consumer advocates, businesses, and professionals whose purpose is to restore fairness, balance, and predictability to the nation's civil justice system.
Analytical Review Procedures	Substantive tests of financial information made by a study and comparison of relationships among data.
Application Service Provider (ASP)	An entity that provides software functionality across the Internet or private networks on a rental, leased or pay-as-you-go basis.
Association for Accounting Administration	Founded on January 1, 1984, to enable accounting firm administrators to communicate with one another and provide each other with the benefits to everyone's experiences in what was a new and emerging profession.
Association of Government Accountants (AGA)	National organization of CPAs and others involved in governmental accounting and auditing at all levels.
Assurance Services	Services which improve the quality of information, or its context, for decision-makers.
Assurance Services Executive Committee	This committee is responsible for identifying, developing, and communicating new assurance opportunities for the membership.

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(ASEC)	Moreover, if measurement criteria or more detailed performance guidance is required to deliver a particular service, the Committee, or one of its task forces, will develop such criteria or guidance, working cooperatively with other senior technical committees or bodies with specialized expertise in the subject area as necessary and appropriate.
Attestation Standards (AT)	The attestation standards enable practitioners to examine or review non-financial statement information and to perform and report on the results of those engagements in accordance with professional standards.
Audit and Accounting Guides	Materials which provide CPAs with authoritative guidance regarding accounting and auditing of entities in specialized industries or other specialized areas.
Audit Risk	The risk that an auditor will unknowingly fail to appropriately modify his/her opinion on financial statements that are materially misstated.
Audit Risk Alerts	Annual updates alerting auditors to current economic, regulatory, and professional developments in various industries. These include <i>Compilation and Review Alerts</i> , and approximately 18 industry-specific alerts.
Audit Sampling	The application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class.
Auditing Committee Effectiveness Center (AudCommCtr)	A key element in the corporate governance process of any organization is its audit committee. As its role expands, making the audit committee as effective and efficient as possible becomes critical. The battle for financial statement integrity and reliability depends on balancing the pressures of multiple stakeholders, including management, regulators, investors and the public interest. Guidance and tools are presented to make audit committee best practices actionable.
Audit Committee Matching System (ACMS)	This system was built for two reasons— for our members to provide them with opportunities to serve on boards of directors, and as a public service to provide a list of qualified, credentialed candidates to serve on boards of directors and presumably the audit committees of those boards
Auditing Procedure Studies (APS)	Studies which inform practitioners of developments and advances in auditing procedures to provide practical assistance regarding auditing procedures.
Auditing Standards Board (ASB)	Board authorized by the AICPA to promulgate auditing and attest standards, quality control standards procedures, and implementation guidance for AICPA members performing such services. It comprises of 19 members. As a senior technical committee, it is authorized to make public statements, without clearance from Council or the Board of Directors, on matters related to its area of practice.

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B

Beta Alpha Psi (BAP)	The premier professional accounting and business information fraternity which recognizes academic excellence and complements members' formal education by providing for interaction among students, faculty and professionals.
Big Four	Traditionally, the four largest CPA firms in the world. They are: PricewaterhouseCoopers; Deloitte & Touche LLP; Ernst & Young LLP; and KPMG.
Board of Examiners (BOE)	An executive committee of the AICPA with overall responsibility for preparing and grading the Uniform CPA examination.
Business and Industry Executive Committee (BIEC)	The AICPA committee charged with representing and advocating the needs of members in business and industry.
Business Valuation (BV)	Refers to the discipline involving a process by which a supportable opinion is derived about the worth of a business or individual assets or liabilities.

C

Canadian Institute of Chartered Accountants (CICA)	The national membership organization of Chartered Accountants of Canada, which works closely with the AICPA on several initiatives of common interest, including, but not limited to WebTrust, SysTrust, Eldercare, Performance Views and Continuous Assurance.
Cascade	The cascade of Sarbanes-Oxley Act (SOX) is the extension of provisions contained in SOX that apply only to SEC registrants and their auditors to private companies and not for profit organizations and their CPA firms.
Center for Investment Advisory Services (CIAS)	A center developed by the AICPA to provide tools and helps to train our members and enable them to provide investment advisory services to their clients.
Center for Public Company Audit Firms (CPCAF)	A center developed by the AICPA to provide support to member firms that audit or are interested in auditing public companies with education, communication, representation and other means. Succeeded by Public Company Auditors Forum effective January 1, 2006.
Center for Public Company Audit Firms Peer Review Committee (PRC)	AICPA committee whose objective is to enhance the quality of accounting and auditing engagements by enrolled AICPA firms by conducting and administering a peer review program for firms' non-SEC issuer practices to co-exist with the Public Company Accounting Oversight Board's inspection of firms' SEC issuer practices.

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Certified Association Executive (CAE)	Designation conferred by the American Society of Association Executives following a course of study designed to enhance all around competency in the field of association management. Several AICPA staff members hold the designation.
Certified Information System Auditor (CISA)	A professional credential offered by Information Systems Audit and Control Association (ISACA) certifying expertise in information system auditing. The CISA is earned through a combination of experience and successful completion of an exam, offered annually in 11 languages.
Certified Information Security Manager (CISM)	A credential specifically geared toward experienced information security managers and those who have information security management responsibilities. CISM is designed to provide executive management with assurance that those earning the designation have the required knowledge and ability to provide effective security management and consulting. It is business-oriented and focuses on information risk management while addressing management, design and technical security issues at a conceptual level. While its central focus is security management, all those in the IS profession with security experience will certainly find value in CISM.
Certified Information Technology Professional (CITP)	Credential in information technology awarded by the AICPA to CPAs who have met experience, life long learning and examination requirements. CITPs are involved in information strategic planning, implementation, management, and business strategies for information systems.
Certified Internal Auditor (CIA)	An international certification awarded by the Institute of Internal Auditors (IIA) that reflects competence in the principles and practices of internal auditing.
Certified Management Accountant (CMA)	Title bestowed by the Institute of Management Accountants (IMA) on persons meeting certain basic requirements, principally an examination covering economic theory, financial management, cost accounting, etc.
Certified Public Accountant (CPA)	A credential conferred by a state or similar governmental jurisdiction that authorized the holder to practice as a certified public accountant in that jurisdiction.
Certified Public Accountants' Society Executives Association (CPA/SEA)	Independent organization of state CPA society chief executive officers.
Chief Financial Officer (CFO)	The individual in an organization with overall responsibility for accounting, treasury, financial management, financial reporting, finance and related functions. This position reports to the CEO and depending on the size of the organization, it could have many additional responsibilities. The CFO should be the right hand of the CEO, collaborating on strategy and business growth, while at the same

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	time bringing ensuring compliance and conservatism. Sometimes called the VP-Finance or similar title.
CFO Act	The Chief Financial Officers' Act of 1990 which created chief financial officer positions in the major federal department and agencies to oversee the government's management of funds and improve its federal financial responsibility.
Chartered Accountant (CA)	Professional accounting designation used in the United Kingdom, Canada and several other countries.
Committee-Appointed Review Team (CART)	A team appointed by the entity administering the AICPA Peer Review Program (Program) to conduct a CPA firms' peer review engagement or repeat review. CART reviews are not available for systems reviews or for firms in the Center for Public Company Audit Firms Peer Review Program.
Competency Self-Assessment Tool (CAT)	A Web-based tool designed to allow CPAs and other users to assess their knowledge, skills and abilities in four broad competency categories: Leadership Qualities, Personal Attributes, Broad Business Perspective and Functional Expertise, and then develop a learning plan to close any competency gaps identified.
Compilation	Information presented in the form of financial statements that is the representation of management without the accountant undertaking to express any assurance on the statements.
Computer based Test (CBT)	Term sometimes used to refer to the Uniform CPA Examination. The Uniform CPA Examination is delivered in a computerized format, almost year-round, at test centers across the United States. Go to www.cpa-exam.org for information about the CPA Examination, applying, and scheduling.
Computerized Accounting Tool Services (CASTA)	Series of software tools for CPAs used in providing accounting and auditing services to clients.
Congressional Budget Office (CBO)	Federal government agency responsible for providing Congress with basic budget data and analysis of alternative fiscal, budgetary, and programmatic policy issues. It was established by the Congressional Budget Act of 1974.
Congressional Record (Cong. Rec.)	The written record of the daily proceedings of the U.S. Senate and House of Representatives. It is published whenever either Chamber of Congress is in session, or it includes the debates in both chambers on legislation before those bodies, a list of bills introduced and any comments regarding those measures, and a list of committee hearings.
Congressional Research Services (CRS)	The research branch of Congress, working out of the Library of congress.

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<p style="text-align: center;">Consulting Services (CS)</p>	<p>Consulting Services provided by CPA firms in addition to the traditional audit, accounting, and tax services (e.g. systems work, production planning). The AICPA CS Team provides educational and technical guidance to firms and private sector employees who offer consulting services to clients or employers.</p>
<p style="text-align: center;">Continuing Professional Education (CPE) Advisory Committee</p>	<p>CPE Advisory Committee aids the AICPA by providing experience and observations of AICPA members as they relate to education, training, professional transformation and career enhancement. Committee lends expertise in strategic planning, feedback on major decisions and forward-looking suggestions.</p>
<p style="text-align: center;">Continuing Professional Education (CPE) Now called Professional Development</p>	<p>An integral part of the life-long learning required for the CPA to provide competent service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.</p>
<p style="text-align: center;">Core Competency Framework for Entry into the Accounting Profession</p>	<p>This Framework is an online resource that educators can utilize to develop or reform curricula to support the development of a set of competencies, consistent with the findings of the CPA Vision. It defines core functional, personal and broad business perspective competencies that all students are expected to have upon entry into the broadly envisioned accounting profession. Soon to be incorporated into the Framework is a database of learning strategies that academics can utilize to develop requisite competencies. In addition, the Framework will provide an automated evaluation process that academics can follow to establish academic goals and priorities regarding competency development and to design and assess circular effectiveness.</p>
<p style="text-align: center;">Cost Accounting Standards Board (CASB)</p>	<p>The five-member federal government body responsible for setting cost accounting standards for all government contractors.</p>
<p style="text-align: center;">CPA2Biz</p>	<p>Accounting profession's vertical portal to provide tools, support and opportunities, online & offline, to enable CPAs to enhance customer relationships & expand their portfolio of product and service offerings.</p>
<p style="text-align: center;">CPA iPack</p>	<p>A package of materials designed to introduce high school/college students to accounting concepts and career opportunities in the profession. The package includes the award winning Takin' Care of Business video, the Education Handbook of lesson plans, a career guide and related materials.</p>
<p style="text-align: center;">CPE Wizard</p>	<p>In MSP, this is the web application that allows members to manage their CPE credits earned. This application is a tool that allows members to track CPE registered for and attended (group study, online, other self-study, etc). It tracks course information, credit earned, and sponsor.</p>

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Customer Relationship Management (CRM)	A business management system that involves all aspects of interaction an organization has with its customer or member, including all marketing, communications, sales and service related activities. The overall objective of CRM effort is to develop a 360 degree view of a member/customer.
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D

Dialog	Owned by Thomson, Dialog is a comprehensive service with over 450 databases from a broad range of disciplines.
Disclaimer of Opinion	Auditor's statement in which he (she) does not express an opinion on financial statements.
Disclosure	The material matters relating to the form, arrangement, and content of financial statements that are "disclosed" during the presentation of financial statements in accordance with generally accepted accounting principles, or, if applicable with OCBOA.
Discussion Leader's Guide (DLG)	For use by CPE instructors, this guide provides the necessary written information for a successful presentation.
Discussion Memorandum (DM)	Document sometimes issued for public comment to assist an authoritative body in formulating an exposure draft.

E

Educational Competency Assessment Site (ECAS)	A web-based tool to help accounting educators and program administrators integrate the skills-based competencies defined in the AICPA Core Competency Framework for Entry into the Accounting Profession.
ElderCare Services	A host of financial and non-financial services targeted at older adults and their family members to help those older adults maintain their independence for as long as possible and to provide peace of mind for their family members.
Elijah Watt Sells Award	Award presented to those CPA candidates who take all four sections of the Uniform CPA Examination at one time and receive the three highest combined grades.
Emerging Issues Task Force	The EITF was designed to promulgate implementation guidance within the framework of existing authoritative literature to reduce diversity in practice on a timely basis. The EITF was designed to minimize the need for the FASB to spend time and effort addressing narrow implementation, application, or other emerging issues that can be analyzed within existing GAAP.

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Employee Benefit Plan Audit Quality Center (EBP AQC)	An AICPA firm membership Center with the objective of enhancing the quality of audits of employee benefit plans subject to ERISA.
Employee Retirement Income Security Act of 1974 (ERISA)	A federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans. ERISA requires plans to provide participants with plan information including important information about plan features and funding; and requires plans to prepare financial reports and have annual audits generally for plans with more than 100 participants.
Engagement Reviews under the AICPA Peer Review Program	Peer review for firms that only perform services under SSARS and/or services under the SSAEs not included in system reviews have peer reviews called engagement reviews. The objectives of an engagement review are to provide the reviewer with a reasonable basis for expressing limited assurance that: a. the financial statements or information and the related accountant's report on the accounting and review engagements and attestation engagements submitted for review conform in all material respects with the requirements of professional standards in all material respects and b. the reviewed firm's documentation conforms with the requirements of SSARS and the SSAEs applicable to those engagements in all material respects.
Enhanced Business Reporting (EBR)	Enhanced Business Reporting is comprised of voluntary, globally recognized guidelines for providing richer disclosure of business information, allowing companies to better communicate current and expected performance while giving the investment community and other stakeholders the information they need to make better decisions. This includes financial statements, key performance indicators based on industry-specific definitions, and company-specific information about strategy, plans, opportunities and risks.
Enrolled Agent	A tax practitioner who, by passing an examination given by the U.S. Treasury Department, can represent taxpayers before the Internal Revenue Service.
Enterprise Resource Planning (ERP)	A business management system that integrates all facets of the business to the related financial reporting functionality. Software applications have emerged to help business managers implement ERP in business activities such as planning, manufacturing, sales, marketing, inventory control, order tracking, and finance. ERP attempts to integrate all departments and functions across a company to create a single software program that runs off one database.
Evaluation Task Force (ETF)	Peer Review Committee members from the Center for Public Company Audit Firms Peer Review Committee that discuss and accept peer review reports and other peer review related documents for firms enrolled in the Center for Public Company Audit Firms Peer Review Program.

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Evidential Matter	Audit materials supporting the financial statements consisting of the underlying accounting data and all corroborating information available to the auditor.
Examinations Committee (EC)	A standing committee of NASBA which investigates and makes recommendations to boards of accountancy regarding all aspects of the Uniform CPA Examination.
Examinations Review Board (ERB)	A standing committee of NASBA which provides a comprehensive audit of the preparation, grading, security, and administration of the exam.
Exposure Draft (ED)	Document issued by the AICPA, Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), Federal Accounting Standards Advisory Board (FASAB), or other authority to invite public comment before a final accounting, auditing, or administrative standard, policy or procedure pronouncement is issued.
Extensible Business Reporting Language (XBRL)	Formerly code named XFRML, XBRL is a freely available electronic language for financial reporting. It is an XML-based framework that provides the financial community a standards-based method to prepare, publish in a variety of formats, reliably extract and automatically exchange financial statements of publicly held companies and the information they contain. XBRL is not about establishing new accounting standards but enhancing the usability of the ones that we have through the digital language of business. XBRL will not require additional disclosure from companies to outside audiences.

F

Federal Accounting Standards Advisory Board (FASAB)	Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to federal government entities.
Federal Deposit Insurance Corporation (FDIC)	Independent agency that provides insurance coverage for deposits in both banks (through the Bank Insurance Fund) and savings institutions (through the Savings Association Insurance Fund) and conducts periodic examinations of state-chartered banks that are not members of the Federal Reserve System.
Federal Register (F.R.)	The principal document containing administrative agency law, including proposed and final regulations. It is issued daily.
Federal Reserve System – Board of Governors	Regulates state member banks, bank holding companies and financial services companies.

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(Fed or FRB)	
Federal Trade Commission (FTC)	Regulates the profession with regard to privacy for tax preparers, tax planners, and financial planners.
Federation of Schools of Accountancy (FSA)	The organization of accredited accounting graduate programs that is dedicated to enhancing, through collegiate education, the capabilities and performance of those entering the accounting profession.
Financial Accounting Foundation (FAF)	Independent, private-sector organization whose trustees appoint the members, provide funds, and exercise general oversight of the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and their respective advisory councils.
Financial Accounting Standards (FAS)	Official promulgations by the Financial Accounting Standards Board and, if not superseded, part of generally accepted accounting principles.
Financial Accounting Standards Advisory Council (FASAC)	The primary function of FASAC is to advise the Board on issues related to projects on the Board's agenda, possible new agenda items, project priorities, procedural matters that may require the attention of the FASB, and other matters as requested by the chairman of the FASB. FASAC meetings provide the Board with an opportunity to obtain and discuss the views of a very diverse group of individuals from varied business and professional backgrounds.
Financial Accounting Standards Board (FASB)	Independent, private, non-government group which is authorized by the accounting profession to establish generally accepted accounting principles in the U.S.
Financial Executives International (FEI)	Professional association for financial executives whose objective is to maintain a position of national leadership on issues affecting corporate financial management, and to provide those services that will best meet the professional needs of its members.
Financial Planning Association (FPA)	The membership organization for the financial planning community, created when the Institute of Certified Financial Planners (ICFP) and the International Association for Financial Planning (IAFP) unified on January 1, 2000. Members include individuals and companies who have contributed to building the financial planning profession and all those who champion the financial planning process.
Financial Statements	The presentation of financial data, including accompanying notes derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a comprehensive basis of accounting.
Firm-on-Firm Team Review (FOF)	A peer review team formed by a CPA firm engaged to conduct the peer review of another CPA firm.

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Flexible Life Insurance	Term Life Insurance issued through AICPA Insurance Trust. Includes Group Variable Universal Life options.
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G

Government Accountability Office (GAO)	Independent, non-partisan agency which assists Congress in investigating and reporting on government's effectiveness in using public funds.
Generally Accepted Accounting Principles (GAAP)	Uniform minimum standards of and guidelines to financial accounting and reporting. Currently, the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory are authorized to establish these principles.
Generally Accepted Auditing Standards (GAAS)	Standards governing the conduct of external audits by CPAs, as determined by the Auditing Standards Board (ASB) of the AICPA.
Generation Skipping Transfer Tax (GSTT)	This is a tax on estate tax transfers, generally through trusts that are intended to avoid estate taxes. There is a \$1 million exemption, but the taxpayer has to elect to allocate it to a transfer, and this is hard to do when it is uncertain what the future value of the transfer will be. The result has been liability for practitioners for failing to elect to allocate some of the exemption to the transfer.
Government Audit Quality Center (GAQC)	An AICPA firm membership Center with objective of enhancing the quality of audits of entities subject to GAGAS.
Government Auditing Standards, a.k.a Generally Accepted Government Auditing Standards (GAGAS)	Commonly referred to as the "Yellow Book," it contains standards for audits of government organizations, programs, activities, and functions, and of governmental funds received by contractors, nonprofit organizations, and other non-government organizations. Revisions are issued as required by the Comptroller General of the U.S.
Government Finance Officers Association (GFOA)	Private, nonprofit organization which has actively supported the advancement of governmental accounting, auditing, and financial reporting since 1906.
Governmental Accounting Standards (GAS)	Official promulgations by the Governmental Accounting Standards Board (GASB) and, if not superseded, part of generally accepted accounting principles applicable to state and local governmental entities.
Governmental Accounting Standards	Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to state and local

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Board (GASB)	governmental entities.
Governmental Performance and Accountability Committee (GPAC)	The AICPA Government Performance and Accountability Committee (GPAC) represents CPAs working in all levels of federal, state and local government. It also serves the public who depend on CPAs to help ensure government accountability. The mission of the GPAC is to 1) promote greater government accountability and the integrity of government operations, information and information systems, 2) promote and encourage increased participation and involvement by CPAs in government within the AICPA, 3) enhance the professional image and value of CPAs in government, 4) provide advice and counsel to the Institute on the needs of CPAs in government, and 5) serve as a conduit for communications among CPAs in government, the Institute and other professional organizations.

I

Independence Standards Board (ISB)	Independent standard setter which was formed by the AICPA and the SEC to revise, interpret, and maintain the independence standards that apply to public company auditors. Existed from 1998 to 2001.
In-depth Interview Guide (IDI)	Provides Team AICPA employees with a tool to use in obtaining comparable, first-hand data on their member constituents' needs.
Information Systems Audit and Control Association (ISACA)	An international organization that aspires to global leadership in IT governance, control and assurance by providing its constituents education, a technical/managerial journal, professional certification, conferences, standards and original research.
Information Technology Executive Committee (ITEC)	An AICPA committee organized to research, monitor, assess, educate, and communicate the impact of technology developments on business solutions; to enhance the quality of information technology services provided by members; to achieve recognition that the CPA is the preeminent trusted professional to provide business solutions by applying information technology; and to enable all members to provide value to their clients and their employers through effective application of current, emerging and future information technologies.
Information Technology Membership Section	Voluntary AICPA membership section for CPA specialist in information technology.
Inspector General (IG)	Individuals charged with conducting and supervising audits and investigations relating to the programs and operations of their departments or agencies, and reporting on these semiannually to Congress and the chief executive of their department or agency. Such offices were established in most federal cabinet-level departments and larger agencies by the Inspector General Act of 1978.

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Institute of Internal Auditors (IIA)	An international organization that provides certification, education, research, and technological guidance for internal audit practitioners.
Institute of Management Accountants (IMA)	National membership organization of CPAs and others involved in accounting, financial and data processing work for industry, commerce and government. Issues the designation Certified Management Accountant (CMA).
Instructor Dependent (ID)	CPE group-study courses led by faculty scheduled by the AICPA.
Interactive Data Extraction and Analysis (IDEA)	EDP audit tool that allows the transfer and analysis of information from other computers.
Internal Revenue Bulletin (IRB)	Authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the IRS, and for publishing Treasury decisions, executive orders, tax conventions, legislation, court decisions, and other items of general interest. It is published weekly.
International Accounting Standards Board (IASB)	An organization whose members represent 153 accounting bodies in 112 countries. The group is dedicated to bringing about the harmonization of international accounting standards.
International Association for Financial Planning (IAFP)	Trade association for individual financial planners and product sponsors.
International Auditing and Assurance Standards Board (IAASB)	The committee authorized by the IFAC to issue International Standards on Auditing (ISAs) and guidance.
International Federation of Accountants (IFAC)	Global organization for the accountancy profession representing 158 accounting organizations in 118 countries. Encourages high-quality practices by the worlds' accountants. Sponsors World Congress of Accountants every five years.
International Innovation Network (IIN)	A group of Institutes located in 17 different countries meeting to exchange ideas and best practices related to innovation. These areas (or "innovation") include new service lines, new products, new education, etc. Countries involved in this network include the US (AICPA), Canada, England and Wales, Ireland, Scotland, France, Germany, Argentina, Israël, Japan, Netherlands, Denmark, Sweden, Hong Kong, Australia, New Zealand, Spain, Italy and others.

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International Organization of Securities Commissions (IOSCO)	Currently has 135 member agencies working to ensure better regulation of the markets on the domestic and international level.
International Public Sector Accounting Standards (IPSAS)	Issued by the International Public Sector Accounting Standards Board, these standards set out the requirements for financial reporting by governments and others in public sector organizations.
International Public Sector Accounting Standards Board (IPSASB)	This Board focuses on the accounting and financial reporting needs of national, regional and local governments, related governmental agencies, and the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance, conducting educational and research programs, and facilitating the exchange of information among accountants and those who work in the public sector or rely on its work.
International Qualification Examination (IQEX)	Examination prepared by the AICPA for use by state boards of accountancy to measure the professional competence, in a U.S. context, of Canadian and Australian Chartered Accountants, Australian CPAs and Mexican Contadores Publicos Certificados who desire a CPA certificate. Only a limited number of states use IQEX.
Issuer	The term "issuer" means an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C.78c)). The securities of which are registered under section 12 of that Act (15 U.S.C.78l), or that is required to file reports under section 15(d) (15 U.S.C 78o (d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and that it has not withdrawn.
Issues Papers	Materials which provide information on financial accounting and reporting issues that the Institute believes the Financial Accounting Standards Board (FASB) or Governmental Accounting Standards Board (GASB) should consider and on which those organizations should provide guidance.

J

Joint Ethics Enforcement Program (JEEP)

Program of cooperation between the AICPA and the state CPA societies in the enforcement of the Code of Professional Conduct.

Joint Trial Board (JTB)

An AICPA Board, which provides for uniform enforcement of professional standards by adjudicating disciplinary charges against AICPA and state society members. It comprises of at least 36 members.

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K

- Knowledge Management (KM)** The process of connecting people to people and people to information to create competitive advantage.
- KnowledgeNET (K-Net)** The AICPA's Web-based technology platform for information and knowledge sharing.

L

Letters of Comment (LOC)– Peer Review	<p>For system reviews within the AICPA Peer Review Program, comments and recommendations issued by the review team if there are matters that the review team believes resulted in conditions being created in which there was more than a remote possibility that the firm would not conform with professional standards on accounting and auditing engagements in all material respects, but were not of such significance to cause the report to be modified or adverse.</p> <p>For engagement reviews within the AICPA Peer Review Program, comments and recommendation issued by the review team if there are departures from professional standards that are not deemed to be significant but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice.</p>
Letters of Response (LOR) – Peer Review	A written response from the reviewed firm addressed to the entity administering the Peer Review Program which describes the actions taken or planned by the reviewed firm with respect to each matter in the letter of comments.
LEXIS	Computer-assisted legal research service which offers access to several other services, including the National Accounting Automated Research System (NAARS) and NEXIS.
Limited Liability Company (LLC)	A form of organization that may be treated as a partnership for federal tax purposes and that has limited liability protection for the owners at the state level. The entity may be subject to state franchise tax as a corporation.
Limited Liability Partnership (LLP)	A form of organization in which the individual partners are protected from the liabilities of the other partners. These entities are considered partnerships for both federal and state tax purposes.
Litigation Services (LS)	Any professional guidance non-lawyers provide to lawyers in the litigation process. Such assistance may include the quantification of damages, analysis of business facts and the provision of expert testimony.

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M

Management of an Accounting Practice (MAP)	AICPA team that assists small firms and sole proprietors in improving the management and administration of their practices.
Member Solutions Partnership (MSP)	A system that encompasses the development and deployment of functionality for enterprise resource planning (ERP), association and customer/member relationship management (CRM) features, and human resource management (HRMS) utilizing Oracle E-Business Suite 11i system.
Minority Initiatives Committee	The AICPA committee that works to actively integrate minorities into the accounting profession to become CPAs and enhance their upward mobility.

N

National Association of State Auditors, Comptrollers and Treasurers (NASACT)	An organization for state officials who deal with the financial management of state government. NASACT's membership is comprised of officials who have been elected or appointed to the office of state auditor, state comptroller or state treasurer in the fifty states, the District of Columbia, and U.S. territories.
National Accreditation Commission (NAC)	Senior AICPA committee that recommends and implements specialization/certification programs for CPAs and oversees existing accreditation programs.
National Association of State Boards of Accountancy (NASBA)	National organization representing the 54 state licensing boards/agencies which regulate the CPA profession in all states and four U.S. territories.
National Automated Accounting Research System (NAARS)	Computerized database for researching annual reports of corporations and governmental entities, and authoritative and semi-authoritative accounting and auditing promulgations of the AICPA, Financial Accounting Standards Board (FASB), Securities and Exchange Commission (SEC), etc.
National Council of Governmental Accounting (NCGA)	Private sector standard-setting body for governmental accounting, auditing, and financial reporting from 1968 until 1984, when the Governmental Accounting Standards Board (GASB) was established.
National Credit Union Administration (NCUA)	Regulates all credit unions and insures credit union deposits up to \$100,000.

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National Society of Accountants (Formerly known as National Society of Public Accountants)	National association for individuals with an interest in the accounting profession. Although membership is open to CPAs, the majority of this organization's members are licensed public accountants and unlicensed accountants.
Negative Assurance	An accountant's statement which says that as a result of specified procedures, nothing came to his (her) attention that caused him (her) to believe that specified matters did not meet a specified standard.
NEXIS	Full-text research and information service with a database of more than 160 U.S. and overseas general, business, and news information sources.
Nonissuer	Entities not subject to the Sarbanes-Oxley Act of 2002 or the rules of the SEC.
North American Securities Administrators Association (NASAA)	National association of individuals who administer securities laws of the states and the Canadian provinces.

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O

Office of Management and Budget (OMB)	Federal government agency responsible for assisting the President in preparing the budget and formulating the fiscal program of the U.S. government, among other things. Also responsible for overseeing audits performed under single audit set and OMB circular A-133, audits of states, local governments and non-profits organizations.
Office of the Comptroller of the Currency (OCC)	A bureau of the U.S. Treasury Department designed to safeguard bank operations and the public interest through its general supervision over the operations of national banks.
Office of Thrift Supervision (OTS)	A bureau of the Department of the Treasury that charters federal savings institutions and serves as primary regulator for federal and state chartered savings institutions that belong to the Savings Institutions Insurance Fund (SIIF).
Organization for Economic Cooperation and Development (OCED)	An organization of major industrialized countries to advance economic development around the world through cooperation and sharing of information.
Other Comprehensive Basis of Accounting (OCBOA)	A basis of accounting, other than GAAP, that an entity uses to report its assets, liabilities, equity, revenues and expenses. Examples of OCBOA include income tax basis and cash basis of accounting.

P

Peer Review	An evaluation of whether a CPA firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality controls standards established by the AICPA and whether the CPA firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards or a review of the firms' accounting reports and financial statements to determine conformity with professional standards, applicable to those engagements in all material respects. Peer reviews are performed in accordance with standards established by the AICPA Peer Review Board for firms enrolled in the AICPA Peer Review Program, and by the Center for Public Company Audit Firms Peer Review Committee for firms enrolled in the Center for Public Company Audit Firms Peer Review Program. Also see Engagement, Report and System Reviews (under the AICPA Peer Review Program) and Peer Reviews under the Center for Public Company Audit Firms Peer Review Program.
Peer Review Board (PRB)	The executive committee having senior status with authority to establish, conduct and administer the AICPA Peer Review Program in

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	cooperation with administering entities. Its objective is to enhance the quality of accounting and auditing engagements by CPA firms by establishing and conducting, in cooperation with the state CPA societies, a peer review program for AICPA and state CPA society members engaged in the practice of public accounting.
Peer Review Committees (PRC)	AICPA committees (both the Private Companies Practice Section and the Securities and Exchange Commission Practice Section have this committee) responsible for ensuring that member firms of the Division for CPA Firms maintain their practices in conformity with quality control standards of the AICPA and comply with Division membership requirements.
Peer Review Programs (PRP)	Practice monitoring programs in which peer reviews are conducted. The AICPA has two peer review programs: the AICPA Peer Review Program and the Center for Public Audit Firms Peer Review Program (CPCAF PRP).
Peer Reviews Under the Center for Public Company Audit Firms Peer Review Program	A system and compliance oriented peer review with the objectives of evaluating whether; 1) The reviewed firm's system of quality control for its accounting and auditing practice applicable to private companies non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA, 2) the reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards. A firm's accounting and auditing practice applicable to public companies SEC issuers is not reviewed in a Center for Public Company Audit Firms peer review since the Public Company Accounting Oversight Board is responsible for inspecting that portion of a firm's accounting and auditing practice in accordance with PCAOB requirements.
Performance View	This service identifies critical success factors that lead to measures that can be tracked over time. These measures are then used to assess progress in achieving specific targets linked to an entity's vision and performance.
Personal Financial Planning (PFP)	Process of addressing a client's financial concerns in the context of his (her) overall financial situation. The AICPA PFP Team provides support to members with a special interest in advising clients on the planning and management of their personal finances.
Personal Financial Planning Section	Voluntary AICPA membership section for CPA specialists in personal financial planning.
Personal Financial Specialist (PFS)	Credential in personal financial planning awarded by AICPA to those who have met practice requirements and passed an examination.
Political Action Committee (PAC)	Group of individuals with common interests and political goals that is organized to provide information and financial support to candidates for elective offices. For the Institute, this is called the AICPA PAC.

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Practice Bulletin	Information communicating the views of the Accounting Standards Executive Committee on certain narrow accounting issues.
Pre-certification Education Executive Committee (PcEEC)	The AICPA committee that recommends education policy to the Board and provides assistance to the academic community in preparing students for entry into the profession and supports the recruitment of talented students into the profession.
Private Company Financial Reporting	An initiative of the AICPA to determine if, and where, privately-held companies have a need for different accounting standards than publicly-traded companies, and if so, to work to create those standards. This initiative is currently focused on working collaboratively with the FASB to meet the needs of companies, users of financial reporting and the CPAs who serve these clients.
Private Companies Practice Section (PCPS)	One of two sections of the AICPA Division for CPA Firms that primarily serves local and regional CPA firms with non-public clients.
Professional Accountants in Business Committee (PAIB)	The Professional Accountants in Business (PAIB) Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. Its aim is to enhance the profession by encouraging and facilitating the global development and exchange of knowledge and best practices. It also works to build public awareness of the value of professional accountants. The PAIB Committee was formerly called the Financial and Management Accounting Committee.
Professional Ethics Executive Committee (PEEC)	To develop standards of ethics, promote understanding and voluntary compliance with such standards, establish and present charges of violations of the standards and the AICPA's bylaws to the Joint Trial Board for disciplinary action in cooperation with State Societies under the Joint Ethics Enforcement Program (JEEP), improve the profession's enforcement procedures, coordinate the subcommittees of the Professional Ethics Division, and promote the efficiency and effectiveness of JEEP Program.
Public Company Accounting Oversight Board (PCAOB)	The PCAOB is a private-sector, non-profit corporation, created by the <u>Sarbanes-Oxley Act of 2002</u> , to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.
Public Company Auditors' Forum	Technical and educational resource and public policy voice for U.S. audit firms that are registered with PCAOB.
Public Accountant (PA)	Generic term for persons/firms which practice public accounting but are not CPAs. Some states license public accountants.
Public Entity	Any entity that: (a) trades securities in a public market either on a stock exchange or in the over-the-counter market; (b) makes a filing

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	with a regulatory agency in preparation for the sale of any classes of its securities in a public market; (c) is a subsidiary, corporate joint venture, or other entity controlled by either (a) or (b).
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Q

Qualified Opinion	Auditor's opinion which states that, except for the effects of the matter to which a qualification relates, the financial statements fairly present financial position, results of operations, cash flows in conformity with generally accepted accounting principles.
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R

Racketeer Influenced and Corrupt Organizations Act (RICO)	Congressional statute enacted in 1970 to deal with organized crime's infiltration of legitimate business. Some states also have RICO statutes.
Registered Investment Adviser (RIA)	According to the Securities and Exchange Commission, an individual registered under the Investment Advisers Act of 1940, who, for compensation, engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.
Regulatory Accounting Principles (RAP)	The term regulatory accounting principles denotes the requirements or methods of accounting and reporting specified by regulatory agencies for supervisory reporting purposes. The AICPA encourages consistency between GAAP and RAP.
Report Acceptance Body (RAB)	Peer Review Committee members from approved state CPA society administering entities that discuss and accept peer review reports and other peer review related documents for firms enrolled in the AICPA Peer Review Program.
Report Reviews Under the AICPA Peer Review Program	A peer review where the objective is to enable the reviewed firm to enhance the overall quality of its compilation engagements that omit substantially all disclosure. To accomplish this objective, the reviewer provides comments and recommendations based on whether the submitted financial statements and related accountant's reports appear to conform with the requirements of professional standards in all material respects. A report review does not provide the reviewer with a basis for expressing an opinion on the firm's system of quality control for its accounting practice.
Revenue Procedure	A published official statement of the IRS regarding a matter of federal tax procedure, published by the National Office of the IRS.

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Revenue Ruling	A published official interpretation of the tax law by the National Office of the IRS. Rulings are often based on replies to request for rulings by taxpayers.
Review	Performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with GAAP or, if applicable, with OCBOA.
Risk Advisory Services	Services designed to identify, assess and manage risks of an entity and measure and monitor the risk management strategies implemented by that entity.

S

Securities and Exchange Commission (SEC)	Agency of the federal government that regulates the public trading of securities. The SEC has the authority to establish accounting and auditing regulations but defers to the Financial Accounting Standards Board and the Public Company Accounting Oversight Board.
Senior Technical Committee	Any AICPA committee authorized to make public statements on matters relating to its area of practice without having to get clearance from AICPA Council or the Board of Directors. (See pages 1-2 for a list of AICPA senior technical committees).
Shared Services LLC	A joint venture between the AICPA and the State Society Network Inc. to take advantage of operational cost efficiencies among the similar organizations that serve CPAs.
Statement of Position (SOP)	Statements which provide guidance on practice or industry financial accounting or reporting problems until the Financial Accounting Standards Board or Governmental Accounting Standards Board provides standards in those areas. They are also intended to influence the establishment of such standards, and to update, revise, or clarify audit and accounting guides or provide freestanding guidance.
Statements of Federal Financial Accounting Standards (SFFAS)	Official promulgations by the Federal Accounting Standards Advisory Board (FASAB) and, if not superseded, part of generally accepted accounting principles applicable to federal governmental entities.
Statements of Tax Policy	Statements which present the thinking of the AICPA's Taxation Team on questions of broad tax policy and are designed to aid in the development of federal tax legislation.
Statements on Auditing Standards (SAS)	Statements issued by the Auditing Standards Board to provide CPAs with guidance regarding the application of Generally Accepted Auditing Standards (GAAS).

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Statements on Standards for Accountants' Services on Prospective Financial Information (SSASPF)	Statements issued by the Auditing Standards Board to provide guidance to accountants concerning performance and reporting for engagements to examine, compile, or apply agreed-upon procedures to prospective financial statements.
Statements on Standards for Accounting and Review Services (SSARS)	Statements issued by the Accounting and Review Services Committee to provide CPAs with guidance regarding reporting on the unaudited financial statements or other unaudited financial information of nonpublic entities.
Statements on Standards for Attestation Engagements (SSAE)	Statements issued by the Auditing Standards Board, Accounting and Review Services Committee, or the Management Advisory Services Executive Committee to provide guidance to CPAs engaged to perform attest services.
Statements on Standards for Consulting Services (SSCS)	Statements which provides behavioral standards for the conduct of consulting services. The SSCS includes the General Standards found in Rule 201 of the AICPA Code of Professional Conduct plus three additional standards found in Rule 203, including Client Interest, Understanding with the Client and Communication with the Client.
Statements on Standards for Tax Services (SSTS)	Tax behavioral standards that are binding under the AICPA Code of Professional Conduct.
Substantial Equivalency	Substantial Equivalency is a concept that provides greater ease of mobility across state lines for CPAs both in person and electronically. Under this concept, if a CPA has a license in good standing from a state that utilizes CPA certification criteria that are essentially those outlined in the UAA, then the CPA would be qualified to practice in that state without a reciprocal license.
Successor Auditor	An auditor who has accepted an engagement or an auditor who has been invited to make a proposal for an engagement from an entity changing auditors.
System Reviews Under the AICPA Peer Review Program	Peer review for firms that perform engagements under the SASs Government Auditing Standards or examinations of prospective financial statements under the SSAEs have peer reviews called system reviews. A system review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review: a) the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and b) the reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards.

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SysTrust	Service to provide assurance on the reliability of a system. The service results in an examination level report on whether an entity's system meets the SysTrust principles of Availability, Maintainability, Integrity and Security and their underlying criteria.
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T

Tax Executive Committee	AICPA senior technical committee responsible for formulating and articulating technical and policy positions of the AICPA in tax matters.
Team Captain (TC)	The individual responsible for supervising and conducting a system peer review, communicating the review team's findings to the reviewed firm and to the entity administering the peer review, and preparing the report and, if applicable, the letter of comment on the system review.
Team Member (TM)	Members of a peer review team in addition to the team captain.
Technical Bulletin (TB)	Information issued by the Financial Accounting Standards Board which provides timely guidance on certain financial accounting and reporting problems.
Technical Hotline	Toll-free telephone service for use by AICPA members that provides non-authoritative technical assistance on accounting and financial reporting issues, and auditing, attestation, review, and compilation engagements.
Technical Information for Practitioners Series (TIPS)	Non-authoritative practice aids provided for CPAs.
Technical Issues Committee (TIC)	AICPA committee of the PCPS whose objective is to monitor technical developments that could have a significant effect on private companies and the CPA firms that serve them and, when necessary, submit comments and recommendations in support of the interest of these firms.
Technical Resource Panels (TRPs)	Member groups that are smaller than committees and that are charged with watching specific technical areas. When an issue arises, the panel forms a task force to do the actual work.
Transaction Trail	Chains of evidence provided through coding, cross references, and documentation connecting accounting balances and other summary results with original transactions and calculations.
Trend Monitoring System	Operation by the Strategic Planning Team that identifies emerging issues and trends with potential impact on the Institute and the profession.

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U

Uniform Accountancy Act (UAA)	The Uniform Accountancy Act is a single comprehensive piece of model legislation that seeks to eliminate differing requirements on issues including CPA certification, reciprocity, and temporary practice by promoting uniformity in state accountancy licensing laws. Uniformity would be achieved by adopting the UAA in place of existing laws in the 55 American licensing jurisdictions. The AICPA and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill, later renamed the Uniform Accountancy Act (UAA), in 1984.
Unqualified Opinion	An auditor's opinion which states that the financial statements present fairly, in all material respects, financial position, results of operations, cash flows in conformity with generally accepted accounting principles.

V

Vision	CPAs are the trusted professionals who enable people and organizations to shape their future. Combining insight with integrity, CPAs deliver value by communicating the total picture with clarity and objectivity, translating complex information into critical knowledge, anticipating and creating opportunities, and designing pathways that transform vision into reality.
Vision Team	Internal staff cross-functional team that studied profession's visions and recommended organizational changes within the AICPA based on its view of future.
Virtual Grassroots Panel (VGP)	The VGP is an online group of diverse members from various segments of the profession who provide input and feedback – via online polls – to the Institute's leadership, its Strategic Planning Committee, state societies and others regarding current events in the accounting profession, AICPA initiatives, emerging opportunities and threats, and most importantly, "forward-looking" items for the profession.

W

WebTrust

Services to provide assurance on online businesses. These services result in examination level attestation reports on whether an entity meets applicable WebTrust Principles and Criteria. The Principles and Criteria address matters such as privacy, security, availability, confidentiality, consumer redress for complaints, and business practices.

Work/Life and Women's Initiatives Executive

This executive committee of the AICPA promotes within the accounting profession a work environment that provides opportunities for the

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Committee (WLWIEC) · successful integration of personal and professional lives and the advancement of women to positions of leadership.

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QUICK REFERENCE OF ACRONYMS AND ABBREVIATIONS

A

AAA	American Accounting Association
AAA	Association of Accounting Administrators
AAA-CPA	American Association of Attorney-Certified Public Accountants
AACBS	Association to Advance Collegiate Business Schools
AAFI	Associated Accounting Firms International
AAHCPA	American Association of Hispanic CPAs
ABA	American Bar Association
ABV	Accredited in Business Valuation
ACA	Accreditation Council for Accountancy
AudCommCtr	Audit Committee Effectiveness Center
ACMS	Audit Committee Matching System
AcSEC	Accounting Standards Executive Committee
ADAPSO	Association of Data Processing Service Organizations
AECC	Accounting Education Change Commission
AFA	Accounting Firms Associated, Inc.
AGA	Association of Government Accountants
AGFM	Association of Government Financial Managers
AGI	Accounting Group International
AICPA	American Institute of Certified Public Accountants
AICPA PAC	AICPA Political Action Committee
AICPA PLUS	AICPA Personal Liability Umbrella Security Plan
AITF	Audit Issues Task Force
AMA	American Management Association
APB	Accounting Principles Board
APG	Audit Program Generator
APS	Auditing Procedure Studies
AR	Advance Reading
ARA	Accounting Research Association
ARAF	Association Regional Accounting Firms
ARIA	Accounting Researchers International Association
ARSC	Accounting and Review Services Committee
ASAE	American Society of Association Executives
ASB	Auditing Standards Board
ASEC	Assurance Services Executive Committee
ASP	Application Service Provider
ASWA	American Society of Women Accountants
AT	Attestation Standards
ATA	American Taxation Association
ATB	Accountants Trial Balance
ATRA	American Tort Reform Association
AWSCPA	American Woman's Society of Certified Public Accountants

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B

BAP	Beta Alpha Psi
BIEC	Business and Industry Executive Committee
BOE	Board of Examiners
BV	Business Valuation

C

CA	Chartered Accountants
CAE	Certified Association Executive
CAI	Computer-Assisted Instruction
CAPA	Federation of Accounting Institutions in East Asia
CART	Committee-Appointed Review Team
CASB	Cost Accounting Standards Board
CAT	Competency Self-Assessment Tool
CATS	Computerized Accounting Tool Series
CBO	Congressional Budget Office
CBT	Computer Based Testing
CCH	Commerce Clearing House
CD	Certificate of Deposit
CFP	Certified Financial Planner
CGFM	Certified Government Financial Manager
CIA	Certified Internal Auditor
CIAS	Center for Investment Advisory Services
CICA	Canadian Institute of Chartered Accountants
CISA	Certified Information System Auditor
CISM	Certified Information Security Manager from ISACA
CITP	Certified Information Technology Professional
CMA	Certified Management Accountant
CPA	Certified Public Accountant
CPA/SEA	Certified Public Accountants' Society Executives Association
CPA2BIZ	Profession's Vertical Portal
CPE	Continuing Professional Education
CRS	Congressional Research Service
CSI	Computer Security Institute

D

D & T	Deloitte & Touche LLP
DCAA	Defense Contract Audit Agency
DLG	Discussion Leader's Guide
DM	Discussion Memorandum

E

E&Y	Ernst & Young LLP
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EA	Enrolled Agent
EBP AQC	Employee Benefit Plan Audit Quality Center
EBR	Enhanced Business Reporting
EC	Examination Committee
ECAS	Educational Competency Assessment Site
ECSAFA	Federation of Accounting Institutions in Africa
ED	Exposure Draft
EDMAX	Educational Management Exchange
EDPAA	EDP Auditors Association
EDPAF	EDP Auditors Foundation
EITF	Emerging Issues Task Force
ERB	Examination Review Board
ERISA	Employee Retirement Income Security Act of 1974
ESCORP	Examination Services Corporation
ETF	Evaluation Task Force

F

FAE	Foundation for Accounting Education
FAF	Financial Accounting Foundation
FAS	Financial Accounting Standards
FASAB	Federal Accounting Standards Advisory Board
FASAC	Financial Accounting Standards Advisory Council
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Fed	Federal Reserve System – Board of Governors
FEE	Federation of Accounting Institutions in Europe
FEI	Financial Executives International
FERF	Financial Executives Research Foundation
FGAA	Federal Government Accountant's Association
FICA	Federal Insurance Contributions Act
FOF	Firm-on-Firm Review
FPA	Financial Planning Association
FR	Federal Register
FSA	Federation of Schools of Accountancy
FTC	Federal Trade Commission

G

GAAFR	Governmental Accounting, Auditing, and Financial Reporting
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GAS	Governmental Accounting Standards
GASB	Governmental Accounting Standards Board
GASBOC	Governmental Accounting Standards Board Organizing Committee
GAQB	Government Audit Quality Center
GFOA	Government Finance Officers Association

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GPAC	Governmental Performance and Accountability Committee
GSTT	Generation Skipping Transfer Tax

H

HFMA	Health Care Financial Management Association
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I

IA	International Affiliation of Independent Accounting Firms
IAA	Inter-American Accounting Association
IAASB	International Auditing And Assurance Standards Board
IAFP	International Association for Financial Planning
LAG	International Auditing Guidelines
IAHA	International Association of Hospitality Accountants
IAI	Independent Accountants International
IAPC	International Auditing Practices Committee (is now IAASB)
IASB	International Accounting Standards Board
ICFP	Institute for Certified Financial Planners
ID	Instructor Dependent
IDEA	Interactive Data Extraction and Analysis
IDI	In-depth Interview
IFAC	International Federation of Accountants
IFAD	International Federation for Accountancy Development
IGAF	International Group of Accounting Firms
IGS	Inspector Generals
IIA	Institute of Internal Auditors
IMA	Institute of Management Accountants
INCFO	Institute of Newspaper Controllers and Finance Officers
IOSCO	International Organization of Securities Commission
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IQAB	International Qualifications Appraisal Board
IQEX	International Qualification Examination
IRB	Internal Revenue Bulletin
IRS	Internal Revenue Service
ISAs	International Standards on Auditing
ISACA	Information Systems Audit and Control Association
ISB	Independence Standards Board
ISC	International Steering Committee
ISC	International Strategy Committee
ITEC	Information Technology Executive Committee

J

JEEP	Joint Ethics Enforcement Plan
JTB	Joint Trial Board

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K

KPMG	KPMG
KM	Knowledge Management
KNET	KnowledgeNet

L

LLC	Limited Liability Company
LLP	Limited Liability Partnership
LOC	Letters of Comment
LOR	Letters of Response
LPR	Business Law and Professional Responsibilities
LS	Litigation Services

M

MAP	Management of an Accounting Practice
MCS	Management Consulting Services
MSP	Member Solutions Partnership

N

NAAACPA	National Association of Asian American Certified Public Accountants
NAAI	National Association of Accountants in Insolvency's
NAARS	National Automated Accounting Research System
NABA	National Association of Black Accountants
NAC	National Accreditation Commission
NAFC	National Accounting and Finance Council
NASAA	North American Securities Administrators Association
NASACT	National Association of State Auditors, Comptrollers and Treasurers
NASBA	National Association of State Boards of Accountancy
NCCPAP	National Conference of CPA Practitioners
NCUA	National Credit Union Administration
NSA	National Society of Accountants
NSAC	National Society of Accountants for Cooperatives

O

OCBOA	Other Comprehensive Basis of Accounting
OCC	Office of the Comptroller of the Currency
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision

P

PA	Public Accountant
PAC	Political Action Committee

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PAIB	Professional Accountants in Business Committee of IFAC
PAR	Public Accounting Report
PCAF	Public Company Auditors' Forum
PCAOB	Public Company Accounting Oversight Board
PCAF	Public Company Auditors' Forum
PcEEC	Pre-certification Education Executive Committee
PCPS	Private Companies Practice Section
PEEC	Professional Ethics Executive Committee
PFP	Personal Financial Planning
PFS	Personal Financial Specialist
PM	Participant's Manual
POB	Public Oversight Board
PPI	Producers Price Index
PRB	Peer Review Board
PRC	Center for Public Company Audit Firms Peer Review Committee
PRP	Peer Review Programs
PRC	Peer Review Committee
PWC	PricewaterhouseCoopers

Q

QC	Quality Control
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R

RAB	Report Acceptance Body
RAP	Regulatory Accounting Principles
RFP	Request for Proposal
RIA	Registered Investment Adviser
RICO	Racketeer Influenced and Corrupt Organizations Act

S

SAS	Statements on Auditing Standards
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SECPS*	Securities and Exchange Commission Practice Section (* no longer in existence)
SFFAS	Statements of Federal Financial Accounting Standards
SIA	Society of Insurance Accountants
SOP	Statement of Position
SS	State Society
SSAE	Statements on Standards for Attestation Engagements
SSARS	Statements on Standards for Accounting and Review Services
SSCS	Statements on Standards for Consulting Services
SSLLC	Shared Services LLC
SSMAS	Statements on Standards for Management Advisory Services
SSTS	Statements on Standards for Tax Services

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T

TB	Technical Bulletin
TC	Team Captain
TIC	Technical Issues Committee
TIPS	Technical Information for Practitioners Series
TM	Team Member
TRPs	Technical Resource Panels

U

UAA	Uniform Accountancy Act
UEC	Union Europeene des Experts Comptables Economiques et Financiers
UMI	University Microfilms, Inc. Of Ann Arbor, MI
USTC	United States Tax Court

V

VAI	Video-Assisted Instruction
VGP	Virtual Grassroots Panel
VTPR	Voluntary Tax Practice Review

W

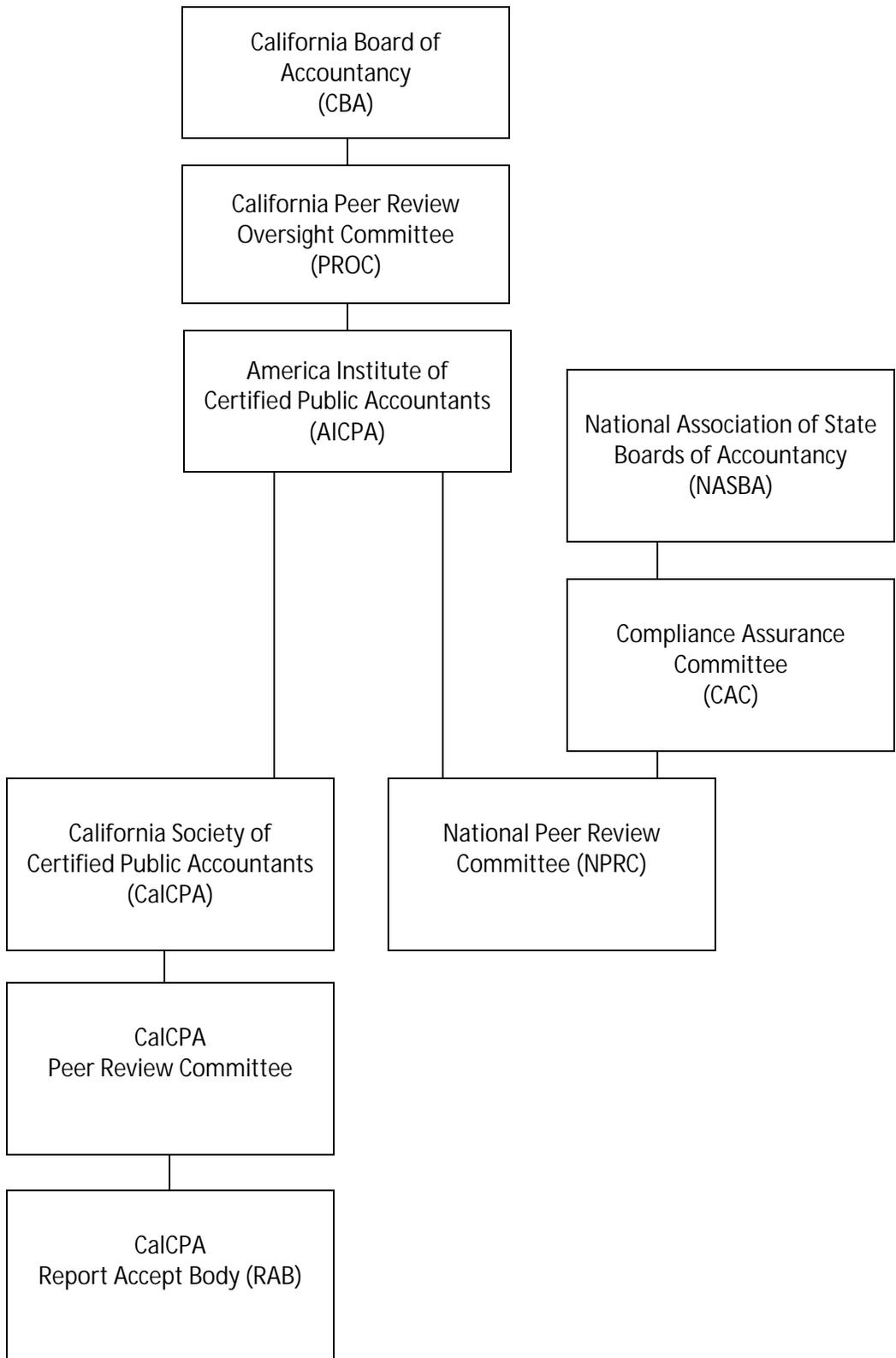
WLWIEC	Work/Life and Women's Initiatives Executive Committee
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X

XBRL	Extensible Business Reporting Language
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1-24-06

~~DOCUMENT PENDING COMPLETION~~





DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



~~February 15, 2011~~
June 1, 2013

Dear Peer Oversight Committee Member:

Peer Review Oversight Committee (PROC) membership provides you with an opportunity to serve the accounting profession and the public in various interesting and worthwhile assignments. As a member of the PROC, you have a responsibility to exert your efforts towards achieving the PROCs objectives as described in Section 5076.1 Business and Profession Code (BPC) to ensure the effectiveness of mandatory peer review.

You have an obligation to adhere to the confidentiality requirements described in Title 16, California Code of Regulations Section 54.2. This requires that committee members not disclose information concerning licensees which comes to their attention in carrying out their professional responsibilities; provided, however, such information may be disclosed:

- (a) as part of disciplinary proceedings with the Board,
- (b) as part of legal actions in which the Board is a party,
- (c) in response to an official inquiry from a federal or state governmental regulatory agency,
- (d) in compliance with a subpoena or summons enforceable by order of a court, or
- (e) when otherwise specifically required by law.

Further, BPC 5076.1(b) allows the PROC to request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the Board. Any information obtained shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- (1) In connection with disciplinary proceedings of the board.
- (2) In connection with legal proceedings in which the board is a party.
- (3) In response to an official inquiry by a federal or state governmental regulatory agency.
- (4) In compliance with a subpoena or summons enforceable by court order.
- (5) As otherwise specifically required by law.

Please confirm your acceptance of the responsibilities and obligations of the PROC by signing this letter in the space provided and return it to the California Board of Accountancy.

I accept the responsibilities and obligations this membership entails and I shall also keep the information referred to above confidential during and after my service on the California Board of Accountancy Peer Review Oversight Committee.

Printed Name: _____

Signature: _____

Date: _____

ee
 California Society of CPAs
 1800 Gateway Drive, Suite 200
 San Mateo, CA 94404-4072



**ATTORNEY-CLIENT PRIVILEGED COMMUNICATION
ATTORNEY WORK PRODUCT**

MEMORANDUM	
DATE	August 30, 2011
TO	Patty Bowers, Executive Officer Board of Accountancy
FROM	 Michael R. Santiago, Senior Staff Counsel Department of Consumer Affairs, Legal Office
SUBJECT	Conflicts of Interest Involving Members of the Peer Review Oversight Committee

I. QUESTIONS

You have asked the following questions regarding members of the Board of Accountancy's ("Board") Peer Review Oversight Committee ("PROC"):

- (1) Can a PROC member also be a member of the American Institute of Certified Public Accountants ("AICPA") and/or the California Society of Certified Public Accountants ("CalCPA")?
- (2) Can a PROC member conduct peer reviews as a self-employed individual?
- (3) Can a PROC member conduct peer reviews as an employee of a firm that conducts peer reviews?
- (4) Can a PROC member be an owner and/or partner of a firm that conducts peer reviews, but the PROC member does not conduct peer reviews?
- (5) Does the Form 700 – Statement of Economic Interests (Schedule C: Income, Loans, & Business Positions) serve as a means of disclosure and mitigation of any potential conflicts?

II. SHORT ANSWERS

- (1) Yes. A PROC member can be a member of AICPA and/or CalCPA.
- (2) Yes. A PROC member can conduct peer reviews as a self-employed individual. However, if any decisions involving the peer review that was conducted by the PROC member come before the PROC, the PROC member would have to disqualify himself/herself from any of these issues/decisions before the PROC.
- (3) Yes. A PROC member can conduct peer reviews as an employee of a firm that conducts peer reviews. However, if any decisions involving the employee's firm or peer review that was conducted by the PROC member come before the PROC, the PROC member would have to disqualify himself/herself from any of these issues/decisions before the PROC.
- (4) Yes. A PROC member may be an owner and/or partner of an accounting firm that conducts peer reviews when the PROC member does not conduct peer reviews. However, if any decisions involving this firm come before the PROC, the PROC member would have to disqualify himself/herself from all of these issues/decisions before the PROC.
- (5) To some extent, the Form 700 serves as a means of disclosure and mitigation of financial conflicts of interest. The Form 700 identifies when there is a financial conflict of interest such that disqualification in regards to a specific decision would be required.

III. BACKGROUND

The California Board of Accountancy regulates the accounting profession for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession. The Board requires specified licensees to have a "peer review" of its accounting and auditing practices done every three years prior to renewal. A licensee's peer review may only be conducted by a "board recognized peer review program." (Business & Professions Code § 5076.) The AICPA Peer Review Program is the only Board-recognized program provider in California. The Board may rescind its recognition of AICPA if the Peer Review Program no longer meets certain standards. (See 16 CCR §§ 48.1, 48.5.).

The AICPA Peer Review Program is a national program and AICPA engages accounting societies in various states to administer their peer review program. Founded in 1887, AICPA is a non-profit association (IRC section 501(c)(6) – "business league") for certified public accountants. AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, non-profit organizations,

federal, state and local governments. AICPA is recognized by the Board as meeting the minimum peer review programs requirements and is authorized to administer peer reviews in California. These peer reviews are conducted via CalCPA.

CalCPA is a non-profit membership organization whose purpose is to advance the profession of accountancy in the state of California. CalCPA provides its members with general and technical resources through its chapters and committees and administers the Peer Review Program on behalf of AICPA in California, Arizona, and Alaska.

The PROC is composed of not more than seven licensees who are required to maintain a valid and active license to practice public accounting in California issued by the Board. The PROC's main duty is to review and recommend to the Board for approval, peer review program provider applications, and to provide recommendations to the Board to ensure the effectiveness of mandatory peer review. (Business and Professions Code §5076.1; 16 CCR § 47.). The PROC is also charged with the following:

- Developing policies and procedures for reviewing and recommending approval to the Board for new peer review program providers.
- Preparing an annual report to the Board regarding the results of its independent oversight of the Peer Review Program.
- Striving for consistency among peer review programs.
- Performing random sampling of peer review reports to assess the effectiveness of the Peer Review Program.

Although the PROC may view a random sampling of peer review reports or observe actual peer reviews for informational purposes related to the PROC's oversight of peer review program providers, the PROC does not receive, review, or approve any peer reviews. AICPA and CalCPA have committees called Report Acceptance Bodies ("RAB") that review peer reviews for acceptance or rejection. PROC members may attend selected RAB meetings. AICPA and CalCPA also have technical peer review committees that review the peer review reports and contact the peer reviewer to clarify any questions or issues with the peer review reports. Once the peer review committee is satisfied with the peer review report, it then goes to the RAB for approval. If a "failed" peer review report is issued, a copy is provided to the Board, but not to the PROC.

A person who qualifies to become a peer reviewer is paid by the accounting firm that is subject to the peer review, and not by AICPA or CalCPA.

IV. ANALYSIS

(1) AICPA and CalCPA Membership.

(A) Political Reform Act

There is no statute or regulation that prohibits a Board or committee member from being affiliated in any manner with a professional association or organization. The conflict of interest analysis begins with considering the financial or economic interests of the public official and whether the governmental decisions made by the public official have any effect on his or her financial interests. Government Code Section 87100 of the Political Reform Act ("Act") prohibits any public official (including state employees) from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. When a qualifying conflict of interest exists, the Act requires that the disqualified official abstain from participating in every aspect of the decision-making process. (See Govt. Code § 87105; *Hamilton v. Town of Los Gatos* (1989) 213 Cal.App.3d 1050, 1058-1059.)

Section 87103 of the Act specifies various types of disqualifying financial interests:

A public official has a financial interest in a decision within the meaning of section 87100 if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official, a member of his or her immediate family, or on any of the following:

- (a) Any business entity in which the public official has a direct or indirect investment worth two thousand dollars (\$2,000) or more.
- (b) Any real property in which the public official has a direct or indirect interest worth two thousand dollars (\$2,000) or more.
- (c) Any source of income, except gifts or loans by a commercial lending institution made in the regular course of business on terms available to the public without regard to official status, aggregating five hundred dollars (\$500) or more in value provided or promised to, received by, the public official within 12 months prior to the time when the decision is made.
- (d) Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management.

- (e) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the public official within 12 months prior to the time when the decision is made. The amount of the value of the gifts specified by this subdivision shall be adjusted biennially by the commission to equal the same amount determined by the commission pursuant to subdivision (f) of Section 89503 [currently \$420].

For purposes of this section, indirect investment or interest means any investment or interest owned by the spouse or dependent child of a public official, by an agent on behalf of a public official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or greater.

No facts were presented that any PROC members have any financial interests in either AICPA or CalCPA, thus, there would be no violation of the Act. Current PROC members are noted to be merely members of these two organizations and none currently hold any type of director or officer position. Section 87103 of the Act states, in part, that a public official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect on any "business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management." However, AICPA and CalCPA are non-profit organizations, and are not considered business entities under Government Code section 82005, which limits the definition of a "business entity" to for-profit entities. (See Govt. Code § 82005 defining a "business entity" as "any organization or enterprise operated for profit....") Thus, even if a PROC member was also a director or officer of either AICPA or CalCPA, such a position would not be considered a financial interest and there would be no violation of the Act.

(B) Conflicts of Interest in Contracts

Government Code Section 1090 essentially prohibits public officials, acting in their official capacities, from making contracts in which they are financially interested. When a conflict of interest exists within the meaning of section 1090, the contract is void and unenforceable even if the financially interested member of a particular body or board refrains from participating in any of the steps involved in making the contract. (*Thomson v. Call* (1985) 38 Cal.3d 633,649; *Stigall v. City of Taft* (1962) 58 Cal.2d 565, 570-571.). Based on the facts presented, there are no PROC members who have any financial interest in any contract between the PROC and AICPA or CalCPA. Thus, because section 1090 of the Government Code is inapplicable here, there is no violation of section 1090.

(C) Common Law Doctrine Against Conflicts of Interest

The common-law doctrine against conflicts of interest applies to situations that do not involve financial or pecuniary interests. Public officials are prohibited from placing themselves in a position where other private and/or personal interests may conflict with their official duties. (*Clark v. City of Hermosa Beach* (1996) 48 Cal.App.4th 1152.) While common law conflicts may sometimes arise in the absence of any financial interests, there still must be some personal advantage or disadvantage at stake for the public officer/employee. (*Id.* at 1172.) Where a conflict of interest exists, the interested official is disqualified from participating in any discussions or votes concerning the particular transaction in which he or she has the conflicting interest.

No specific facts were provided that would suggest or indicate any impropriety on any PROC members' part or that any PROC member is placing his or her interests with AICPA or CalCPA above or in conflict with the duties of being a PROC member. There could be cause for concern that since PROC members make recommendations to the Board about peer review program provider applications, a PROC member who is also a member of AICPA might be biased towards AICPA and not be fair or impartial in the evaluation of another peer review program provider's application. However, there does not appear to be any current personal stake on the part of any PROC member in simply being a member of AICPA that would somehow influence the duty of a PROC member when reviewing a peer review program application for possible approval by the Board; thus, there is no common law conflict of interest.

(D) Incompatible Work Activities

There is a prohibition against state officers and employees engaging in any activity or enterprise that is clearly inconsistent, incompatible, in conflict with, or inimical to their duties as state officers or employees. (Govt. Code §19990). Some examples are: using the prestige or influence of the State for the officer's private gain or advantage; using confidential information for private gain or advantage; or receiving money from anyone other than the state for the performance of his or her duties as a state officer or employee.

Section 19990, subdivision (d) prohibits a state officer or employee from "performance of an act in other than his or her capacity as a state officer or employee knowing that the act may later be subject, directly or indirectly to the control, inspection, review, audit, or enforcement by the officer or employee."

AICPA and CalCPA via its association with AICPA, are subject to the Board's standards for peer reviewers and if such standards are not met, the Board may rescind AICPA's authorization to administer peer reviews in California. There is concern that being a member of AICPA is an incompatible work activity for a PROC member since AICPA is regulated by the Board. However, AICPA is not regulated by the PROC and simply

being a member of AICPA would not in and of itself be considered an incompatible work activity since membership in AICPA is not something that would come under inspection, review, or audit of the PROC. Unless the PROC member who is also an AICPA member engages in activity within AICPA that would be subject to the inspection, review, or audit of the PROC, simply being a member of AICPA would not be considered an incompatible work activity of being a member of the PROC.

(2) PROC Member conducting peer reviews as a self-employed individual.

(A) Political Reform Act

Section 87100 of the Act prohibits any public official (including state employees) from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. When a PROC member conducts peer reviews as a self-proprietor/self-employed individual, payment is received from the firm that is subject to the peer review process. The PROC does not exercise any regulatory control or authority over peer reviews or the firms that are subject to the peer review process. Further, the PROC member who is conducting peer reviews as a self-employed individual would not have any financial interests in any governmental decisions involving his peer review since neither the peer review report nor the firm that is subject to the peer review process come before the PROC. Thus, there is no violation of the Act.

(B) Conflict of Interest in Contracts

Government Code Section 1090 essentially prohibits public officials, acting in their official capacities, from making contracts in which they are financially interested. When a conflict of interest exists within the meaning of section 1090, the contract is void and unenforceable even if the financially interested member of a particular body or board refrains from participating in any of the steps involved in making the contract. (*Thomson v. Call* (1985) 38 Cal.3d 633,649; *Stigall v. City of Taft* (1962) 58 Cal.2d 565, 570-571.). Based on the facts presented, there are no PROC members that conduct peer reviews as a self-employed individual who have any financial interest in any contract involving the PROC. In fact, the PROC does not currently have any outstanding contracts with any person or entity. Thus, because section 1090 of the Government Code is inapplicable here, there is no violation of section 1090.

(C) Common Law Doctrine Against Conflicts of Interest

As previously stated, public officials are prohibited from placing themselves in a position where other private and/or personal interests may conflict with their official duties. A PROC member conducting peer reviews as a self-employed individual could possibly have his peer review report viewed by the PROC. If that were to occur, the PROC member would have to recuse himself from viewing his own work to avoid any common-

law conflicts of interest. However, no facts were presented that indicate any PROC member who might be conducting peer reviews as a self-employed individual was reviewing his own peer review report in the official capacity of a PROC member. Thus, there would be no violation of the common law doctrine against conflicts of interest. A PROC member who conducts peer reviews must ensure that he does not view any of his own peer review reports.

(D) Incompatible Work Activities

According to section 19990 of the Government Code, a state officer or employee is prohibited from engaging in any activity wherein such activity may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by the state officer or employee.

A PROC member who conducts peer reviews as a self-employed individual could have his/her peer review or peer review report viewed by certain members of the PROC. However, the actual review of the peer review report for final acceptance is not the responsibility of the PROC or any of the PROC members. The PROC does not inspect, review, or audit peer review reports for accuracy or acceptance; thus, a PROC member conducting peer reviews as a self-employed individual would not be engaging in an incompatible work activity so long as the peer review is not subject to the PROC or that PROC member's inspection or audit. As previously stated, certain PROC members might have the opportunity to view a peer review report for informational purposes related to the PROC's oversight of peer review program providers. Thus, the PROC member conducting peer reviews must ensure that he does not view any of his own peer review reports.

(3) PROC Member conducting peer reviews as an employee of a firm that conducts peer reviews.

(A) Political Reform Act

Section 87100 of the Act prohibits any public official (including state employees) from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. When a PROC member conducts peer reviews as an employee of a firm that conducts peer reviews, the peer reviewer's firm receives payment from the firm that is subject to the peer review process. The PROC does not exercise any regulatory control or authority over peer reviews, the firms that hire peer reviewers, or the firms that are subject to the peer review process. Thus, there would be no violation of the Act since the PROC member who is conducting peer reviews as an employee of a firm that conducts peer reviews would not have any financial interests in any governmental decisions involving his peer review as the peer review report, the firm that hired the peer reviewer, and the firm that is subject to the peer review process do not appear before the PROC.

(B) Conflict of Interest in Contracts

Government Code Section 1090 essentially prohibits public officials, acting in their official capacities, from making contracts in which they are financially interested. When a conflict of interest exists within the meaning of section 1090, the contract is void and unenforceable even if the financially interested member of a particular body or board refrains from participating in any of the steps involved in making the contract.

(*Thomson v. Call* (1985) 38 Cal.3d 633,649; *Stigall v. City of Taft* (1962) 58 Cal.2d 565, 570-571.). Based on the facts presented, there are no PROC members who conduct peer reviews as an employee of a firm that conducts peer reviews who have any financial interest in any contract involving the PROC. Thus, because section 1090 of the Government Code is inapplicable here, there is no violation of section 1090.

(C) Common Law Doctrine Against Conflicts of Interest

As previously stated, public officials are prohibited from placing themselves in a position where other private and/or personal interests may conflict with their official duties. A PROC member conducting peer reviews as an employee of a firm conducting peer reviews could possibly have his peer review report viewed by the PROC. If that were to occur, the PROC member would have to recuse himself from viewing his own work to avoid any common-law conflicts of interest. However, no facts were presented that indicate any PROC member who might be conducting peer reviews as an employee of a firm conducting peer reviews was viewing his own peer review report in the official capacity of a PROC member. Thus, there would be no violation of the common law doctrine against conflicts of interest so long as the PROC member conducting peer reviews as an employee of a firm conducting peer reviews does not view any of his own peer review reports.

(D) Incompatible Work Activities

According to section 19990 of the Government Code, a state officer or employee is prohibited from engaging in any activity wherein such activity may later be subject, directly or indirectly to the control, inspection, review, audit, or enforcement by the state officer or employee.

A PROC member who conducts peer reviews as an employee of a firm that conducts peer reviews could have his/her peer review or peer review report viewed by certain members of the PROC. However, the actual review of the peer review report for final acceptance is not the responsibility of the PROC or any of the PROC members. The PROC does not inspect, review, or audit peer review reports or the firm's work for accuracy or acceptance, nor does the PROC regulate firms conducting peer reviews. Thus, a PROC member conducting peer reviews as an employee of a firm that conducts peer reviews would not be engaging in an incompatible work activity so long as the peer review is not subject to the PROC or that PROC member's inspection or audit. As

previously stated, certain PROC members might have the opportunity to view a peer review report for informational purposes related to the PROC's oversight of peer review program providers. Thus, the PROC member conducting peer reviews must ensure that he does not view any of his own peer review reports or any peer review reports associated with the firm for which he works.

(4) PROC Member who is an owner and/or partner of a firm that conducts peer reviews, but the PROC Member does not conduct peer reviews.

(A) Political Reform Act

Section 87100 of the Act prohibits any public official (including state employees) from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. It is undisputed that a PROC member who is an owner and/or partner of a firm that conducts peer reviews but is not a peer reviewer, has a financial interest in the firm, which is subject to regulation by the Board. However, since firms that conduct peer reviews are not subject to any sort of regulation by the PROC, nor is any peer review associated with the firm, there is no opportunity for the firm to have to come before the PROC in any regulatory matters. Thus, there would be no violation of the Act since there would be no governmental decisions that the PROC would engage in when it comes to the PROC member's firm of which he is an owner and/or partner. No facts were presented to suggest that any PROC member has any financial interests in any governmental decisions that come before the PROC as it relates to a firm conducting peer reviews of which the PROC member is an owner and/or partner.

(B) Conflict of Interest in Contracts

Government Code Section 1090 essentially prohibits public officials, acting in their official capacities, from making contracts in which they are financially interested. When a conflict of interest exists within the meaning of section 1090, the contract is void and unenforceable even if the financially interested member of a particular body or board refrains from participating in any of the steps involved in making the contract. (*Thomson v. Call* (1985) 38 Cal.3d 633,649; *Stigall v. City of Taft* (1962) 58 Cal.2d 565, 570-571.). Based on the facts presented, there are no PROC members that own or are a partner in a firm that conducts peer reviews who have any financial interest in any contract involving the PROC. Thus, because section 1090 of the Government Code is inapplicable here, there is no violation of section 1090.

(C) Common Law Doctrine Against Conflicts of Interest

As previously stated, public officials are prohibited from placing themselves in a position where other private and/or personal interests may conflict with their official duties. A PROC member who is an owner and/or partner of a firm that conducts peer reviews, but

who does not himself conduct peer reviews would not have any peer review report reviewed or audited by the PROC since the PROC is not charged with reviewing peer reports for final acceptance. However, this PROC member might have the opportunity to view a peer review conducted by a peer reviewer associated with the firm wherein he is an owner and/or partner. To avoid any common law conflicts of interest, this PROC member should not view any peer reviews from the firm in which he is an owner and/or partner. However, no facts were presented that indicate any PROC member who is an owner and/or partner of a firm that conducts peer reviews, but who does himself conduct peer reviews, viewed any peer review report from his firm in the official capacity of a PROC member. Thus, there would be no violation of the common law doctrine against conflicts of interest.

(D) Incompatible Work Activities

According to section 19990 of the Government Code, a state officer or employee is prohibited from engaging in any activity wherein such activity may later be subject, directly or indirectly to the control, inspection, review, audit, or enforcement by the state officer or employee.

When a PROC member is an owner and/or partner of a firm that conducts peer reviews, but is not a peer reviewer for the firm, the peer reviews or peer review reports conducted by those associated with the firm may still be viewed by certain members of the PROC. However, the actual review of the peer review report for final acceptance is not the responsibility of the PROC or any of the PROC members. The PROC does not inspect, review, or audit peer review reports or the firm's work for accuracy or acceptance, nor does the PROC regulate firms conducting peer reviews; thus, a PROC member who is an owner and/or partner of a firm that conducts peer reviews, but is not a peer reviewer of the firm would not be engaging in an incompatible work activity so long as the peer review that is associated with the firm is not subject to the PROC or PROC member's inspection or audit. As previously stated, certain PROC members might have the opportunity to view a peer review report for informational purposes related to the PROC's oversight of peer review program providers. Thus, this PROC member must ensure that he does not view any peer review reports associated with the firm in which the PROC member is an owner and/or partner.

(5) Form 700 and Conflicts.

The Act requires most state and local government officials and employees to publicly disclose their personal assets and income. They must also disqualify themselves from participating in decisions which may affect their personal economic interests. The Fair Political Practices Commission's Form 700 is used to file statements of economic interests. The Department of Consumer Affairs' Conflict of Interest Code lists designated individuals who must file, along with the types of disclosure required.

Members of the PROC are designated as Disclosure Category 4, which means that they must report:

All interests in real property and investments and business positions in, and any income, including gifts, loans and travel payments from, a business entity, professional association or individual where the business entity, professional association or individual's profession is regulated by or offers programs or courses qualifying for licensing or continuing education credit by the official's or employee's licensing agency.

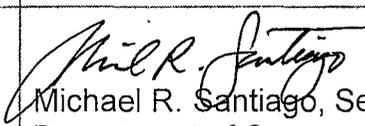
If any PROC member receives any income, gifts, loans, or travel payments from any person or entity (as defined by the Act) regulated by the Board, he or she must disclose the financial interest on the Form 700. This would be true even if such person or entity is not regulated in any manner by the PROC since Disclosure Category 4 requires disclosure when the regulation stems from the "official's or employee's licensing agency." A PROC member would be deemed to have a financial interest in a decision if certain financial limits are met. Thus, it would be correct to state that the Form 700 serves as a means of disclosure and mitigation of potential conflicts involving specified financial interests.

V. CONCLUSION

Based on the foregoing, PROC members might be prohibited from engaging in certain activities based on possible violations of the PRA, common-law doctrine against conflicts of interest, and/or the Incompatible Work Activities Policy. This analysis would of course be subject to change should any new facts be presented.



**ATTORNEY-CLIENT PRIVILEGED COMMUNICATION
ATTORNEY WORK PRODUCT**

MEMORANDUM	
DATE	March 12, 2012
TO	Patty Bowers, Executive Officer Board of Accountancy
FROM	 Michael R. Santiago, Senior Staff Counsel Department of Consumer Affairs, Legal Office
SUBJECT	Conflicts of Interest Involving Members of the Peer Review Oversight Committee

This memo is a continuation of the memo dated August 30, 2011. Because the additional questions in this memo have the same facts and background information from the previous memo, the August 30, 2011 memo is attached for reference.

I. QUESTIONS

You have asked additional questions regarding members of the Board of Accountancy's ("Board") Peer Review Oversight Committee ("PROC"):

- (6) Can a PROC member be an owner/partner of a firm that conducts peer reviews, and the PROC member also conducts peer reviews for that firm?
- (7) Can a PROC member be an owner/partner in a firm that audits CalCPA?

II. SHORT ANSWERS

- (6) Yes. A PROC member can be an owner/partner of a firm that conducts peer reviews, and also conduct peer reviews for that firm.
- (7) Yes. A PROC member can be a partner in a firm that audits CalCPA.

III. BACKGROUND

Please see Background from the August 30, 2011 memo.

IV. ANALYSIS

(6) PROC Member who is an owner and/or partner of a firm that conducts peer reviews, and the PROC Member also conducts peer reviews.

(A) Political Reform Act

Section 87100 of the Act prohibits any public official (including state employees) from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. It is undisputed that a PROC member who is an owner and/or partner of a firm that conducts peer reviews and is also a peer reviewer for that firm, has a financial interest in the firm, which is subject to regulation by the Board. However, since firms that conduct peer reviews are not subject to any sort of regulation by the PROC, nor is any peer review associated with the firm, there is no opportunity for the firm to have to come before the PROC in any regulatory matters. Thus, there would be no violation of the Act since there would be no governmental decisions that the PROC would engage in when it comes to the PROC member's firm of which he is an owner and/or partner. No facts were presented to suggest that any PROC member has any financial interests in any governmental decisions that come before the PROC as it relates to a firm conducting peer reviews wherein the PROC member is an owner and/or partner, and also a peer reviewer for that firm.

(B) Conflict of Interest in Contracts

Government Code Section 1090 essentially prohibits public officials, acting in their official capacities, from making contracts in which they are financially interested. When a conflict of interest exists within the meaning of section 1090, the contract is void and unenforceable even if the financially interested member of a particular body or board refrains from participating in any of the steps involved in making the contract. (*Thomson v. Call* (1985) 38 Cal.3d 633,649; *Stigall v. City of Taft* (1962) 58 Cal.2d 565, 570-571.). Based on the facts presented, there are no PROC members who also conduct peer reviews for the firm that they own or are a part owner, who have any financial interest in any contract involving the PROC. Thus, because section 1090 of the Government Code is inapplicable here, there is no violation of section 1090.

(C) Common Law Doctrine Against Conflicts of Interest

As previously stated, public officials are prohibited from placing themselves in a position where other private and/or personal interests may conflict with their official duties. A PROC member who is an owner and/or partner of a firm that conducts peer reviews, and also conducts peer reviews for that firm would not have any peer review report reviewed or audited by the PROC since the PROC is not charged with reviewing peer reports for final acceptance. However, this PROC member might have the opportunity to view a peer review conducted by a peer reviewer associated with the firm wherein he is an owner and/or partner. To avoid any common law conflicts of interest, this PROC

member should not view any peer reviews from the firm in which he is an owner/partner. No facts were presented to indicate that any PROC member who is an owner and/or partner of a firm that conducts peer reviews, and who also conducts peer reviews, viewed any peer review report from his firm in the official capacity of a PROC member. Thus, there would be no violation of the common law doctrine against conflicts of interest. A PROC member who conducts peer reviews for the firm in which he is an owner/partner must ensure that he does not view any of his own peer review reports.

(D) Incompatible Work Activities

According to section 19990 of the Government Code, a state officer or employee is prohibited from engaging in any activity wherein such activity may later be subject, directly or indirectly to the control, inspection, review, audit, or enforcement by the state officer or employee.

When a PROC member is an owner and/or partner of a firm that conducts peer reviews, and also conducts peer reviews for the firm, the peer reviews or peer review reports conducted by those associated with the firm may still be viewed by certain members of the PROC. However, the actual review of the peer review report for final acceptance is not the responsibility of the PROC or any of the PROC members. The PROC does not inspect, review, or audit peer review reports or the firm's work for accuracy or acceptance, nor does the PROC regulate firms conducting peer reviews; thus, a PROC member who is an owner and/or partner of a firm that conducts peer reviews, and who also conducts peer reviews for the firm would not be engaging in an incompatible work activity so long as the peer review that is associated with the firm or the PROC member is not subject to the PROC or PROC member's inspection or audit. As previously stated, certain PROC members might have the opportunity to view a peer review report for informational purposes related to the PROC's oversight of peer review program providers. Thus, this PROC member must ensure that he does not view any peer review reports associated with the firm in which the PROC member is an owner and/or partner. This PROC member must also ensure that he does not view any of his own peer review reports.

(7) PROC member who is an owner/partner of a firm that audits CalCPA.

As stated in the August 30, 2011 memo, CalCPA is the entity that administers the AICPA peer review program in California. CalCPA is not under the jurisdiction of either the Board or the PROC. However, the accounting firms that provide accounting and auditing services to CalCPA are licensees subject to the Board's jurisdiction. CalCPA routinely contracts with an accounting firm to provide accounting and auditing services. As a quality assurance measure, the accounting firm retained by CalCPA reviews and audits CalCPA's financial statements to ensure they materially and fairly represent the financial standing of the organization. Such financial statements are made available to CalCPA's board of directors and members.

(A) Political Reform Act

Section 87100 of the Act prohibits any public official (including state employees) from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. It is undisputed that a PROC member who is an owner and/or partner of a firm that audits CalCPA has a financial interest in the firm, which is subject to regulation by the Board. However, since firms that conduct audits of CalCPA are not subject to any sort of regulation by the PROC, there is no opportunity for the firm to have to come before the PROC in any regulatory matters. Thus, there would be no violation of the Act since there would be no governmental decisions that the PROC would engage in when it comes to the PROC member's firm of which he is an owner and/or partner. No facts were presented to suggest that any PROC member has any financial interests in any governmental decisions that come before the PROC as it relates to a firm conducting audits of CalCPA.

(B) Conflict of Interest in Contracts

Government Code Section 1090 essentially prohibits public officials, acting in their official capacities, from making contracts in which they are financially interested. When a conflict of interest exists within the meaning of section 1090, the contract is void and unenforceable even if the financially interested member of a particular body or board refrains from participating in any of the steps involved in making the contract. (*Thomson v. Call* (1985) 38 Cal.3d 633,649; *Stigall v. City of Taft* (1962) 58 Cal.2d 565, 570-571.). Based on the facts presented, there is no PROC member who is an owner/partner of a firm that conducts audits of CalCPA, who has any financial interest in any contract involving the PROC. Thus, because section 1090 of the Government Code is inapplicable here, there is no violation of section 1090.

(C) Common Law Doctrine Against Conflicts of Interest

As previously stated, public officials are prohibited from placing themselves in a position where other private and/or personal interests may conflict with their official duties. A PROC member who is an owner/partner of a firm that audits CalCPA would not appear to have any type of personal conflict with their official duties as a PROC member since the financial audits of CalCPA are not reviewed in any manner by the PROC. No other facts were presented to suggest that any personal interests would lead to any conflicts of interest. Thus, there would be no violation of the common law doctrine against conflicts of interest.

(D) Incompatible Work Activities

According to section 19990 of the Government Code, a state officer or employee is prohibited from engaging in any activity wherein such activity may later be subject, directly or indirectly to the control, inspection, review, audit, or enforcement by the state officer or employee.

When a PROC member is an owner and/or partner of a firm that audits CalCPA, the financial audits or reports on CalCPA do not come before the PROC for inspection or review. The PROC does not inspect, review, or audit the firm's work for accuracy or acceptance, nor does the PROC regulate firms conducting audits of CalCPA; thus, a PROC member who is an owner and/or partner of a firm that audits CalCPA would not be engaging in an incompatible work activity so long as the audit that is associated with the firm or the PROC member is not subject to the PROC or PROC member's inspection or audit.

V. CONCLUSION

Based on the foregoing, there would be no violation of any laws when a PROC member is an owner/partner of a firm that conducts peer reviews, and also conducts peer reviews for that firm. Additionally, it would not be a violation of any laws when a PROC member is an owner/partner of a firm that audits CalCPA.

This analysis would of course be subject to change should any new facts be presented.

I hope that the foregoing is of assistance.

Sincerely,

DOREATHEA JOHNSON
Deputy Director
Legal Affairs

By: MICHAEL R. SANTIAGO
Senior Staff Counsel



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



Peer Review Oversight Committee

Summary of Administrative Site Visit

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) is charged with conducting, at a minimum, an annual administrative site visit of all Board-recognized peer review program providers. The visit will be to determine if the provider is administering peer reviews in accordance with the standards adopted by the California Board of Accountancy (CBA). The visit is then summarized and reported to the CBA as part of the PROC reporting.

Date of Visit: _____

Name of Peer Review Program Provider: _____

PROC Members Performing Visit:

1. List program staff interviewed as part of the oversight visits:			
Name:	Title:		

PEER REVIEW REPORT ISSUANCE	YES	NO	N/A
1. For each type of review above, does the Provider issue the following type of peer review reports:			
a. Pass? System of quality control was suitably designed, or engagements were performed in conformity with applicable professional standards.			
b. Pass with Deficiencies? System of quality control was suitably designed with the exception of a certain deficiency, or engagements were performed in conformity with applicable professional standards with the exception of a certain deficiency.			
c. Substandard? System of control is not suitably designed, or engagements were not performed in conformity with applicable professional standards.			
Comments:			
PEER REVIEWER QUALIFICATIONS	YES	NO	N/A
1. Has the Provider established minimum qualifications for an individual to qualify as a peer reviewer, to include:			
a. Having a valid and active license in good standing to practice public accounting by this state or another state?			
b. Being actively involved in practicing at a supervisory level in a firm's accounting and auditing practice?			
c. Maintaining 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?			
d. Furnishing his/her qualifications to be a reviewer, including recent industry experience?			
e. Association with a firm that has received a peer review report with a rating of pass or pass with deficiencies as part of the firm's last peer review?			
Comments:			

PLAN OF ADMINISTRATION AND ACCEPTING PEER REVIEWS (cont)	YES	NO	N/A
e. Ensuring adequate peer reviewers to perform peer reviews?			
f. Ensuring the pool of peer reviewers have a breadth of knowledge related to industry experience.			
g. Ensuring the qualifications of peer reviewers?			
h. Evaluating a peer reviewer's performance on peer reviews?			
3. Has the Provider established a training program(s) designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews?			
4. Does the Provider ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and the peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge?			
5. Does the Provider require the maintenance of records of peer reviews conducted under the Program, including at 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?			
Comments:			
COMPOSITION OF THE PEER REVIEW COMMITTEE (PRC)	YES	NO	N/A
1. Do the PRC members meet the peer reviewer qualification requirements as outlined in the Peer Reviewer Qualifications section above?			
2. In determining the size of the PRC, did the Provider consider the requirement for a 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. Is any PRC member currently serving as a member of the CBA?			
4. Do PRC members comply with all confidentiality requirements by annually signing a statement acknowledging their appointments and the responsibilities and obligations of their appointments?			
Comments:			

REPORTING RESPONSIBILITIES	YES	NO	N/A
1. Has the Provider made available, at a minimum, the following:			
a. Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms?			
b. Information concerning the extent to which the Program has reviewed the quality of the reviewers' working papers in connection with the acceptance of reviews?			
c. Statistical data maintained by the Program related to its role in the administration of peer reviews?			
d. Information concerning the extent to which the Program has reviewed the qualifications of its reviewers?			
e. Sufficient documents to conduct sample reviews of peer reviews accepted by the Program? These may include, at minimum, the report; reviewer working papers prepared or reviewed by the Program's PRC in association with the acceptance of the review; and materials concerning the acceptance of the review, the imposition of required remedial or corrective actions, the monitoring procedures applied, and the results.			
2. Has the Provider made available, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provided the reason for expulsion?			
a. If so, was the CBA notified within 30 days of notification of the firm's expulsion?			
Comments:			
SUMMARY			
1. Based upon a walkthrough, rate the administrative staff's knowledge of the Provider's program: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations			

SUMMARY (cont)

2. Were any specific issues identified and discussed?

3. Has the Provider demonstrated improvement from any prior oversight visit?

4. Does the Provider administer peer reviews in accordance with the standards adopted by the CBA?

Meets Expectations Does Not Meet Expectations*

Comments:

The above checklist was prepared by:

Print Name

Signature

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



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



Peer Review Oversight Committee

Summary of Peer Review Committee Meeting

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Peer Review Committee (PRC) meetings as further described in the PROC's operating guidelines. The PRC meetings occur several times a year. PRC members are provided with the agenda and other meeting materials subject to discussion at the meeting and often cover appropriate handling of issues observed or encountered during peer reviews, to ensure consistency of treatment amongst peer reviewers. The objective of this aspect of PROC oversight is to observe how the PRC 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 (CBA) as part of the PROC reporting.

Please note, PRC meetings generally include break-out sessions for 3 or 4 separate Report Acceptance Body (RAB) meetings; in these instances, the PROC member should refer to the Subcommittee Meeting checklist.

Date of Meeting: _____

Name of Peer Review Program Provider: _____

1. Does it appear that the meeting has been adequately planned? Have members been provided an agenda and supporting materials in sufficient time to review and contribute to the meeting?			
2. Do the members appear prepared for the meeting? Does it appear that the members have reviewed the materials provided prior to attending the meeting?			
3. Are there a required minimum number of committee members present?			
4. Do the members appear knowledgeable about their responsibilities?			
5. Are technical reviewers available during the meeting to address issues as they arise?			
6. Do technical reviewers appear knowledgeable about their responsibilities?			
7. Were any specific problems or issues discussed?			
8. When issues arise in RAB meetings that cannot be resolved by the RAB, are all PRC members asked to discuss their position?			
9. Do the members consider how the AICPA National Peer Review Group or how other states handle the issues being discussed?			
10. Does it appear that appropriate decisions made regarding:			
Monitoring issues.			
Scope of the review.			
Revisions to review documents.			

Evaluation of General Meeting Process (cont)	YES	NO	N/A
Corrective or monitoring actions.			
Requests for extension.			
Conclusions on problem review.			
EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION	YES	NO	N/A
11. Does the Committee consider technical reviewers' recommendations and then come to its own decision?			
12. Has the Committee agreed to take any action on the problems or issues raised?			
13. Please comment on the Committee's knowledge of acceptance procedures and corrective/monitoring actions:			
<input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
14. Does the Committee discuss the performance of Team Captains?			
15. Does the Committee provide adequate feedback to Team Captains when performance issues are identified?			
16. Does the Committee's feedback to Team Captains aid in improving the peer review program?			
17. Do the Committee members believe sufficient guidance is provided by the program and the various manuals and procedure documents?			
18. In what areas do committee members believe additional guidance is needed:			
19. Has the Committee demonstrated improvement from any prior oversight visit report?			
20. At the conclusion of the meeting discuss your findings with the organization's Peer Review Committee Chair and Program Director:			
<input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
21. Comments:			

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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 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
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 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



Peer Review Oversight Committee

Summary of Peer Review Subcommittee Meeting
 (Report Acceptance Body Meeting)

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Report Acceptance Body (RAB) meetings as further described in the PROC's operating guidelines. The RAB meetings generally occur via conference call. RAB members are provided with the materials needed to review and present the peer reports subject to discussion 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 RAB 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: _____

1. Do the RAB members appear knowledgeable about their responsibilities?			
2. Do the RAB members resolve inconsistencies and disagreements before accepting the reports?			
3. If inconsistencies and disagreements are not resolved, are alternative courses of action agreed to (including but not limited to further research of the unresolved matters with discussion planned to occur at a future meeting)?			
4. Are RAB members 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.			

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION (cont)	YES	NO	N/A
Appropriateness of recommended corrective or monitoring actions.			
5. Based upon your observations, were the Committee's discussions and their conclusions on the reviews presented reasonable?			
6. 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
7. Was sufficient time allowed for discussion of each report or matter?			
8. Were there a required minimum number of committee members present?			
9. Was the nature of the discussion appropriate and were recommendations for courses of action reasonable for the reports discussed? (consider recommendations for education, discipline, etc.)			
10. Do members appear to have a good rapport with one another and openly/candidly provide feedback for the report discussions?			
11. Were any specific problems or issues discussed?			
12. Comments regarding the overall evaluation of general meeting process:			
CONCLUSION			
13. 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*			
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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 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
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Peer Review Oversight Committee

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: _____

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.

DOCUMENT PENDING COMPLETION

~~DOCUMENT PENDING COMPLETION~~



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
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Peer Review Oversight Committee

Summary of Peer Reviewer Training Course

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.

Course Date: _____

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. Did the course achieve the training objectives?			
4. Comments regarding the overall evaluation of the technical aspects of the peer reviewer training:			

EVALUATION OF THE TRAINING PROCESS	YES	NO	N/A
5. Does the instructor keep the class engaged and involved in discussions?			
6. Does the instructor respond to questions from participants accurately and respectfully?			
7. Is sufficient time allowed for material covered and experience level of participants?			
8. Are the instructors' presentations skills effective for this course?			
9. Are the training materials relevant to the subject matter?			
10. Are the training materials useful/organized as a reference guide to peer reviewers?			
11. Comments regarding the overall evaluation of general training process:			
CONCLUSION			
12. 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*			
13. Other comments, if any:			

The above summary was prepared by:

Print Name

Signature

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



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 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
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PEER REVIEW PROGRAM PROVIDER CONTACT INFORMATION

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

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
----------	----------

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.

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(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.		
(C) 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.		

The following recommendation was adopted by the PROC on _____:

Approval Denial

PROC Chair

Date

PROC Vice Chair

Date

Comments:
